

PRELIMINARY LIMITED OFFERING MEMORANDUM DATED MARCH 16, 2017

NEW ISSUE - BOOK-ENTRY-ONLY

RATING: See "RATING OF THE SERIES 2017 BONDS"

In the opinion of Norton Rose Fulbright US LLP, Austin, Texas, Special Tax Counsel, under existing law, subject to the matters described under the heading "TAX MATTERS – SERIES 2017A BONDS" herein, interest on the Series 2017A Bonds is excluded from gross income for federal income tax purposes and will not be included in the federal alternative minimum tax for individuals or, except as described herein, corporations. See "TAX MATTERS – SERIES 2017A BONDS" herein, which includes a discussion of the federal alternative minimum tax consequences for corporations. **Interest on the Series 2017B Bonds is not excluded from gross income for federal income tax purposes.** See "TAX MATTERS – SERIES 2017B BONDS" herein. In the opinion of Special Tax Counsel, under existing law, interest on the Series 2017 Bonds is exempt from personal income taxes of the State of California.

\$54,250,000[†]

CALIFORNIA PUBLIC FINANCE AUTHORITY
University Housing Revenue Bonds
(NCCD - Claremont Properties LLC –
Claremont Colleges Project)
Series 2017A

\$250,000[†]

CALIFORNIA PUBLIC FINANCE AUTHORITY
Taxable University Housing Revenue Bonds
(NCCD - Claremont Properties LLC –
Claremont Colleges Project)
Series 2017B

Dated: Date of Delivery

Due: As Described Herein

The Series 2017A Bonds are being issued by the California Public Finance Authority (the "Authority") to provide funds (i) to finance substantially all of the cost of acquiring, constructing, furnishing, and equipping an approximately 419-bed student, faculty, and staff housing facility, including the buildings, furniture, fixtures, and equipment therefor (together with associated site development and various related amenities and improvements, the "Housing Facility") and approximately 10,000 square feet of classroom and additional space (the "KGI Space" and, together with the Housing Facility, the "Series 2017 Project") to be located on the campus of The Keck Graduate Institute of Applied Life Sciences ("KGI") in the City of Claremont, California (the "City"), (ii) to fund the costs of the initial marketing of the Series 2017 Project, (iii) to provide start-up working capital for the Series 2017 Project, (iv) to fund interest on the Series 2017A Bonds during the construction of the Series 2017 Project, (v) to fund the Debt Service Reserve Fund for the Series 2017A Bonds, and (vi) to fund a portion of the costs of issuing the Series 2017A Bonds. The Series 2017B Bonds are being issued by the Authority (i) to finance a minor portion of the cost of acquiring, constructing, furnishing, and equipping the Series 2017 Project, (ii) to fund the remaining portion of the costs of issuing the Series 2017A Bonds, (iii) to fund interest on the Series 2017B Bonds during the construction of the Series 2017 Project, and (iv) to fund the costs of issuing the Series 2017B Bonds. The Series 2017 Project will be owned and operated by NCCD - Claremont Properties LLC (the "Borrower"), a California single member limited liability company whose sole member is National Campus and Community Development Corporation (the "Corporation"), a Texas non-profit corporation, and will be located on a site leased to the Borrower by KGI pursuant to a Ground Lease Agreement (the "Ground Lease") dated as of _____, 2017, between KGI, as ground lessor, and the Borrower, as ground lessee. The KGI Space will be leased to KGI pursuant to a Facility Lease Agreement (the "Facility Lease") dated as of _____, 2017, between the Borrower, as lessor, and KGI, as lessee.

THE SERIES 2017A BONDS AND THE SERIES 2017B BONDS (collectively, the "SERIES 2017 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, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR UNDER THE TRUST INDENTURE (the "INDENTURE") DATED AS OF _____, 2017, BETWEEN THE AUTHORITY AND WILMINGTON TRUST, N.A., AS TRUSTEE (the "TRUSTEE") AND THE OTHER BOND DOCUMENTS (AS DEFINED HEREIN). THE AUTHORITY WILL NOT BE OBLIGATED TO PAY THE PRINCIPAL AND REDEMPTION PRICE OF, AND PREMIUM, IF ANY, AND INTEREST ON (collectively, the "DEBT SERVICE PAYMENTS"), THE SERIES 2017 BONDS EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER THE INDENTURE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE REDEMPTION PREMIUM (IF ANY) OR INTEREST ON THE SERIES 2017 BONDS. THE ISSUANCE OF THE SERIES 2017 BONDS WILL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER. MOREOVER, NEITHER THE AUTHORITY NOR THE CITY WILL BE LIABLE FOR ANY OTHER COSTS, EXPENSES, LOSSES, DAMAGES, CLAIMS, OR ACTIONS ON CONNECTION WITH THE LOAN AGREEMENT (AS DEFINED HEREIN), THE SERIES 2017 BONDS, OR THE INDENTURE, EXCEPT ONLY TO THE EXTENT AMOUNTS ARE RECEIVED FOR THE PAYMENT THEREOF FROM THE BORROWER UNDER THE LOAN AGREEMENT.

The Series 2017 Bonds will be issuable as fully registered bonds without coupons in the denominations of \$100,000 and multiples of \$5,000 in excess thereof. The Series 2017 Bonds will bear interest from the date of issuance and delivery thereof, payable semiannually on each January 1 and July 1, commencing January 1, 2018 (each, an "Interest Payment Date"). Principal and interest payments on the Series 2017 Bonds will be made by the Trustee to the registered owners of the Series 2017 Bonds as of the close of business on the fifteenth (15th) day (whether or not a business day) of the month immediately preceding each Interest Payment Date. **The Series 2017 Bonds will be subject to prior redemption as described herein.** See "THE SERIES 2017 BONDS" herein. Unless and until the Trustee and the Authority shall have received an Investment Grade Notice (as defined herein), the Series 2017 Bonds may be transferred only to "qualified institutional buyers" or "accredited investors" (both as defined herein).

The Series 2017 Bonds will be issued as fully registered bonds and when issued will be initially registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2017 Bonds and purchasers of the Series 2017 Bonds will not receive certificates evidencing their ownership interests therein. So long as Cede & Co. is the registered owner of the Series 2017 Bonds as nominee of DTC, references herein to the Owners of the Series 2017 Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the Series 2017 Bonds. So long as Cede & Co. is the registered owner of the Series 2017 Bonds, the Debt Service Payments on the Series 2017 Bonds will be made to Cede & Co., as nominee for DTC, which will in turn remit such Debt Service Payments to the Direct Participants and Indirect Participants for subsequent disbursement to the beneficial owners. See "BOOK-ENTRY SYSTEM" in APPENDIX "F."

SEE "CERTAIN BONDHOLDERS' RISKS" HEREIN FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2017 BONDS. EACH PROSPECTIVE PURCHASER SHOULD CONSIDER THE RISKS INVOLVED TO DETERMINE THE SUITABILITY OF AN INVESTMENT IN THE SERIES 2017 BONDS.

The Series 2017 Bonds are offered when, as, and if issued by the Authority and received by the Underwriter and are subject to prior sale and the approval of legality by Nixon Peabody LLP, Los Angeles, California, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Authority by Orrick, Herrington & Sutcliffe LLP, San Francisco, California; for the Borrower and the Corporation by Waller Lansden Dortch & Davis, LLP, Nashville, Tennessee; and for the Underwriter by Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina. Delivery of the Series 2017 Bonds to DTC in New York, New York is expected on or about April ____, 2017.

RAYMOND JAMES®

Dated: _____, 2017

[†] Preliminary, Subject to Change

This Preliminary Limited Offering Memorandum and the information contained herein are subject to completion or amendment in a Final Limited Offering Memorandum. Under no circumstances shall this Preliminary Limited Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Series 2017 Bonds offered hereby in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of that jurisdiction.

\$54,250,000[†]
California Public Finance Authority
University Housing Revenue Bonds
(NCCD - Claremont Properties LLC - Claremont Colleges Project)
Series 2017A

SERIES 2017A BONDS MATURITY SCHEDULE[†]

\$ _____	% Term Bond due July 1, 2027, Price _____	%, Yield ^{††} _____	%, CUSIP ^{†††} _____
\$ _____	% Term Bond due July 1, 2037, Price _____	%, Yield ^{††} _____	%, CUSIP ^{†††} _____
\$ _____	% Term Bond due July 1, 2047, Price _____	%, Yield ^{††} _____	%, CUSIP ^{†††} _____

\$250,000[†]
California Public Finance Authority
Taxable University Housing Revenue Bonds
(NCCD - Claremont Properties LLC - Claremont Colleges Project Project)
Series 2017B

SERIES 2017B BONDS MATURITY SCHEDULE[†]

\$ _____	% Term Bond due July 1, 2019, Price _____	%, Yield ^{††} _____	%, CUSIP ^{†††} _____
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ISSUER

CALIFORNIA PUBLIC FINANCE AUTHORITY

BOND COUNSEL

Nixon Peabody LLP, Los Angeles, California

SPECIAL TAX COUNSEL

Norton Rose Fulbright US LLP, Austin, Texas

COOPERATING UNIVERSITIES

The Keck Graduate Institute of Applied Life Sciences
and Claremont Graduate University

UNDERWRITER

Raymond James & Associates, Inc.

UNDERWRITER'S COUNSEL

Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina

[†] Preliminary, Subject to Change

^{††} Yield to first optional redemption date

^{†††} CUSIP numbers are copyright by the American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a Standard & Poor's Financial Services LLC business. This data is being provided solely for the convenience of the owners of the Series 2017 Bonds only at the time of issuance thereof, and the Authority does not make any representation with respect thereto or undertake any responsibility for its accuracy now or at any time in the future. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau.

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If and when included in this Limited Offering Memorandum or in documents incorporated herein by reference, the words “expects,” “intends,” “anticipates,” and “estimates” and analogous expressions are intended to identify “forward looking statements,” as defined in the Private Securities Litigation Reform Act of 1995. Any such statements, which may include statements contained in “**THE SERIES 2017 PROJECT**,” “**CERTAIN BONDHOLDERS’ RISKS**,” “**MARKET STUDY**,” and “**CASH FLOW PROJECTION**” inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. Such risks and uncertainties include, among others, general economic and business conditions; competition; changes in political, social, and economic conditions; regulatory initiatives and compliance with governmental regulations; discovery of previously unknown conditions; and various other events, conditions, and circumstances. These forward looking statements speak only as of the date of this Limited Offering Memorandum. The Authority, the Underwriter, and the Borrower expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward looking statement contained in this Limited Offering Memorandum to reflect any change in their expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This Limited Offering Memorandum does not constitute an offering of any security other than the original offering of the Series 2017 Bonds identified on the cover hereof. No dealer, broker, salesman, or other person has been authorized by the Authority, the Underwriter, the Borrower, any of The Claremont Colleges (as defined herein), or the Claremont Consortium (as defined herein) to give any information or to make any representations other than those contained in this Limited Offering Memorandum, and if given or made, such other information or representation must not be relied upon as having been given or authorized by any of the foregoing. The information set forth herein has been obtained from the Authority, the Borrower, The Claremont Colleges, and or the Claremont Consortium and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness. The delivery of this Limited Offering Memorandum at any time does not imply that the information herein is correct as of any time subsequent to its date. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Limited Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the Borrower, any of The Claremont Colleges, or the Claremont Consortium since the date hereof.

The Underwriter has reviewed the information in this Limited Offering Memorandum in accordance with, and as part of, its responsibilities to prospective purchasers of the Series 2017 Bonds under the federal securities laws as applied to the facts and circumstances of the offering made hereby, but the Underwriter does not guarantee the accuracy or completeness of such information.

Upon issuance, the Series 2017 Bonds will not be registered by the Authority under the Securities Act of 1933, as amended, or the securities law of any state, and will not be listed on any stock or other securities exchange. The Series 2017 Bonds have not been approved or disapproved by the Securities and Exchange Commission (the “**SEC**”), any stock or other securities exchange, or any agency of any state in which that may be offered. Neither the SEC nor any such stock or other securities exchange or state agency has guaranteed or passed on the safety of the Series 2017 Bonds as an investment, upon the probability of any earnings thereon, or upon the accuracy or adequacy of this Limited Offering Memorandum. Any representation to the contrary is a criminal offense. This Limited Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of, the Series 2017 Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

In connection with this offering, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Series 2017 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2017 Bonds to certain dealers and dealer banks and banks acting as agent at prices lower than the public offering price stated on the cover page hereof and said public offering price may be changed from time to time by the Underwriter.

There is currently no secondary market for the Series 2017 Bonds and there can be no assurance that a secondary market will exist, or that the Series 2017 Bonds can be sold for any particular price. Accordingly, a purchaser of the Series 2017 Bonds should recognize that an investment in the Series 2017 Bonds will in all likelihood be illiquid and be prepared to have his, her, or its funds committed until the Series 2017 Bonds mature or are redeemed.

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TABLE OF CONTENTS

SUMMARY STATEMENT	i	Management Agreement	29
INTRODUCTORY STATEMENT	1	Termination	30
ESTIMATED SOURCES AND USES OF FUNDS	3	Management Fee	30
THE AUTHORITY	3	THE SUBMANAGER	30
THE SERIES 2017 PROJECT	3	General	30
THE BORROWER	4	Key Personnel	30
General	4	Submanagement Agreement	31
The Corporation	4	Termination	31
Board of Directors of the Corporation	4	Submanagement Fee	31
NON-RECOURSE OBLIGATION OF THE BORROWER	5	ASSIGNMENT OF CONTRACTS AND AGREEMENTS	31
THE SERIES 2017 BONDS	5	KGI	31
General Description	5	General	31
Registration Provisions; Exchange; Replacement	6	Enrollment	31
Payment of the Series 2017 Bonds	7	Students	32
Book-Entry System for the Series 2017 Bonds	7	Tuition, Fees, and Room and Board Charges	32
Series 2017 Bonds Are Limited Obligations	8	No Liability With Respect to Payment of the Series	
Limited Obligations	8	2017 Bonds	32
Redemption	9	CGU	32
SECURITY AND SOURCES OF PAYMENT FOR THE SERIES		General	32
2017 BONDS	13	Enrollment	32
Limited Obligations	13	Students	33
Leasehold Deed of Trust, Security Agreement, and		Tuition, Fees, and Room and Board Charges	33
Assignment of Contracts and Agreements	14	No Liability With Respect to Payment of the Series	
Pledge of Pledged Revenues	14	2017 Bonds	33
Pledge and Assignment of Trust Estate	14	CLAREMONT UNIVERSITY CONSORTIUM	33
Debt Service Reserve Fund	15	General	33
Repair and Replacement Fund	15	Board of Overseers	34
Operating Reserve Fund	16	Executive Officers	34
Operations Contingency Fund	16	Programs and Services	34
Title and Property Insurance	16	No Liability With Respect to Payment of the Series	
Rate Covenant	16	2017 Bonds	36
Enforceability of Remedies	17	THE COOPERATION AGREEMENTS	36
ADDITIONAL BONDS	17	General	36
CERTAIN BONDHOLDERS' RISKS	20	Marketing	36
Introduction	20	Agreement Regarding Additional Housing	37
Revenues from Operation of the Series 2017 Project	20	THE GROUND LEASE	38
Limited Obligations of the Authority	20	THE FACILITY LEASE	39
Limited Resources	21	General	39
Required Occupancy Levels and Rents	21	Borrower Events of Default	40
Special Use Nature of the Series 2017 Project	21	KGI Events of Default	40
Risks Associated with the Ground Lease	21	MARKET STUDY	42
Geographic Concentration	22	CASH FLOW PROJECTION	42
Insurance and Legal Proceedings	22	LITIGATION	43
Competition	22	The Authority	43
Government Regulation	22	The Borrower	43
Risks of Construction	22	CONFLICTS OF INTEREST; RELATIONSHIPS	43
Risk of Uninsured or Underinsured Loss	23	TAX MATTERS – SERIES 2017A BONDS	43
Clean-up Costs and Liens under Environmental		Tax Exemption	43
Statutes	23	TAX MATTERS – SERIES 2017B BONDS	46
Pledge and Assignment of, and Grant of Security		UNDERWRITING	48
Interest in, Future Revenues	23	RATING OF THE SERIES 2017 BONDS	49
Enforceability of Remedies	24	LEGAL MATTERS	49
Effect of Determination of Taxability	24	CONTINUING DISCLOSURE	50
Market for the Series 2017 Bonds	25	Annual Reports	50
Actual Results May Differ from Cash Flow		Periodic Information Disclosure	50
Projection	25	Events Disclosure	51
Forward Looking Statements	25	Additional Information	52
Additional Bonds	25	Failure to Comply	52
Consequences of Changes in the Corporation's Tax		FORWARD LOOKING STATEMENTS	52
Status	25	MISCELLANEOUS	52
Taxation of Series 2017 Bonds	26		
Book-Entry System	26		
Risk of Audit by the IRS	26		
THE DEVELOPER AND THE DEVELOPMENT AGREEMENT	27		
General	27		
Key Personnel	27		
The Development Agreement	28		
THE GENERAL CONTRACTOR AND THE GENERAL			
CONSTRUCTION CONTRACT	28		
General	28		
THE ARCHITECT AND THE ARCHITECT'S AGREEMENT	28		
THE MANAGER	29		
General	29		
Delegation to Submanager	29		

APPENDICES

APPENDIX "A" - THE SERIES 2017 PROJECT	A-1
APPENDIX "B" - MARKET STUDY	B-1
APPENDIX "C" - CASH FLOW PROJECTION	D-1
APPENDIX "D" - DEFINITIONS	D-1
APPENDIX "E" - SUMMARIES OF PRINCIPAL	
FINANCING DOCUMENTS	E-1
APPENDIX "F" - BOOK-ENTRY SYSTEM	F-1
APPENDIX "G" - PROPOSED FORM OF BOND	
COUNSEL OPINION	G-1
APPENDIX "H" - PROPOSED FORMS OF SPECIAL	
Tax COUNSEL OPINIONS	H-1

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SUMMARY STATEMENT

The following Summary Statement is qualified in its entirety by the more detailed information and financial statements contained elsewhere in this Limited Offering Memorandum and the Appendices hereto (collectively, the “Official Statement”). The offering of the Series 2017 Bonds to prospective purchasers is made only by means of this entire Limited Offering Memorandum, and no person is authorized to detach this Summary Statement from the Limited Offering Memorandum or to use it otherwise without the entire Limited Offering Memorandum.

*All capitalized terms used in this Limited Offering Memorandum and not otherwise defined herein shall have the meanings ascribed thereto in **APPENDIX “D”** hereto.*

The Authority

The California Public Finance Authority (the “**Authority**”) is a joint powers agency organized and existing under the laws of the State of California organized under the laws of the State of California (the “**State**”) and is authorized pursuant to the Joint Exercise of Powers Act, comprising Articles 1, 2, 3, and 4 of Chapter 5 of Division 7 of Title 1 (commencing with §6500) of the Government Code of the State of California, as amended (the “**Act**”), to participate in financings for the benefit of certain organizations such as NCCD – Claremont Properties LLC (the “**Borrower**”). See “**THE AUTHORITY**” herein.

The Borrower

The Borrower is a single member limited liability company organized and existing under the laws of the State. National Campus and Community Development Corporation (the “**Corporation**”) is the sole member of the Borrower. The proceeds of the Series 2017 Bonds (hereinafter defined) will be lent by the Authority to the Borrower pursuant to a Loan Agreement (the “**Loan Agreement**”) dated as of _____ 1, 2017, between the Authority and the Borrower to finance the costs described below under “**The Series 2017A Bonds**” and “**The Series 2017B Bonds**.” The Borrower has no assets other than the Series 2017 Project. See “**THE BORROWER**” herein. **The Borrower’s obligations with respect to the Series 2017 Bonds are non-recourse.** See “**NON-RECOURSE OBLIGATION OF THE BORROWER**” herein.

The Corporation

The Corporation is a non-profit corporation organized and existing under the laws of the State of Texas and is an exempt organization under §501(c)(3) of the Internal Revenue Code of 1986, as amended. See “**THE BORROWER**” herein. **The Corporation will have no obligation with respect to the hereinafter described Series 2017 Bonds or under the hereinafter described Ground Lease, Loan Agreement, Leasehold Deed of Trust, Security Agreement, Assignment of Contracts and Agreements, or Indenture.** See “**THE BORROWER – The Corporation**” and “**- Board of Directors of the Corporation**” herein.

The Series 2017A Bonds

The Authority will issue \$54,250,000[†] principal amount of university housing revenue bonds to be designated “California Public Finance Authority University Housing Revenue Bonds (NCCD - Claremont Properties LLC - Claremont Colleges Project) Series 2017A” (the “**Series 2017A Bonds**”) for the purpose of providing funds (i) to finance substantially all of the cost of acquiring, constructing, furnishing, and equipping an approximately 419-bed student, faculty, and staff housing facility, including the buildings, furniture, fixtures, and equipment therefor (together with associated site development and various related amenities and improvements, the “**Housing Facility**”) and approximately 10,000 square feet of classroom and additional space (the “**KGI Space**” and, together with the Housing Facility, the “**Series 2017 Project**”) to be located on the campus of The Keck Graduate Institute of Applied Life Sciences

[†] Preliminary, Subject to Change

(“**KGI**”) in the City of Claremont, California (the “**City**”), (ii) to fund the costs of the initial marketing of the Series 2017 Project, (iii) to provide start-up working capital for the Series 2017 Project, (iv) to fund interest on the Series 2017A Bonds during the construction of the Series 2017 Project, (v) to fund the Debt Service Reserve Fund (hereinafter defined) for the Series 2017A Bonds, and (vi) to fund a portion of the costs of issuing the Series 2017A Bonds.

The Series 2017B Bonds

The Authority is issuing \$250,000[†] principal amount of university housing revenue bonds to be designated “California Public Finance Authority Taxable University Housing Revenue Bonds (NCCD - Claremont Properties LLC - Claremont Colleges Project) Series 2017B” (the “**Series 2017B Bonds**”) for the purpose of providing funds (i) to finance a minor portion of the cost of acquiring, constructing, furnishing, and equipping the Series 2017 Project, (ii) to fund the remaining portion of the costs of issuing the Series 2017A Bonds, (iii) to fund interest on the Series 2017B Bonds during the construction of the Series 2017 Project, and (iv) to fund the costs of issuing the Series 2017B Bonds.

The Trustee

Wilmington Trust, N.A. (the “**Trustee**”), Birmingham, Alabama will act as trustee, bond registrar, and paying agent for the Series 2017A Bonds and the Series 2017B Bonds (collectively, the “**Series 2017 Bonds**”).

Transfer Restrictions

Unless and until the Trustee and the Authority shall have received an official notice released by S&P Global Ratings or Fitch Ratings, Inc. that the Series 2017 Bonds have been rated “BBB-” or higher or by Moody’s Investors Service, Inc. that the Series 2017 Bonds have been rated “Baa3” or higher (an “**Investment Grade Notice**”), the Series 2017 Bonds may be transferred only to a “qualified institutional buyer,” as such term is defined under Rule 144A of the Securities Act of 1933, as amended (the “**Securities Act**”) or an “accredited investor,” as such term is defined in Rule 501 of Regulation D promulgated by the United States Securities and Exchange Commission under the Securities Act.

KGI

KGI is a nonprofit public benefit corporation organized and existing under the laws of the State and is located in the City. Student enrollment for the 2016-2017 academic year is approximately 526, which is a 26% increase over the 2015-2016 academic year. Entering student enrollment in the fall of 2016 increased 28% over the fall of 2015. See “**KGI**” herein. KGI will enter into a Cooperation Agreement (the “**KGI Cooperation Agreement**”) with the Borrower pursuant to which it will agree, *inter alia*, to take no action, or assist others in taking any action on its behalf, that materially adversely affects the marketability of the Housing Facility or the Series 2017 Project’s ability to maintain a Fixed Charges Coverage Ratio (as defined in the Loan Agreement) of at least 1.20. See “**THE COOPERATION AGREEMENTS**” and “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS – Rate Covenant**” herein. **KGI WILL HAVE PAYMENT OBLIGATIONS UNDER THE FACILITY LEASE AGREEMENT (the “Facility Lease”) DATED AS OF _____ 1, 2017, BETWEEN THE BORROWER, AS LESSOR, AND KGI, AS LESSEE, BUT WILL NOT HAVE ANY OBLIGATION WITH RESPECT TO PAYMENT OF THE SERIES 2017 BONDS.**

CGU

Claremont Graduate University (“**CGU**”) is a nonprofit public benefit corporation organized and existing under the laws of the State and is located in the City. Student enrollment for the 2016-2017 academic year is approximately 2,038, which is a 4.77% decrease from the 2015-2016 academic year. Entering student enrollment in the fall of 2016 decreased

4.6% from the fall of 2015. See “CGU” herein. **CGU WILL NOT HAVE ANY OBLIGATION WITH RESPECT TO PAYMENT OF THE SERIES 2017 BONDS.** CGU will enter into a Cooperation Agreement (the “**CGU Cooperation Agreement**”) with the Borrower pursuant to which it will agree, *inter alia*, to take no action, or assist others in taking any action on its behalf, that materially adversely affects the marketability of the Housing Facility or the Series 2017 Project’s ability to maintain a Fixed Charges Coverage Ratio (as defined in the Loan Agreement) of at least 1.20. See “**THE COOPERATION AGREEMENTS**” and “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS – Rate Covenant**” herein.

Claremont Consortium

The Claremont University Consortium (the “**Consortium**”) is a nonprofit public benefit corporation organized and existing under the laws of the State. The Claremont Consortium was established as the central coordinating institution for KGI, CGU, Claremont McKenna College, Harvey Mudd College, Pitzer College, Pomona College, and Scripps College (collectively, “**The Claremont Colleges**” and each, a “**Claremont College**”), each of which is a nonprofit public benefit corporation organized and existing under the laws of the State. Total enrollment for The Claremont Colleges for the 2016-2017 academic year is approximately 6,300. As the central coordinating institution for The Claremont Colleges, the Claremont Consortium is responsible for advancing The Claremont Colleges, founding new institutions, promoting cooperation among member institutions, acquiring, holding, and managing land for future institutions, and providing central support programs and services as well as central facilities operated on behalf of the members. The Consortium will enter into a Cooperation Agreement (the “**Consortium Cooperation Agreement**” and, together with the KGI Cooperation Agreement and the CGU Cooperation Agreement, the “**Cooperation Agreements**”) with the Borrower pursuant to which it will agree to take certain actions in support of the Housing Facility. **NEITHER THE CONSORTIUM NOR ANY OF THE CLAREMONT COLLEGES WILL HAVE ANY OBLIGATION WITH RESPECT TO PAYMENT OF THE SERIES 2017 BONDS.** See “**THE CLAREMONT CONSORTIUM**” herein.

Current Housing

Current housing for The Claremont Colleges consists of approximately 5,400 beds in fifty-four (54) buildings on six (6) campuses. All but one of such facilities are serving primarily undergraduate students. The only facility currently serving primarily graduate students is a 240-bed facility on CGU’s campus (the “**CGU Housing Facility**”). The CGU Housing Facility is being repositioned with the goal by the fall of 2018 it will house primarily undergraduate students. It is expected that the Housing Facility, when opened, will be the only housing on any campus of The Claremont Colleges designed for, and serving, primarily graduate students. See “**THE SERIES 2017 PROJECT - Existing On-Campus Housing**” in APPENDIX “A” hereto.

Eligible Residents

The following constitute those persons eligible to reside in the Housing Facility, in order of acceptance priority, (i) students registered in an academic program of KGI or CGU; (ii) students registered in an academic program of any Eligible Undergraduate Claremont College; (iii) regular full time faculty of KGI or CGU; (iv) regular full time faculty of any Eligible Undergraduate Claremont College; (v) visiting faculty serving at KGI or CGU on a temporary basis; (vi) visiting faculty serving at any Eligible Undergraduate Claremont College on a temporary basis; (vii) regular full-time staff of KGI or CGU that KGI or CGU, respectively, has pre-approved in writing; (viii) regular full-time staff of any Eligible Undergraduate Claremont College that the applicable Eligible

Undergraduate Claremont College has pre-approved in writing; (ix) persons enrolled in continuing education programs of any of the Eligible Claremont Colleges; (x) groups participating in any activity, conference, or other program sponsored by any of the Eligible Claremont Colleges or that the applicable Eligible Claremont College has pre-approved in writing; (xi) students registered in an academic program of any other Eligible Institution that KGI has pre-approved in writing; and (xii) any member of the household that is a spouse or dependent of any of the foregoing.

The Series 2017 Project

The Housing Facility will consist of (i) an approximately 419-bed student, faculty, and staff housing facility, contained in two (2) buildings comprising approximately 223,500 aggregate square feet and (ii) a fitness center contained in an approximately 2,000 square foot building, and the KGI Space will consist of approximately 8,000 square feet of finished classroom space and approximately 2,000 square feet of “warm shell” space for future development by KGI. The residents of the Housing Facility will have exclusive access to approximately four hundred (400) parking spaces in three (3) adjacent parking lots. The Housing Facility will be managed by HP Campus Management, LLC (the “**Manager**”) pursuant to a Management Agreement (the “**Management Agreement**”) with the Borrower, and Capstone On-Campus Management, LLC (the “**Submanager**”) will assist in the management thereof pursuant to a Submanagement Agreement (the “**Submanagement Agreement**”) with the Manager. See “**THE MANAGER**” and “**THE SUBMANAGER**” herein and “**THE SERIES 2017 PROJECT**” in APPENDIX “A” hereto. The site on which the Series 2017 Project will be constructed (the “**Property**”) will be leased to the Borrower pursuant to a Ground Lease Agreement (the “**Ground Lease**”) dated as of _____ 1, 2017, between KGI, as ground lessor, and the Borrower, as ground lessee. The KGI Space will be leased to KGI pursuant to the Facility Lease.

The Developer

HP Real Estate Development, LLC (the “**Developer**”), a California limited liability company, was formed in June of 2014 for the express purpose of providing design and development services to the higher education industry. The Developer has been working with KGI and CGU since June of 2013 in developing the Series 2017 Project. One of the members of the Developer is Hanover Pacific, LLC (“**Hanover Pacific**”), a residential real estate development company formed in June of 2007 and specializing in student housing, faculty/staff housing, and workforce housing working with universities, colleges, K-12 school districts, and healthcare systems. Hanover Pacific’s headquarters are located in Irvine, California. Hanover Pacific has a staff of six (6) individuals. As of the present date, Hanover Pacific and development entities of which Hanover Pacific is a member have developed (or have been selected to develop) 1,443 student beds, on five (5) separate collegiate campuses (including the Student Housing Facility). See “**THE DEVELOPER**” herein.

The General Contractor

American Multifamily, Inc. (the “**General Contractor**”), a California corporation, was formed in 1989. The General Contractor’s headquarters are in Huntington Beach, California. As of the present date, the General Contractor has constructed (or has been selected to construct) over 719 beds, on two (2) separate collegiate campuses (including the Housing Facility). Additionally, in the past five years, the General Contractor has completed a total of \$356,800,000 in multifamily housing projects in the past five (5) years.) See “**THE GENERAL CONTRACTOR AND THE GENERAL CONSTRUCTION CONTRACT**” herein.

The Architect	Architecture Design Collaborative (the “ <i>Architect</i> ”), a California corporation, was formed in December of 2013. As of the present date, the Architect and its Principals have designed (or have been selected to design) over 1,100 beds, on 3 separate collegiate campuses (including the Series 2017 Project). The Architect’s headquarters are in Laguna Hills, California. See “ THE ARCHITECT AND THE ARCHITECT’S AGREEMENT ” herein.
The Manager	The Manager is a California limited liability company affiliated with the Developer and was formed in 2016 for the express purpose of managing university housing communities. As of the present date, the Manager manages (or has been selected to manage) 989 private beds of housing on three (3) separate collegiate campuses (including the Housing Facility). The Manager’s corporate headquarters are in Irvine California.. See “ THE MANAGER ” herein.
The Submanager	The Submanager is an Alabama limited liability company that was formed in 2003 for the express purpose of managing and maintaining student housing communities. As of the present date, the Manager manages (or has been selected to manage) 29,103 student housing beds of housing on 34 separate college campuses (including the Housing Facility). The Submanager’s corporate headquarters are in Birmingham, Alabama, with regional managers located in Baltimore, Maryland, and Chicago, Illinois, and on-site property managers at each student housing development location. The Submanager will assist in the management of the Housing Facility pursuant to the Submanagement Agreement. See “ THE SUBMANAGER ” herein.
The Ground Lease	Pursuant to the Ground Lease, KGI will lease the Property to the Borrower, for a term of thirty-five (35) years. The annual rental payable under the Ground Lease will be equal to the Net Available Cash Flow. Net Available Cash Flow will equal the amount transferred from time to time to the Surplus Fund created under the Trust Indenture (the “ <i>Indenture</i> ”) dated as of _____ 1, 2017, between the Issuer and the Trustee. The Borrower will agree in the Ground Lease, among other things, to acquire, construct, furnish, and equip the Series 2017 Project in accordance with the plans and specifications therefor on file with the Trustee, to cause the Developer and/or General Contractor to maintain insurance against certain risks, to deliver performance and labor and material payment bonds with respect to construction contracts, and to maintain the Series 2017 Project in good repair and operating condition. See “ THE GROUND LEASE ” herein.
The Facility Lease	Pursuant to the Facility Lease, the Borrower will lease the KGI Space to KGI for a term of twenty-eight (28) years. The initial annual rental payable under the Facility Lease will be approximately \$240,000 per year and will increase three percent (3%) annually. Under the Facility Lease, it will be the obligation of KGI, at its sole cost and expense, to keep the KGI Space in good and clean condition, reasonable wear and tear excepted, and repair any and all damage to the KGI Space caused by KGI’s agents, students, employees, licensees, invitees, suppliers, contractors, customers, or patrons; to pay for all gas, electricity, water, sewer, telephone, and other utilities, temporary and permanent, that are thereafter delivered to or otherwise provided to the KGI Space; and to keep the KGI Space continuously insured against such risks as are customarily insured against with respect to facilities of like size and type. See “ THE FACILITY LEASE ” herein.

Security for the Bondholders

To secure the Borrower's obligations to the Authority under Loan Agreement and the Series 2017 Notes, the Borrower will execute and deliver to the Trustee (i) a Construction Leasehold Deed of Trust, Assignment of Rents and Subleases, and Fixture Filing (the "***Leasehold Deed of Trust***") dated as of _____ 1, 2017, pursuant to which the Borrower will, subject to Permitted Encumbrances, grant to the deed of trust trustee named therein (the "***Deed of Trust Trustee***") for the benefit of the Trustee a first deed of trust lien on its interest in the real property included in the Series 2017 Project and any additional project acquired, constructed, furnished, and equipped with the proceeds of additional bonds issued under the Indenture (collectively, the "***Project***") and the Property and will grant to the Deed of Trust for the benefit of the Trustee a first priority security interest in the leases, rents, issues, profits, revenues, income, receipts, moneys, royalties, rights, and benefits of and from the Project, (ii) a Pledge and Security Agreement (the "***Security Agreement***") dated as of _____ 1, 2017, pursuant to which the Borrower will, subject to Permitted Encumbrances, pledge and assign to the Trustee, and grant to the Trustee a first priority security interest in, the Pledged Revenues (as defined in **APPENDIX "B"**), the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Borrower's ownership or operation of the Project, the inventory located at the Project, and the equipment, furnishings, and other tangible personal property included in the Project, and (iii) an Assignment of Contracts and Agreements (the "***Assignment of Contracts and Agreements***") dated as of _____ 1, 2017, pursuant to which the Borrower will, subject to Permitted Encumbrances, grant to the Trustee a first priority security interest in the Borrower's rights under the Facility Lease, the Cooperation Agreements, the Management Agreement, the Submanagement Agreement, the Development Agreement (the "***Development Agreement***") between the Borrower and the Developer pursuant to which the Developer will agree to develop the Series 2017 Project, and all other contracts and agreements relating to the design, construction, or management of the Series 2017 Project. As security for its obligations under the Series 2017 Bonds, the Authority will enter into the Indenture with the Trustee. Pursuant to the Indenture, the Authority will grant to the Trustee a first priority security interest in the Loan Agreement, the Series 2017 Notes, all property described therein, all amounts to be received thereunder, and all property to be held thereunder (except for Unassigned Rights hereinafter defined). The sum of \$ _____, equal to the Debt Service Reserve Requirement (hereinafter defined) for the Series 2017A Bonds, will be deposited in the Debt Service Reserve Fund created under the Indenture (the "***Debt Service Reserve Fund***") and will be used to pay the Debt Service Payments on the Series 2017A Bonds if insufficient funds are on deposit with the Trustee on the date such payments are due. **The moneys in the Debt Service Reserve Fund will not be available to pay Debt Service Payments on the Series 2017B Bonds.** See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS" and "CERTAIN BONDHOLDERS' RISKS" herein.

Market Study

Attached hereto as **APPENDIX "B"** is a "Student Housing Market Study - Claremont Colleges" dated February, 2015, and a "Summary of Key Market Changes" dated February 6, 2017 (collectively, the "***Market Study***"), prepared by Brailsford & Dunlavey, Inc. (the "***Market Study Provider***") on behalf of the Developer. The conclusions and findings contained in the Market Study are based upon information available at the time and assumptions about the outcome of future events. There can be no assurance that such projections will approximate actual results, and there is no assurance, representation, or warranty that such projections will be

achieved. See “**MARKET STUDY**” and “**CERTAIN BONDHOLDERS’ RISKS - Actual Results May Differ from Market Study and Cash Flow Projection**” and “**- Forward Looking Statements**” herein. For discussion of the assumptions and methodology used in arriving at the conclusions and findings, see the Market Study which should be read in its entirety. The Market Study Provider has consented to the use of the Market Study in this Limited Offering Memorandum.

Cash Flow Projection

Attached hereto as **APPENDIX “C”** is a Cash Flow Projection (the “**Cash Flow Projection**”) relating to the Series 2017 Project’s ability to generate revenues from the operations sufficient to pay principal of and interest on the Series 2017 Bonds for each of the years ending June 30, 2019 through 2023. The Cash Flow Projection has been prepared by the Developer. None of the Authority, KGI, CGU, the Consortium, or the Borrower makes any representations with respect to the Cash Flow Projection. See “**CASH FLOW PROJECTION**” and “**CERTAIN BONDHOLDERS’ RISKS - Actual Results May Differ from Market Study and Cash Flow Projection**” and “**- Forward Looking Statements**” herein.

Certain Bondholders’ Risks

There are certain considerations relating to an investment in the Series 2017 Bonds that are set forth in the sections of this Limited Offering Memorandum, including the heading “**CERTAIN BONDHOLDERS’ RISKS,**” and that should be carefully reviewed and considered by prospective purchasers of the Series 2017 Bonds. These considerations include the facts that (i) the Borrower’s ability to generate revenues and make timely payment under the Loan Agreement, failure to do which may result in the Series 2017 Bonds’ not being paid or being paid before maturity or applicable redemption dates and which may result in forfeiture of any redemption premiums, may be adversely affected by a wide variety of future events and conditions including a decline in the enrollment of The Claremont Colleges, and, in particular, KGI and/or CGU, increased competition from other schools, loss of accreditation, failure to meet federal guidelines or some other event that results in students being ineligible for federal financial aid, and cost overruns in connection with the Series 2017 Project or other capital improvements; (ii) the Series 2017 Bonds constitute limited obligations of the Authority and the only significant source of payment therefor are the deposits received by the Trustee pursuant to the Loan Agreement; (iii) other than its ownership of the Series 2017 Project, the Borrower has no substantial revenues or assets; (iv) the Housing Facility must meet certain occupancy levels and rental rates if the Borrower is to generate the revenues necessary to meet the obligations of the Borrower under the Loan Agreement; (v) the Housing Facility will be constructed to serve as a student, faculty, and staff housing facility and the special use nature of the Series 2017 Project and the facts that the Series 2017 Project is located on the campus of KGI and the interest of the Borrower serving as collateral is in the nature of a leasehold interest and subject to the terms of the Ground Lease may curtail its value as collateral; (vi) the Borrower will lease the Property from KGI pursuant to the Ground Lease, and its obligation to comply with the terms of the Ground Lease and to relinquish any claim to the Series 2017 Project upon the termination of the Ground Lease will likely render the Series 2017 Project less valuable to prospective purchasers upon foreclosure; (vii) the occupancy rates of the Housing Facility may be adversely affected by regional and local economic conditions, competitive conditions, local laws and regulations, and general real estate market conditions, including the supply, proximity, and amenities of apartment communities in the area; (viii) there can be no assurance that any current or future claims will be covered by or will not exceed applicable insurance coverage; (ix) the

housing industry is highly competitive, and such competition may inhibit the extent to which the Borrower will be able to increase rates and charges and maintain or increase occupancy of the Housing Facility; (x) the housing industry is significantly regulated by the federal and local government and such regulations could increase the operating expenses of the Housing Facility or could otherwise have a material adverse effect on the operation thereof; (xi) there are risks associated with the construction of the Series 2017 Project; (xii) while the Borrower will covenant in the Loan Agreement to maintain certain types of insurance with respect to the Series 2017 Project, such insurance policies will not cover all types of risk and will contain both deductible and maximum loss payment provisions, the Series 2017 Project could be damaged or destroyed due to earthquake or other casualty for which the Series 2017 Project is uninsured or underinsured, and there can be no assurance that amounts received as proceeds from insurance on the Series 2017 Project will be sufficient to repair the Series 2017 Project or to redeem the Series 2017 Bonds in the event of a casualty, (xiii) future clean-up costs with respect to the Series 2017 Project could be imposed under environmental statutes and liens relating thereto may adversely affect the security for the owners of the Series 2017 Bonds; (xiv) certain statutory provisions and interests and claims of others may impair the security interest of the Trustee in the revenues derived by the Borrower from its ownership or operation of the Series 2017 Project; (xv) judicial actions may impair the remedies available to the Trustee and the owners of the Series 2017 Bonds under the Bond Documents providing security for the Series 2017 Bonds; (xvi) interest on the Series 2017A Bonds could, in certain events, become includable in the gross income of the owners thereof and owners of the Series 2017A Bonds would be subject to adverse federal tax consequences; (xvii) there can be no assurance that there will be a secondary market for the Series 2017 Bonds; (xviii) unless and until the Trustee and the Authority shall have received an Investment Grade Notice, the Series 2017 Bonds may be transferred only to a “qualified institutional buyer,” as such term is defined under Rule 144A of the Securities Act or an “accredited investor,” as such term is defined in Rule 501 of Regulation D promulgated by the United States Securities and Exchange Commission under the Securities Act; (xix) the Market Study and the Cash Flow Projection are based on assumptions concerning future events, circumstances, and transactions, and it is likely that actual results will be different from the results projected in the Market Study and the Cash Flow Projection and those differences may be material and adverse; (xx) this Limited Offering Memorandum, including but not limited to the information contained in the Market Study and the Cash Flow Projection, contains statements relating to future results that are “forward looking statements,” as defined in the Private Securities Litigation Reform Act of 1995, and such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements; (xxi) Additional Bonds (hereinafter defined) payable from the Trust Estate (hereinafter defined) on a parity with the Series 2017 Bonds may in the future dilute the security for the Series 2017 Bonds; (xxii) a change in the Corporation’s status or any Eligible Institution whose students, faculty, and/or staff resides in the Housing Facility as a 501(c)(3) organization could cause interest on the Series 2017A Bonds to become includable in the gross income of the owners thereof; (xxiii) failure by the Authority, the Borrower, the Corporation, or any such Eligible Institution to comply with certain provisions of the Code and certain covenants contained in the Indenture, the Loan Agreement, and the Tax Certificate (hereinafter defined) could result in interest on the Series 2017A Bonds becoming includable in gross income for federal

income tax purposes; (xxiv) the Series 2017 Bonds will initially be issued in book entry form through The Depository Trust Company (“**DTC**”), and unless and until definitive securities are issued, beneficial owners of such Series 2017 Bonds will only be able to exercise the rights of registered owners indirectly through DTC and its participating organizations; and (xxv) the Internal Revenue Service (the “**IRS**”) has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the IRS, interest on such tax-exempt obligations is includible in the gross income of the owners thereof. See “**CERTAIN BONDHOLDERS’ RISKS**” herein. The foregoing list of considerations is not intended to be exhaustive, but includes certain major factors that should be considered by prospective purchasers along with other factors set forth elsewhere in this Limited Offering Memorandum, including the Appendices hereto.

Tax Status of Interest

In the opinion of Special Tax Counsel, under existing law, subject to the conditions described under the heading “**TAX MATTERS – SERIES 2017A BONDS**,” interest on the Series 2017A Bonds is excluded from gross income for federal income tax purposes and will not be included in the federal alternative minimum tax for individuals or, except as described herein, corporations. See “**TAX MATTERS – SERIES 2017A BONDS**” herein, which includes a discussion of the federal alternative minimum tax consequences for corporations. **Interest on the Series 2017B Bonds is not excluded from gross income for federal income tax purposes.** See “**TAX MATTERS – SERIES 2017B BONDS**” herein. In the opinion of Special Tax Counsel, under existing law, interest on the Series 2017 Bonds is exempt from personal income taxes of the State.

Continuing Disclosure

The Borrower will agree to provide such information as may be required by the provisions of Rule 15c2-12 (“**Rule 15c2-12**”) promulgated by the Securities and Exchange Commission, and neither any of The Claremont Colleges, the Claremont Consortium, nor the Authority will undertake any responsibility with respect to continuing disclosure under Rule 15c2-12.

Book-Entry-Only

The Series 2017 Bonds will be delivered in book-entry form through The Depository Trust Company. Bondholders will not receive a certificate representing their Series 2017 Bonds except in very limited circumstances. See “**BOOK-ENTRY SYSTEM**” in **APPENDIX “F”** hereto.

General/Additional Information

This Limited Offering Memorandum speaks only as of its date, and the information contained herein is subject to change. Copies of the Limited Offering Memorandum in final form will be provided to the Municipal Securities Rulemaking Board for availability to the public on its Electronic Municipal Market Access web site known as EMMA. Copies of the Limited Offering Memorandum and other relevant documents and information regarding the documents are available upon request from the Underwriter prior to the issuance and delivery of the Series 2017 Bonds and from the Trustee after the issuance and delivery of the Series 2017 Bonds. The Limited Offering Memorandum, including the cover page and the attached Appendices, contains specific information relating to the Series 2017 Bonds, the Authority, and the Borrower and other information pertinent to the bonds described herein.

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LIMITED OFFERING MEMORANDUM

\$54,250,000[†]

**CALIFORNIA PUBLIC FINANCE AUTHORITY
UNIVERSITY HOUSING REVENUE BONDS
(NCCD - CLAREMONT PROPERTIES LLC - CLAREMONT COLLEGES PROJECT)
SERIES 2017A**

\$250,000[†]

**CALIFORNIA PUBLIC FINANCE AUTHORITY
TAXABLE UNIVERSITY HOUSING REVENUE BONDS
(NCCD - CLAREMONT PROPERTIES LLC - CLAREMONT COLLEGES PROJECT)
SERIES 2017B**

INTRODUCTORY STATEMENT

This Limited Offering Memorandum, including the cover page and the Appendices hereto, furnishes certain information in connection with the sale by the California Public Finance Authority (the “**Authority**”) of \$54,250,000[†] in aggregate principal amount of its University Housing Revenue Bonds (NCCD - Claremont Properties LLC - Claremont Colleges Project) Series 2017A (the “**Series 2017A Bonds**”) to be issued by the Authority pursuant to a Trust Indenture (the “**Indenture**”) dated as of _____ 1, 2017, between the Authority and Wilmington Trust, N.A., as Trustee (the “**Trustee**”) for the purpose of providing funds (i) to finance substantially all of the cost of acquiring, constructing, furnishing, and equipping an approximately 419-bed student, faculty, and staff housing facility, including the buildings, furniture, fixtures, and equipment therefor (together with associated site development and various related amenities and improvements, the “**Housing Facility**”) and approximately 10,000 square feet of classroom and additional space (the “**KGI Space**” and, together with the Housing Facility, the “**Series 2017 Project**”) to be owned and operated by NCCD - Claremont Properties LLC (the “**Borrower**”), a single member limited liability company duly organized, existing, and in good standing under the laws of the State of California (the “**State**”), and to be located on the campus of The Keck Graduate Institute of Applied Life Sciences (“**KGI**”) in the City of Claremont, California (the “**City**”), (ii) to fund the costs of the initial marketing of the Series 2017 Project, (iii) to provide start-up working capital for the Series 2017 Project, (iv) to fund interest on the Series 2017A Bonds during the construction of the Series 2017 Project, (v) to fund the Debt Service Reserve Fund for the Series 2017A Bonds, and (vi) to fund a portion of the costs of issuing the Series 2017A Bonds, and \$250,000[†] in aggregate principal amount of its Taxable University Housing Revenue Bonds (NCCD - Claremont Properties LLC - Claremont Colleges Project) Series 2017B (the “**Series 2017B Bonds**” and, together with the Series 2017A Bonds, the “**Series 2017 Bonds**”) to be issued by the Authority pursuant to the Indenture for the purpose of providing funds (i) to finance a minor portion of the cost of acquiring, constructing, furnishing, and equipping the Series 2017 Project, (ii) to fund the remaining portion of the costs of issuing the Series 2017A Bonds, (iii) to fund interest on the Series 2017B Bonds during the construction of the Series 2017 Project, and (iv) to fund the costs of issuing the Series 2017B Bonds. All capitalized terms used in this Limited Offering Memorandum and not otherwise defined herein shall have the meanings ascribed thereto in **APPENDIX “D”** hereto. This Limited Offering Memorandum is deemed to be final as of its date, within the meaning of Rule 15c2-12(b)(1) of the Securities Exchange Commission (the “**SEC**”), except for the omission of the offering prices, interest rates, selling compensation, aggregate principal amount, and delivery date.

The site on which the Series 2017 Project will be constructed (the “**Property**”) will be leased to the Borrower pursuant to a Ground Lease Agreement (the “**Ground Lease**”) dated as of _____ 1, 2017, between KGI, as ground lessor, and the Borrower, as ground lessee. The KGI Space will be leased to KGI pursuant to a Facility Lease Agreement (the “**Facility Lease**”) dated as of _____ 1, 2017, between the Borrower, as lessor, and KGI, as lessee. The Authority will lend the proceeds of the Series 2017 Bonds to the Borrower pursuant to a Loan Agreement (the “**Loan Agreement**”) dated as of _____ 1, 2017, between the Authority and the Borrower. The Borrower will be obligated pursuant to the Loan Agreement to pay to the Authority such loan payments as will always be sufficient to pay the principal and redemption price of, and premium, if any, and interest on (collectively, the “**Debt Service Payments**”), the Series 2017 Bonds as the same

[†] Preliminary, Subject to Change

mature and become due, and under the Loan Agreement, it will be the obligation of the Borrower to pay all expenses of operating and maintaining the Project in good repair, to keep it properly insured, and to pay all taxes, assessments, and other charges levied or assessed against or with respect to the Project. To evidence the obligation to make loan payments sufficient to pay the Debt Service Payments on the Series 2017A Bonds, the Borrower will execute and deliver to the Authority its promissory note (the “**Series 2017A Note**”) in the principal amount of \$54,250,000[†] dated as of _____ 1, 2017, and to evidence the obligation to make loan payments sufficient to pay the Debt Service Payments on the Series 2017B Bonds, the Borrower will execute and deliver to the Authority its promissory note (the “**Series 2017B Note**” and together with the Series 2017A Note, the “**Series 2017 Notes**”) in the principal amount of \$250,000[†] dated as of _____ 1, 2017, and the Authority will endorse the Series 2017 Notes to the order of the Trustee.

Each of KGI and Claremont Graduate University (“**CGU**”), and The Claremont University Consortium (the “**Consortium**”) will enter into a Cooperation Agreement (respectively, the “**KGI Cooperation Agreement**,” the “**CGU Cooperation Agreement**,” and the “**Consortium Cooperation Agreement**,” collectively, the “**Cooperation Agreements**,” and each, a “**Cooperation Agreement**”) dated as of _____ 1, 2017, with the Borrower pursuant to which KGI and CGU will each agree, *inter alia*, to take no action, or assist others in taking any action on its behalf, that materially adversely affects the marketability of the Housing Facility or the Series 2017 Project’s ability to maintain a Fixed Charges Coverage Ratio (as defined in the Loan Agreement) of at least 1.20 and the Consortium will agree to take certain actions in support of the Housing Facility. See “**THE COOPERATION AGREEMENTS**” and “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS – Rate Covenant**” herein.

The Housing Facility will be managed by HP Campus Management, LLC (the “**Manager**”) pursuant to a Management Agreement (the “**Management Agreement**”) with the Borrower. See “**THE MANAGER**” herein and “**THE SERIES 2017 PROJECT**” in APPENDIX “A” hereto. The Manager intends to engage Capstone On-Campus Management, LLC (the “**Submanager**”) to assist in the management of the Housing Facility pursuant to a Submanagement Agreement (the “**Submanagement Agreement**”) between the Manager and the Submanager, and the Borrower will acknowledge and consent to the Manager’s entering into the Submanagement Agreement.

The obligations of the Borrower to the Authority under the Loan Agreement and the Series 2017 Notes will be secured by (i) a Construction Leasehold Deed of Trust, Assignment of Rents and Subleases, and Fixture Filing (the “**Leasehold Deed of Trust**”) dated as of _____ 1, 2017, pursuant to which the Borrower will, subject to Permitted Encumbrances, grant to the deed of trust trustee named therein (the “**Deed of Trust Trustee**”) for the benefit of the Trustee a first deed of trust lien on its interest in the real property included in the Project and the Property and will grant to the Deed of Trust Trustee for the benefit of the Trustee a first priority security interest in the leases, rents, issues, profits, revenues, income, receipts, moneys, royalties, rights, and benefits of and from the Project, (ii) a Pledge and Security Agreement (the “**Security Agreement**”) dated as of _____ 1, 2017, pursuant to which the Borrower will, subject to Permitted Encumbrances, pledge and assign to the Trustee, and grant to the Trustee a first priority security interest in, the Pledged Revenues, the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Borrower’s ownership or operation of the Project, the Inventory, and the Equipment, and (iii) an Assignment of Contracts and Agreements (the “**Assignment of Contracts and Agreements**”) dated as of _____ 1, 2017, pursuant to which the Borrower will, subject to Permitted Encumbrances, grant to the Trustee a first priority security interest in the Facility Lease, the Cooperation Agreements, the Management Agreement, the Submanagement Agreement, the Development Agreement (the “**Development Agreement**”) between the Borrower and HP Real Estate Development, LLC (the “**Developer**”) pursuant to which the Developer will agree to develop the Series 2017 Project), and all other contracts and agreements relating to the design, construction, or management of the Series 2017 Project.

The Authority, pursuant to the Indenture, will grant a first priority security interest in/pledge and assign its right, title, and interest in and to the Loan Agreement (except for Unassigned Rights as hereinafter defined) and the Series 2017 Notes to the Trustee which, on behalf of the owners of the Series 2017 Bonds, will exercise all of the Authority’s rights thereunder (except for Unassigned Rights). See “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS**” herein.

The obligations of the Borrower under the Ground Lease, the Leasehold Deed of Trust, the Security Agreement, and the Assignment of Contracts and Agreements will be non-recourse to the Borrower, and any judgment in any action or proceeding under such documents will be enforceable against the Borrower only to the

[†] Preliminary, Subject to Change

extent of the Borrower's interest in the Project and the other Security. See "NON-RECOURSE OBLIGATION OF THE BORROWER" herein.

This Limited Offering Memorandum and the Appendices hereto contain brief descriptions of, among other matters, the Authority, the Borrower, KGI, CGU, the Claremont Consortium, the Series 2017 Project, the Developer, the Series 2017 Bonds, the Loan Agreement, the Ground Lease, the Facility Lease, and the Indenture. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Ground Lease, the Loan Agreement, and the Indenture are qualified in their entirety by reference to such documents, and references herein to the Series 2017 Bonds are qualified in their entirety to the forms thereof included in the Indenture.

ESTIMATED SOURCES AND USES OF FUNDS

The schedule below contains the estimated sources and uses of funds resulting from the sale of the Series 2017 Bonds (excluding accrued interest, if any):

SOURCES OF FUNDS:	Series 2017A	Series 2017B	Total
Par Amount of Series 2017 Bonds			
Plus: Original Issue Premium			
Less: Original Issue Discount			
Less: Underwriter's Discount			
TOTAL SOURCES OF FUNDS			
USES OF FUNDS:			
Deposit to Construction Fund			
Deposit to Capitalized Interest Account			
Deposit to Debt Service Reserve Fund ^(†)			
Additional Issuance Costs			
TOTAL USES OF FUNDS			

^(†) Equal to the Debt Service Reserve Requirement for the Series 2017A Bonds.

This section will be completed in the final Limited Offering Memorandum.

THE AUTHORITY

The Authority is a joint powers agency organized pursuant to a Joint Powers Agreement among Kings County, California, the Housing Authority of Kings County, and certain other cities and counties, including the City, pursuant to the provisions relating to the joint exercise of powers contained in Chapter 5 of Division 7 of Title 1 (commencing with §6500) of the California Government Code. The Authority is authorized to participate in financings for the benefit of certain organizations such as the Borrower.

The City became an additional member of the Authority on February 14, 2017.

The Authority has entered into, sold, and delivered obligations, and will in the future enter into, sell, and deliver obligations, other than the Series 2017 Bonds, which other obligations are and will be secured by instruments separate and apart from the Indenture and the Loan Agreement. The owners of such obligations of the Authority have no claim on the security for the Series 2017 Bonds, and the owners of the Series 2017 Bonds will have no claim on the security of such other obligations issued by the Authority.

THE SERIES 2017 PROJECT

The Housing Facility will consist of (i) an approximately 419-bed student, faculty, and staff housing facility, contained in two (2) buildings comprising approximately 223,500 aggregate square feet and (ii) a fitness center contained in an approximately 2,000 square foot building, and the KGI Space will consist of approximately

8,000 square feet of finished classroom space and approximately 2,000 square feet of “warm shell” space for future development by KGI. The residents of the Housing Facility will have exclusive access to approximately four hundred (400) parking spaces in three (3) adjacent parking lots. The site on which the Series 2017 Project will be constructed (the “**Property**”) will be leased to the Borrower pursuant to the Ground Lease. The KGI Space will be leased to KGI pursuant to the Facility Lease. The Housing Facility will be managed by the Manager pursuant to the Management Agreement, and the Submanager will assist in the management thereof pursuant to the Submanagement Agreement. The Manager and the Submanager also manage the 240-bed housing facility on CGU’s campus (the “**CGU Housing Facility**”), and under their one year tenure, occupancy of the CGU Housing Facility has increased from 88% to 99%. See “**THE MANAGER**” and “**THE SUBMANAGER**” herein and “**THE SERIES 2017 PROJECT**” in APPENDIX “A” hereto.

THE BORROWER

General

The Borrower is a single member limited liability company duly organized and existing under the laws of the State. The Borrower was formed for the purpose of financing, acquiring, constructing, furnishing, equipping, and operating the Series 2017 Project and is not expected to have any assets other than the Series 2017 Project. National Campus and Community Development Corporation (the “**Corporation**”) is the sole member of the Borrower.

The Corporation

The Corporation is a non-profit corporation formed in 2006 under the laws of the State of Texas. The Corporation is also an organization that is exempt from federal income tax pursuant to §501(c)(3) of the Internal Revenue Code of 1986, as amended (the “**Code**”). It was organized and is operated to engage in a broad range of charitable and educational activities that include promoting healthy communities, promoting education, and lessening the burdens of government. The membership of the Corporation is comprised of those colleges and universities so assisted by the Corporation. To this date, the Corporation has assisted five (5) different colleges and universities with the creation of 4,650 student housing beds at a cost of \$508 million during the last two years. In assisting those colleges and universities, the Corporation has established and will establish other single member limited liability companies for the limited purpose of acquiring, financing, and operating student housing projects for such colleges and universities, none of which have or will have any assets other than the particular project for which they were established nor any obligation beyond the acquisition, financing, and operation of such particular project. **The Corporation will have no obligation with respect to the Series 2017 Bonds or under the Ground Lease, the Facility Lease, the Loan Agreement, the Leasehold Deed of Trust, the Security Agreement, the Assignment of Contracts and Agreements, or the Indenture.**

Board of Directors of the Corporation

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

Name	Business Affiliation	Term Expires
Charles G. Eden	President, National Campus and Community Development Corporation	December, 2020
Eric Markland, CPA	Chief Operating Officer, INTERA Incorporated	December, 2018
James E. (Jeb) Brown	Attorney, Houston, Texas	December, 2017
David J. Schmidly, Ph.D.	Former President, Texas Tech University, Oklahoma State University, and University of New Mexico	December, 2017
Frank P. Krasovec	Chief Executive Officer, Norwood Investments	December, 2019

NON-RECOURSE OBLIGATION OF THE BORROWER

Neither the Authority nor the Trustee will be permitted to enforce the liability and obligations of the Borrower under the Loan Agreement or any of the other Bond Documents in any action or proceeding wherein any money or deficiency judgment shall be sought against the Borrower, except that the Authority or the Trustee may bring a foreclosure action, action for specific performance, or other appropriate action or proceeding to enable the Authority or the Trustee to enforce the Borrower's obligations under the Bond Documents or, in the case of the Trustee, to enforce and realize upon the Leasehold Deed of Trust, the Security Agreement, and the Assignment of Contracts and Agreements and the Borrower's interest in the property pledged under the Leasehold Deed of Trust and the Security Agreement (collectively, the "**Security**"); provided, however, that any judgment in any such action or proceeding shall be enforceable against the Borrower only to the extent of the Borrower's interest in the Project and the other Security. The Authority and the Trustee will agree that they will not sue for, seek, or demand any money from, or deficiency judgment against, the Borrower in such action or proceeding, under or by reason of or in connection with the Loan Agreement or any of the other Bond Documents. This agreement effectively means that neither the Authority nor the Trustee will be able to bring any claim against the Borrower that will require it to utilize any of its funds or property other than those specifically pledged to the payment of the Series 2017 Bonds. Because of the limited nature of the Borrower's obligation, no information is being provided regarding the financial assets or business and affairs of the Borrower.

THE SERIES 2017 BONDS

General Description

The Series 2017A Bonds will be issued in the aggregate principal amount of \$54,250,000,[†] will be dated the Closing Date, and will mature on July 1 of the years 2027,[†] 2037,[†] and 2047,[†] subject to mandatory redemption provisions. The Series 2017B Bonds will be issued in the aggregate principal amount of \$250,000,[†] will be dated the Closing Date, and will mature on July 1 of the year 2019.[†] The Series 2017A Bonds and the Series 2017B Bonds will be issued on a parity basis and, except as to benefit of the Debt Service Reserve Fund, tax-exempt status, principal amounts, and maturities, have substantially the same terms. The Series 2017 Bonds will bear interest at the rates and will be sold at prices to bear the yields shown on the cover page of this Limited Offering Memorandum. Interest on the Series 2017 Bonds will be payable on January 1, 2018, and semi-annually thereafter on January 1 and July 1 (collectively, the "**Interest Payment Dates**" and each, an "**Interest Payment Date**") until paid, in an amount equal to the interest accrued from the Interest Payment Date immediately preceding the date of registration and authentication of each Series 2017 Bond, unless such Series 2017 Bond is registered and authenticated as of an Interest Payment Date, in which event, it will bear interest from said Interest Payment Date, or unless such Series 2017 Bond is registered and authenticated prior to December 15, 2017, in which event, such Series 2017 Bond will bear interest from the Closing Date, or unless, as shown by the records of the Trustee, interest on the Series 2017 Bonds shall be in default, in which event such Series 2017 Bond will bear interest from the date to which interest shall have been paid in full on such Series 2017 Bond, or unless no interest shall have been paid on the Series 2017 Bonds, in which event such Series 2017 Bond will bear interest from the Closing Date.

Interest on the Series 2017 Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. The Series 2017 Bonds will be issued as fully registered bonds without coupons in the denominations of One Hundred Thousand Dollars (\$100,000) and multiples of Five Thousand Dollars (\$5,000) in excess thereof ("**Authorized Denominations**").

The Series 2017 Bonds will be initially registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("**DTC**"). DTC will act as securities depository for the Series 2017 Bonds and purchasers of the Series 2017 Bonds will not receive certificates evidencing their ownership interests therein. So long as Cede & Co. is the registered owner of the Series 2017 Bonds as nominee of DTC, references herein to the Owners of the Series 2017 Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the Series 2017 Bonds. So long as Cede & Co. is the registered owner of the Series 2017 Bonds, the Debt Service Payments on the Series 2017 Bonds will be made to Cede & Co., as nominee for DTC, which will in turn remit such Debt Service Payments to the Direct Participants and Indirect Participants for subsequent disbursement to the beneficial owners. See "**BOOK-ENTRY SYSTEM**" in **APPENDIX "F"** attached hereto

[†] Preliminary, Subject to Change

Registration Provisions; Exchange; Replacement

The Series 2017 Bonds will be and will have all the qualities and incidents of negotiable instruments under the laws of the State, and the Bondholders, in accepting any of the Series 2017 Bonds, will be conclusively deemed to have agreed that the Series 2017 Bonds will be and have all of said qualities and incidents of negotiable instruments.

The Authority will be required to cause the Bond Register to be kept by the Trustee which will be appointed the Authority's bond registrar and agent for the transfer and exchange of the Series 2017 Bonds and as such, will be required to maintain the Bond Register. The Trustee, for and on behalf of the Authority, will be required to keep the Bond Register in which will be recorded any and all transfers of ownership of Series 2017 Bonds. No Series 2017 Bonds will be registered to bearer. The Bond Register will be required at all times to comply with all requirements of §149(a) of the Code and all Regulations from time to time promulgated thereunder as may be applicable to the Bond Register. Any Series 2017 Bond may be transferred upon the Bond Register upon surrender thereof at the Office of the Trustee by the Owner in person or by his, her, or its attorney-in-fact or legal representative duly authorized in writing together with a written instrument of transfer in form and with guarantee of signature satisfactory to the Trustee duly executed by the Owner or his, her, or its attorney-in-fact or legal representative duly authorized in writing and upon payment by such Owner of a sum sufficient to cover any governmental tax, fee, or charge required to be paid as provided in the Indenture. Upon any such registration of transfer, the Authority will be required to cause to be executed and the Trustee will be required to authenticate and deliver in the name of the transferee a new fully registered Series 2017 Bond or Series 2017 Bonds of like tenor; in Authorized Denominations; of the same Subseries, maturity or maturities, and interest rate or rates; and in the same aggregate principal amount, and the Trustee will be required to enter the transfer of ownership in the Bond Register. No transfer of any Series 2017 Bond will be effective until entered on the Bond Register. **Notwithstanding the foregoing, for so long as Bonds of a Series or Subseries shall be held under the Book-Entry System, transfers of beneficial ownership will be effected pursuant to rules and procedures established by the Securities Depository. Unless and until the Trustee and the Authority shall have received an Investment Grade Notice, the Series 2017 Bonds may be transferred only to a "qualified institutional buyer," as such term is defined under Rule 144A of the Securities Act of 1933, as amended (the "*Securities Act*") or an "accredited investor," as such term is defined in Rule 501 of Regulation D promulgated by the United States Securities and Exchange Commission under the Securities Act.**

Any Series 2017 Bonds, upon surrender thereof at the Office of the Trustee together with a written instrument of transfer in form and with guarantee of signature satisfactory to the Trustee, duly executed by the Owner or his, her, or its attorney-in-fact or legal representative duly authorized in writing, may be exchanged, at the option of the Owner thereof; and upon payment by such Owner of a sum sufficient to cover any shipping charge, insurance premium, governmental tax, fee, or charge required to be paid as provided in the Indenture, when not prohibited by law, for an equal aggregate principal amount of Series 2017 Bonds of the same Subseries, interest rate, designation, and maturity or maturities and in any other Authorized Denominations and registered in the name of the same Owner. The Authority will cause to be executed and the Trustee will authenticate and deliver Series 2017 Bonds that the Owner making the exchange is entitled to receive, bearing numbers not then outstanding, and the Trustee, as bond registrar, shall enter the exchange in the Bond Register.

Except as provided in the Indenture with respect to exchanges for certain temporary Series 2017 Bonds, the cost of printing, lithographing, and engraving of all Series 2017 Bonds will be deemed to be an Ordinary Expense of the Trustee, and there will be no charge to any Owner for the registration, exchange, or transfer of Series 2017 Bonds, although in each case, the Trustee may require the payment by the Owner requesting exchange or transfer of any tax, fee, or other governmental charge required to be paid with respect thereto and may require that such amount be paid before any such new Series 2017 Bond shall be delivered.

The Authority and the Trustee may deem and treat the Owner of any Series 2017 Bond as the absolute owner of such Series 2017 Bond for the purpose of receiving any payment on such Series 2017 Bond and for all other purposes of the Indenture and the Loan Agreement, whether such Series 2017 Bond shall be overdue or not, and neither the Authority nor the Trustee will be affected by any notice to the contrary. Payment of or on account of the Debt Service Payments on any Series 2017 Bond will be made to or upon the written order of the applicable Owner or his, her, or its attorney-in-fact or legal representative duly authorized in writing. All such payments will be valid and effectual to satisfy and discharge the liability upon such Series 2017 Bond to the extent of the sum or sums so paid.

New Series 2017 Bonds delivered upon any transfer or exchange will be valid limited obligations of the Authority, evidencing the same obligation as the Series 2017 Bonds surrendered, will be secured by the Indenture and will be entitled to all of the security and benefits thereof to the same extent as the Series 2017 Bonds (or portions thereof) surrendered. The Trustee will not be required to transfer or exchange any Series 2017 Bonds (a) after the notice calling such Series 2017 Bond, (or portion thereof) for redemption shall have been given as provided in the Indenture or (b) during the period beginning at the opening of business on the fifteenth (15th) day (whether or not a Business Day) immediately preceding either any Interest Payment Date or any date of selection of Series 2017 Bonds to be redeemed and ending at the close of business on the Interest Payment Date or day on which the applicable notice of redemption is given.

Payment of the Series 2017 Bonds

In the event that the Book-Entry System described in **APPENDIX “F”** hereto shall be discontinued, principal of and premium, if any, on the Series 2017 Bonds will be payable by check or draft at maturity or at a date set for prior redemption at the Office of the Trustee to the registered owner of each Series 2017 Bond upon presentation and surrender of the Series 2017 Bonds being paid or redeemed. Interest on each Series 2017 Bond will be paid by check or draft mailed to the Person in whose name such Series 2017 Bond is registered, at his, her, or its address as it appears on the Bond Register as of the close of business on the Regular Record Date for such payment, irrespective of any transfer or exchange of the Series 2017 Bond subsequent to a Regular Record Date and prior to such Interest Payment Date, by the Person in whose name the Series 2017 Bond is registered. At the option of the Owner of not less than Five Hundred Thousand Dollars (\$500,000) in aggregate principal amount outstanding of Bonds of any Subseries issued under and secured by the Indenture, interest will be paid by wire transfer in immediately available funds in accordance with written wire transfer instructions filed with the Trustee at least five (5) days prior to the close of business on the Regular Record Date or the Special Record Date, as applicable. Interest will continue to be paid in accordance with such instructions, until revoked in writing by the owner, except for the final payment of interest upon maturity or redemption prior to maturity which will be paid only upon presentation of the Series 2017 Bond to the Trustee. **Notwithstanding anything to the contrary described under this heading, while a Securities Depository or its nominee is the Owner of Bonds of a Series or Subseries, all Debt Service Payments thereon will be paid to the Securities Depository or its nominee in accordance with the Letter of Representations.**

Book-Entry System for the Series 2017 Bonds

Notwithstanding any other provision of the Indenture, the Series 2017 Bonds, and, except as described under this heading below, any Additional Bonds will be required to be initially issued in the form of a separate single certificated fully registered Bond for each of the maturities. Except as described under this heading below, upon initial issuance, the ownership of each Bond will be registered in the Bond Register in the name of Cede & Co., as nominee of DTC. Except described under this heading below, all of the Outstanding Bonds will required to be registered in the Bond Register in the name of Cede & Co., as nominee of DTC.

With respect to Bonds registered in the Bond Register in the name of the Securities Depository or its nominee, the Authority, the Borrower, and the Trustee will have no responsibility or obligation to any Participant or to any Person on behalf of which a Participant shall hold an interest in the Bonds. Without limiting the provisions of the Indenture described in the immediately preceding sentence, neither the Authority, the Borrower, nor the Trustee will have responsibility or obligation with respect to (i) the accuracy of the records of the Securities Depository, its nominee, or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other Person, other than an Owner, or any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any Participant or any other Person, other than an Owner, of any amount with respect to principal of, premium, if any, or interest on, the Bonds. The Authority, the Borrower, and the Trustee will be permitted to treat and consider the Person in whose name each Bond shall be registered in the Bond Register as the absolute owner of such Bond for the purpose of payment of principal, premium, and interest with respect to such Bond, for the purpose of giving notices of redemption, for the purpose of obtaining consents, and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee will be required to pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners or their respective attorneys duly authorized in writing, and all such payments will be valid and effective to fully satisfy and discharge the obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No Person other

than an Owner will receive a certificated Bond evidencing the obligation to make payments of principal, premium, if any, and interest pursuant to the Indenture. While DTC is the Securities Depository, upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions of the Indenture described herein with respect to Record Dates, the words “Cede & Co.” herein and in the Indenture shall refer to such new nominee of DTC.

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

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

The Trustee, in its sole discretion and without the consent of any other Person, will be permitted to terminate the services of the Securities Depository with respect to the Bonds if the Trustee shall determine that:

- (i) the Securities Depository is unable to discharge its responsibilities with respect to the Bonds, or
- (ii) a continuation of the requirement that all of the Outstanding Bonds be registered in the Bond Register in the name of the Securities Depository or its nominee is not in the best interest of the Beneficial Owners of the Bonds.

Upon the termination of the services of a Securities Depository with respect to the Bonds pursuant to the provisions of the Indenture described in (ii) of the immediately preceding paragraph or upon the discontinuance or termination of the services of a Securities Depository with respect to the Bonds pursuant to the provisions of the Indenture described in the second preceding paragraph or in (i) of the immediately preceding paragraph after which no substitute Securities Depository willing to undertake the functions of DTC hereunder can be found that, in the opinion of the Trustee, shall be willing and able to undertake such functions upon reasonable and customary terms, the Trustee will be required to deliver Bond certificates at the expense of the Beneficial Owners of the Bonds, and the Bonds will no longer be restricted to being registered in the Bond Register in the name of the Securities Depository or its nominee, but will be permitted to be registered in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of the Indenture.

Notwithstanding any other provision of the Indenture to the contrary, so long as any Bond shall be registered in the name of the Securities Depository or its nominee, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond will be required to be made and given, respectively, in the manner provided in the Letter of Representations.

See “BOOK-ENTRY SYSTEM” in APPENDIX “F” hereto.

Series 2017 Bonds Are Limited Obligations

Limited Obligations

THE SERIES 2017 BONDS WILL NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, BUT WILL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR UNDER THE INDENTURE AND FROM THE OTHER SECURITY. THE AUTHORITY WILL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF THE SERIES 2017 BONDS OR THE REDEMPTION PREMIUM (IF ANY) OR INTEREST THEREON EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER THE INDENTURE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY, WILL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE REDEMPTION PREMIUM (IF ANY) OR INTEREST ON THE SERIES 2017 BONDS. THE ISSUANCE OF THE SERIES 2017 BONDS WILL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER. MOREOVER, NEITHER THE AUTHORITY NOR THE CITY WILL BE LIABLE FOR ANY OTHER COSTS, EXPENSES, LOSSES, DAMAGES, CLAIMS, OR ACTIONS ON CONNECTION

WITH THE LOAN AGREEMENT, THE SERIES 2017 BONDS, OR THE INDENTURE, EXCEPT ONLY TO THE EXTENT AMOUNTS ARE RECEIVED FOR THE PAYMENT THEREOF FROM THE BORROWER UNDER THE LOAN AGREEMENT. NEITHER THE MEMBERS OF THE GOVERNING BODY OF THE AUTHORITY, ANY EMPLOYEE OF THE AUTHORITY, NOR ANY PERSON EXECUTING ANY OF THE SERIES 2017 BONDS WILL BE LIABLE PERSONALLY ON THE SERIES 2017 BONDS BY REASON OF THE ISSUANCE THEREOF.

Redemption

Optional Redemption. The Series 2017A Bonds maturing on and after July 1, 2028, will be subject to redemption prior to maturity at the option of the Authority upon the written request of the Borrower on and after July 1, 2027, in whole or in part (in amounts not less than \$50,000) on any date at a Redemption Price equal to one hundred percent (100%) of the principal amount thereof being redeemed plus interest accrued to the redemption date.

Any optional redemption of Series 2017A Bonds will be conditioned upon the Trustee's receipt of funds sufficient to pay the Redemption Price of the Series 2017A Bonds to be redeemed on or prior to the redemption date.

Mandatory Sinking Fund Redemption. The Series 2017A Bonds will be subject to mandatory sinking fund redemption prior to maturity in part at a Redemption Price equal to one hundred percent (100%) of the principal amount thereof plus interest accrued thereon to the redemption date, in the following principal amounts and on the dates set forth below:

Series 2017A Bonds Maturing on July 1, 2027[†]

July 1 of the Year	Principal Amount	July 1 of the Year	Principal Amount
		††	

†† Final Maturity

Series 2017A Bonds Maturing on July 1, 2037[†]

July 1 of the Year	Principal Amount	July 1 of the Year	Principal Amount
		††	

†† Final Maturity

[The remainder of this page is intentionally left blank.]

[†] Preliminary, Subject to Change

Series 2017A Bonds Maturing on July 1, 2047[†]

July 1 of the Year	Principal Amount	July 1 of the Year	Principal Amount
		††	

†† Final Maturity

On or before the forty-fifth (45th) day immediately preceding any July 1 on which Series 2017A Bonds are to be retired pursuant to the applicable Mandatory Sinking Fund Redemption Requirement, the Borrower will be permitted to (i) deliver to the Trustee for cancellation, Series 2017A Bonds of the applicable maturity in any aggregate principal amount desired or (ii) receive a credit with respect to the applicable Mandatory Sinking Fund Redemption Requirement for any such Series 2017A Bonds that before said date have been purchased or redeemed (other than through mandatory sinking fund redemption) and cancelled by the Trustee and not theretofore applied as a credit against such Mandatory Sinking Fund Redemption Requirement. Each such Series 2017A Bond so delivered or previously purchased or redeemed and cancelled by the Trustee will be credited by the Trustee at one hundred percent (100%) of the principal amount thereof against the Mandatory Sinking Fund Redemption Requirement for the Series 2017A Bonds of the applicable maturity on such mandatory sinking fund redemption date, and any excess over such amount will be credited against future applicable Mandatory Sinking Fund Redemption Requirements for such Subseries in such order as may be selected by the Borrower or, in the absence of such selection, in chronological order, and the applicable Mandatory Sinking Fund Redemption Requirements for such Series 2017A Bonds will be accordingly reduced.

The Authority, at the request of the Borrower, or the Borrower will be required, on or before the forty-fifth (45th) day immediately preceding each such mandatory sinking fund redemption date for Series 2017 Bonds, to furnish the Trustee with its certificate indicating whether and to what extent the provisions of clauses (i) and (ii) in the preceding paragraph are to be availed of with respect to such Mandatory Sinking Fund Redemption Requirement.

Extraordinary Optional Redemption. The Series 2017 Bonds will also be subject to redemption at the option of the Authority upon the written request of the Borrower, **in whole** if:

(i) the Series 2017 Project shall have been destroyed or damaged to such an extent that, in the opinion of an Independent Architect/Engineer expressed in a certificate filed with the Trustee and the Authority, (A) the Series 2017 Project cannot reasonably be restored within a period of twelve (12) months to the condition thereof immediately preceding such destruction or damage, **or** (B) the Borrower will thereby be prevented from carrying on its normal operations thereat for a period of not less than twelve (12) consecutive months, **or** (C) the cost of restoration or replacement thereof would exceed the Net Proceeds of insurance payable in respect of such destruction or damage; or

(ii) title to, or the temporary use of, a substantial portion of the Series 2017 Project shall have been taken under the exercise or threat of exercise of the power of eminent domain or by private purchase in lieu thereof by any governmental authority or Person acting under governmental authority to such an extent that, in the opinion of an Independent Architect/Engineer expressed in a certificate filed with the Trustee and the Authority, (A) the Series 2017 Project cannot be reasonably restored or replaced within a period of twelve (12) months to substantially the condition thereof immediately preceding such taking, **or** (B) the Borrower will thereby be prevented from carrying on its normal operations thereat for a period of not less than twelve (12) consecutive months, **or** (C) the cost of restoration or replacement thereof would exceed the total amount of compensation for such taking.

The Series 2017 Bonds will also be subject to redemption at the option of the Authority upon the written request of the Borrower, **in part** in the event of partial condemnation or destruction of, or partial damage to, the

[†] Preliminary, Subject to Change

Series 2017 Project, from the Net Proceeds received by the Borrower as a result of such taking, destruction, or damage to the extent such Net Proceeds are not used for the restoration of the Series 2017 Project or for the acquisition of substitute property suitable for the Borrower's operations at the Series 2017 Project as such operations were conducted prior to such taking, destruction, or damage if the Borrower furnishes to the Trustee and the Authority (i) a certificate of an Independent Architect/Engineer stating (A) that the property forming a part of the Series 2017 Project that was taken, destroyed, or damaged is not essential to the Borrower's use or occupancy of the Series 2017 Project at substantially the same revenue-producing level as prior to such taking, destruction, or damage, **or** (B) that the Series 2017 Project has been restored to a condition substantially equivalent to its condition prior to such taking, destruction, or damage, **or** (C) that the Borrower has acquired suitable land and improvements that are substantially equivalent to the property forming a part of the Series 2017 Project that was taken, destroyed, or damaged **or** (ii) a written report of a Financial Consultant filed with the Trustee and the Authority that the Fixed Charges Coverage Ratio for each of the two (2) Annual Periods following the Annual Period following such taking, destruction, or damage will not be less than the lesser of (a) 1.20 and (b) the average Fixed Charges Coverage Ratio for the two (2) most recent Annual Periods prior to such taking, destruction, or damage for which audited financial statements are available.

If the Series 2017 Bonds shall be called for redemption upon the occurrence of any of the events described in the two immediately preceding paragraphs, the Series 2017 Bonds will be permitted to be redeemed on any date for which the requisite notice of redemption can be given within one hundred eighty (180) days of the receipt of the insurance or condemnation proceeds received by the Borrower as a result of such event at a Redemption Price equal to one hundred percent (100%) of the principal amount thereof plus interest accrued to the redemption date.

Subject to the provisions of the Indenture described below under the subheadings "**Selection of Series 2017 Bonds to be Redeemed,**" "**DTC Procedures,**" and "**Redemption of a Portion of a Series 2017 Bond,**" any redemption of less than all of the Series 2017 Bonds pursuant to the provisions of the Indenture described under this subheading will be applied against the Subseries on a *pro rata* basis, based on the initial deposits to the Construction Fund from the proceeds of each such Subseries unless, on the date of such redemption, either such Subseries shall no longer be Outstanding, in which case, such redemption will be applied solely to the Outstanding Subseries.

Other Redemptions at Par. The Series 2017A Bonds will also be subject to redemption prior to maturity in whole or in part at any time and as expeditiously as reasonably possible upon the deposit of cash in the Redemption Fund required by the Loan Agreement or the Indenture as set forth below in a principal amount equal to such deposit (less any amount by which such deposit exceeds an Authorized Denomination) and at a Redemption Price equal to one hundred percent (100%) of such principal amount plus interest accrued thereon to the redemption date:

(i) any net proceeds of title insurance on the Series 2017 Project to the extent such net proceeds are not used to acquire or construct replacement or substitute property; **or**

(ii) any net proceeds of a sale or disposition of any inadequate, obsolete, worn out, unsuitable, undesirable, or unnecessary Equipment that is part of the Series 2017 Project to the extent such net proceeds are not used to acquire replacement equipment or related property having equal or greater value or utility (but not necessarily having the same function) in the operation of the Series 2017 Project for the purpose for which it is intended; **or**

(iii) any money consideration received by the Trustee pursuant to the provisions of the Leasehold Deed of Trust in connection with the release of, or the subordination of the lien of the Leasehold Deed of Trust with respect to, any portion of the Series 2017 Project (A) that the Ground Lessor proposes to convey fee title to a public utility or public body in order that utility services or public services may be provided to the Project or (B) with respect to which the Borrower requests the Trustee subordinate the lien of the Leasehold Deed of Trust to rights granted to a public utility or public body in order that utility services or public services may be provided to the Project pursuant to the provisions of the Leasehold Deed of Trust; **or**

(iv) the release price for any unimproved portion of the Series 2017 Project released from the lien of the Leasehold Deed of Trust determined and paid to the Trustee pursuant to the provisions of the Leasehold Deed of Trust.

Selection of Series 2017 Bonds to be Redeemed. If the Series 2017 Bonds are to be called for redemption (other than through mandatory sinking fund redemption), the Borrower will be permitted to select the maturity of Series 2017 Bonds to be redeemed. Subject to the provisions described below under the subheading “**Redemption of a Portion of a Series 2017 Bond.**” if less than all of the Series 2017 Bonds of any maturity are to be called for redemption (other than through mandatory sinking fund redemption), the Trustee will select the particular Series 2017 Bonds of such Series, Subseries, or maturity to be redeemed by lot. Notwithstanding the foregoing, the Borrower will have the right to designate the Mandatory Sinking Fund Redemption Requirement to which such redemption shall be credited.

DTC Procedures. Investors should note that while DTC is the Owner of the Series 2017 Bonds, partial redemptions of the Series 2017 Bonds will be determined in accordance with DTC’s procedures. The Authority intends that redemption allocations made by DTC, DTC Participants, or such other intermediaries that may exist between the Authority and the Beneficial Owners be made in accordance with the method of selection of Series 2017 Bonds for a partial redemption described herein. However, the selection of the Series 2017 Bonds for redemption in DTC’s book-entry only system is subject to DTC’s practices and procedures as in effect at the time of any such partial redemption. The Authority can provide no assurance that DTC, the DTC Participants, or any other intermediaries will allocate redemptions among Beneficial Owners in accordance with the method of selection of Series 2017 Bonds for a partial redemption as described above.

Notice of Redemption. In the event any Series 2017 Bonds are called for redemption as aforesaid, notice thereof identifying the Series 2017 Bonds or portions thereof to be redeemed will be given by the Trustee by mailing a copy of the redemption notice by first class mail (postage prepaid) not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption to the Owner of each Series 2017 Bond to be redeemed in whole or in part at the address shown on the Bond Register at the close of business on the fifth (5th) day preceding the date of mailing; provided, however, that failure to give such notice by mailing to any Owner of Series 2017 Bonds or any defect therein will not affect the validity of any proceedings for the redemption of any other Series 2017 Bonds for which notice shall have been properly given. Each notice will be required to specify the CUSIP numbers of the Series 2017 Bonds of each Series or Subseries being called; the numbers of the Series 2017 Bonds of each Series or Subseries being called; if less than all of the Series 2017 Bonds of any Subseries are being called, the redemption date; the Redemption Price; and the place or places where amounts due upon such redemption will be payable. Such notice will be required further to state that payment of the applicable Redemption Price will be made upon presentation and surrender of the Series 2017 Bonds to be redeemed and that on the redemption date, the Redemption Price will become due and payable upon each Series 2017 Bond to be redeemed and that interest thereon will cease to accrue on and after such redemption date, provided collected funds for the redemption of the Series 2017 Bonds to be redeemed are on deposit with the Trustee at the place of, and the time for, payment. Any notice mailed as provided in the Indenture will be conclusively presumed to have been duly given, whether or not the Owner of such Series 2017 Bonds actually receives such notice.

Conditional Notice of Redemption. Any notice of redemption may, at the direction of the Authority upon the written request of the Borrower, state (i) that the redemption to be effected is conditioned upon the receipt by the Trustee on or prior to the redemption date of sufficient and legally available funds to pay the Redemption Price of the Series 2017 Bonds to be redeemed and/or (ii) that the Borrower retains the right to rescind such notice on or prior to the scheduled redemption date and that if such funds shall not be so received or shall not be so legally available or if the notice shall be rescinded, such notice will be of no force or effect and such Series 2017 Bonds will not be required to be redeemed. In the event that such notice shall contain such condition(s) and sufficient legally available funds to pay the Redemption Price of such Series 2017 Bonds shall not be received by the Trustee on or prior to the redemption date or if the notice shall be rescinded on or prior to the redemption date, the redemption will not be made and the Trustee will be required, within a reasonable time thereafter, to give notice, in the manner in which the notice of redemption shall have been given, that such funds were not so received.

Cessation of Interest. On the date fixed for redemption, notice having been given in the manner and under the conditions hereinabove described, the Series 2017 Bonds (or portions thereof) called for redemption will be due and payable on the date fixed for redemption at the Redemption Price provided therefor. On such date, if cash and/or Defeasance Obligations sufficient to pay the Redemption Price of the Series 2017 Bonds (or portions thereof) to be redeemed, are held by the Trustee in trust for the Owners of Series 2017 Bonds (or portions thereof) to be redeemed, interest on the Series 2017 Bonds (or portions thereof) called for redemption will cease to accrue; such Series 2017 Bonds (or portions thereof) will cease to be entitled to any benefits or security under the Indenture or to be deemed Outstanding; and the Owners of such Series 2017 Bonds (or portions thereof) will have no rights in

respect thereof except to receive payment of the Redemption Price thereof. Series 2017 Bonds and portions of Series 2017 Bonds for which irrevocable instructions to pay on one or more specified dates or to call for redemption at a redemption date shall have been given to the Trustee in form satisfactory to it will not thereafter be deemed to be Outstanding under the Indenture and will cease to be entitled to the security of or any rights under the Indenture, other than rights to receive payment of the Redemption Price thereof, to be given notice of redemption in the manner provided in the Indenture and described herein, and, to the extent hereinafter described, to receive Series 2017 Bonds for any unredeemed portions of Series 2017 Bonds, if cash and/or Defeasance Obligations sufficient to pay the Redemption Price of such Series 2017 Bonds (or portions thereof) are held by the Trustee in trust for the Owners of such Series 2017 Bonds.

Redemption of a Portion of a Series 2017 Bond. No redemption of less than all of the Series 2017A Bonds or the Series 2017B Bonds will be permitted to be made unless all Series 2017 Bonds of such Subseries remaining Outstanding after such redemption are of an Authorized Denomination. If a Series 2017 Bond is of an Authorized Denomination larger than the minimum Authorized Denomination, a portion of such Series 2017 Bond may be redeemed, but such Series 2017 Bond will be required to be redeemed in part only in an Authorized Denomination and only if the unredeemed portion thereof is an Authorized Denomination.

If a portion of an Outstanding Series 2017 Bond shall be selected for redemption, the Owner thereof or his, her, or its attorney or legal representative will be required to present and surrender such Series 2017 Bond to the Trustee for payment of the Redemption Price of such Series 2017 Bond, and the Authority will cause to be executed and the Trustee will authenticate and deliver to or upon the order of such Owner or his, her, or its legal representative, without charge therefor, for the unredeemed portion of the principal amount of the Series 2017 Bond so surrendered, a Series 2017 Bond or Series 2017 Bonds of the same Subseries, form, and maturity and of any Authorized Denominations; provided, however, that if the Owner is a Securities Depository Nominee, the Securities Depository, in its discretion, will either be permitted to surrender such Series 2017 Bond to the Trustee and request that the Authority cause to be executed and the Trustee authenticate and deliver a new Series 2017 Bond for the unredeemed portion of the principal amount of the Series 2017 Bond so surrendered or be required to make an appropriate notation on such Series 2017 Bond indicating the dates and amounts of such reduction in principal.

In all instances where the Trustee is directed by the terms of the Indenture to redeem Series 2017 Bonds from cash deposited into the Redemption Fund, the Trustee shall redeem the maximum number of Series 2017 Bonds that may be redeemed in accordance with the applicable provisions hereof, and any excess cash will remain in the Redemption Fund.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS

Limited Obligations

THE SERIES 2017 BONDS WILL NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, BUT WILL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR UNDER THE INDENTURE AND FROM THE OTHER SECURITY. THE AUTHORITY WILL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF THE SERIES 2017 BONDS OR THE REDEMPTION PREMIUM (IF ANY) OR INTEREST THEREON EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER THE INDENTURE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY, WILL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE REDEMPTION PREMIUM (IF ANY) OR INTEREST ON THE SERIES 2017 BONDS. THE ISSUANCE OF THE SERIES 2017 BONDS WILL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER. MOREOVER, NEITHER THE AUTHORITY NOR THE CITY WILL BE LIABLE FOR ANY OTHER COSTS, EXPENSES, LOSSES, DAMAGES, CLAIMS, OR ACTIONS ON CONNECTION WITH THE LOAN AGREEMENT, THE SERIES 2017 BONDS, OR THE INDENTURE, EXCEPT ONLY TO THE EXTENT AMOUNTS ARE RECEIVED FOR THE PAYMENT THEREOF FROM THE BORROWER UNDER THE LOAN AGREEMENT. NEITHER THE MEMBERS OF THE GOVERNING BODY OF THE AUTHORITY, ANY EMPLOYEE OF THE AUTHORITY, NOR ANY PERSON EXECUTING ANY OF THE SERIES 2017 BONDS WILL BE LIABLE PERSONALLY ON THE SERIES 2017 BONDS BY REASON OF THE ISSUANCE THEREOF

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

As security for the obligations of the Borrower to the Authority under Loan Agreement and the Series 2017 Notes, the Borrower will execute and deliver to the Trustee (i) the Leasehold Deed of Trust pursuant to which the Borrower will, subject to Permitted Encumbrances, grant to the Deed of Trust Trustee for the benefit of the Trustee a first deed of trust lien on its interest in the real property included in the Project and the Property and will, subject to Permitted Encumbrances, grant to the Deed of Trust Trustee for the benefit of the Trustee a first priority security interest in the leases, rents, issues, profits, revenues, income, receipts, moneys, royalties, rights, and benefits of and from the Project, (ii) the Security Agreement pursuant to which the Borrower will, subject to Permitted Encumbrances, pledge and assign to the Trustee, and grant to the Trustee a first priority security interest in, the Pledged Revenues, the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Borrower's ownership or operation of the Project, the Inventory, and the Equipment, and (iii) the Assignment of Contracts and Agreements pursuant to which the Borrower will, subject to Permitted Encumbrances, grant to the Trustee a first priority security interest in the Facility Lease, the Cooperation Agreements, the Management Agreement, the Submanagement Agreement, the Development Agreement, and all other contracts and agreements relating to the design, construction, or management of the Series 2017 Project. The lien created by the Leasehold Deed of Trust is subject to the rights of KGI under the Ground Lease as the fee simple owner of the Property. The Leasehold Deed of Trust does not constitute a lien on KGI's fee simple interest in the Property. Because of certain risks associated with pledging and granting a security interest in collateral of this nature, prospective purchasers should not rely upon such collateral as providing any significant security for the Series 2017 Bonds. See "**CERTAIN BONDHOLDERS' RISKS - Pledge and Assignment of, and Grant of Security Interest in, Future Revenues**" herein.

Pledge of Pledged Revenues

As security for the obligations of the Borrower to the Authority under Loan Agreement and the Series 2017 Notes, the Borrower will, subject to Permitted Encumbrances, grant to the Trustee a first priority security interest in the Pledged Revenues and the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Borrower's ownership or operation of the Project.

Because of certain risks associated with granting a security interest in collateral of this nature, prospective purchasers should not rely upon such collateral as providing any significant security for the Series 2017 Bonds.

Pledge and Assignment of Trust Estate

Pursuant to the Indenture, and in order to secure the payment of the Debt Service Payments on the Bonds according to their tenor and effect and to secure the performance and observance by the Authority of the covenants expressed in the Indenture and in the Bonds, the Authority will grant to the Trustee a first priority security interest in/pledge and assign to the Trustee its right, title, and interest in and to the following (the "**Trust Estate**") which will consist of:

(i) all the right, title, and interest of the Authority in and to (a) the Loan Agreement (except for Unassigned Rights) and any loan, financing, or similar agreement between the Authority and the Borrower relating to Additional Bonds and (b) the Series 2017 Notes and any other Notes, and all extensions and renewals of the terms thereof, if any, and all amounts encumbered thereby, including, but without limitation, the present and continuing right to make claim for, collect, receive, and make receipt for payments and other sums of money payable, receivable, or to be held thereunder, to bring any actions and proceedings thereunder or for the enforcement thereof, and to do any and all other things that the Authority is or may become entitled to do under the foregoing;

(ii) all the right, title, and interest of the Authority in and to all cash proceeds and receipts arising out of or in connection with the sale of the Bonds and all moneys held by the Trustee in the funds created under the Indenture (excluding the Rebate Fund), including the Revenue Fund, the Bond Fund, the Redemption Fund, the Debt Service Reserve Fund, the Issuance Cost Fund, the Construction Fund, the Repair and Replacement Fund, the Insurance Fund, the Condemnation Fund, the Operating Reserve Fund, the Operations Contingency Fund, and the Surplus Fund created thereunder, or held by the Trustee as special trust funds derived from insurance proceeds, condemnation awards, payments on contractors' performance or payment bonds or other surety bonds, or any other source;

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

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

Under the Indenture, upon the occurrence of an Event of Default, the rights of the owners of the Series 2017 Bonds to the Trust Estate, to the extent provided for, are subject to a prior lien to secure the payment of all fees and expenses of the Trustee, and the Trustee may apply moneys received by it pursuant to any action taken by it in accordance with the Indenture in connection with such Event of Default to the payment of the costs and expenses of the proceedings resulting on the collection of such moneys and to the payment of the expenses, liabilities, and advances incurred or made by the Trustee prior to its applying such moneys to the payment of Debt Service Payments on the Bonds.

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

Because of certain risks associated with granting a security interest in collateral of the nature described above, prospective purchasers should not rely solely upon such collateral as providing security for the Series 2017 Bonds. See “CERTAIN BONDHOLDERS’ RISKS - Pledge and Assignment of, and Grant of Security Interest in, Future Revenues” herein.

Debt Service Reserve Fund

Under the Indenture, a Debt Service Reserve Fund will be created and will be funded initially from proceeds of the Series 2017A Bonds in an amount equal to the Debt Service Reserve Requirement for the Series 2017A Bonds as of the Closing Date. Under the Indenture, the Trustee will be authorized to transfer to the Bond Fund amounts held in the Debt Service Reserve Fund to pay the Debt Service Payments then due on the Series 2017A Bonds and on any Additional Bonds that are Tax-Exempt Bonds to the extent that there are insufficient funds for said purposes in the Operating Reserve Fund, the Bond Fund, the Redemption Fund, the Surplus Fund (including the Restricted Account of the Surplus Fund), and the Operations Contingency Fund available therefor on the date such Debt Service Payments are due. Any withdrawals for this purpose from the Debt Service Reserve Fund will be required to be restored by payments of Reserve Loan Payments by the Borrower. See “SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS - THE INDENTURE -- Revenue Fund” and “SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS - THE LOAN AGREEMENT -- Reserve Loan Payments” in APPENDIX “E” hereto. **The moneys in the Debt Service Reserve Fund will not be available to pay Debt Service Payments on the Series 2017B Bonds.** If Additional Bonds that are Tax-Exempt Bonds are issued, the Debt Service Reserve Fund will be required to be increased by an amount equal to the Debt Service Reserve Requirement for such Additional Bonds.

Repair and Replacement Fund

The Repair and Replacement Fund will be a trust fund into which the Borrower will be required to make monthly deposits. See “SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS - THE INDENTURE -- Revenue Fund” and “SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS - THE LOAN AGREEMENT -- Loan Payments and Other Amounts Payable” in APPENDIX “E” hereto. The moneys in the Repair and Replacement Fund will be disbursed by the Trustee for the costs of maintenance and repair of the Project or to pay the Debt Service Payments on the Bonds to the extent there are insufficient funds on deposit in the Operating Reserve Fund, the Bond Fund, the Redemption Fund, the Surplus Fund (including the Restricted Account of the Surplus Fund), the Operations Contingency Fund, and the Debt Service Reserve Fund available on the date such payments are due. There is no minimum balance that is required to be maintained in the Repair and Replacement Fund.

Operating Reserve Fund

The Operating Reserve Fund will be a trust fund into which the Trustee will transfer amounts up to One Million Two Hundred Thousand Dollars (\$1,200,000) in accordance with the provisions of the Indenture described in **APPENDIX “E”** hereto, **“SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS,”** under the subheading **“THE INDENTURE – Surplus Fund.”** Under the Indenture, the Trustee will be authorized to transfer to the Borrower amounts held in the Operating Reserve Fund to pay Expenses of, or to make capital expenditures in respect of, the Project and to make Debt Service Payments on the Bonds. Withdrawals from the Operating Reserve Fund will be not be required to be restored by payments of the Borrower. All amounts remaining in the Operating Reserve Fund on the tenth (10th) anniversary of the Closing Date will be paid to KGI at such times and in such amounts as shall be set forth in a written invoice approved by KGI and the Borrower.

Operations Contingency Fund

The Operations Contingency will be a trust fund into which the Trustee will transfer moneys remaining in the Revenue Fund after the disbursements described in **APPENDIX “E”** hereto, **“SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS,”** under the subheading **“THE INDENTURE – Revenue Fund.”** have been made provided no Event of Default shall have occurred and be continuing.

Moneys in the Operations Contingency Fund may be used to pay Expenses of, or to make capital expenditures in respect of, the Project and/or to make the transfers and deposits required by the provisions of the Indenture described in **APPENDIX “E”** hereto, **“SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS,”** under the subheading **“THE INDENTURE – Revenue Fund”** to the extent that there are insufficient funds in the Revenue Fund, the Operating Reserve Fund, the Bond Fund, the Redemption Fund, and the Surplus Fund (including, if necessary, the Restricted Account of the Surplus Fund) (in such order of priority) available therefor. All amounts remaining in the Operations Contingency Fund at the close of business on the last day of each Annual Period shall be transferred to the Surplus Fund.

Title and Property Insurance

A leasehold mortgagee’s title insurance policy will be delivered in the amount of not less than the original principal amount of the Series 2017 Bonds to insure that the Trustee will have a valid first deed of trust lien on the Borrower’s leasehold interest in and to the Property, subject only to Permitted Encumbrances and the standard exclusions from the coverage of such policy. Under such title insurance policy, the Trustee will not be permitted to recover more than the fair market value of any property that is lost as a result of a title defect. The Borrower will be required under the terms of the Loan Agreement to keep the Series 2017 Project fully insured against fire and other casualties and to maintain certain specified amounts of liability and business interruption insurance. See **“SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS - THE LOAN AGREEMENT -- Insurance”** in **APPENDIX “E”** hereto.

Rate Covenant

The Borrower will be required to operate the Project as a revenue producing student housing facility on a non-discriminatory basis and to the extent permitted by law and by the Ground Lease, to charge such fees and rates for its facilities and services and to exercise such skill and diligence as will provide Revenue Available for Fixed Charges, together with other available funds, sufficient to pay promptly all expenses of operation, maintenance, and repair of the Project and to provide all payments required to be made by the Borrower under the Loan Agreement. Such rates, fees, and charges will be required to be sufficient to produce a Fixed Charges Coverage Ratio of at least 1.20. In the event that it shall be determined, based upon the annual audited financial statements of the Borrower required by the provisions of the Loan Agreement described in **APPENDIX “E”** attached hereto under the heading **“THE LOAN AGREEMENT - Financial Statements,”** that for any Annual Period, such Fixed Charges Coverage Ratio shall not have been maintained, the Borrower will be required, within thirty (30) days of receipt of such financial statements, to engage a Financial Consultant to submit a report of such firm containing recommendations as to changes in the operating policies of the Borrower designed to maintain such Fixed Charges Coverage Ratio, to cause such Financial Consultant to prepare and submit such recommendations within sixty (60) days of the date of its engagement, and to implement such recommendations promptly to the extent permitted by law and by the Ground Lease. No Event of Default under the Loan Agreement will occur as a result of the provisions of the Loan

Agreement described in this paragraph if the recommendations of the Financial Consultant are followed notwithstanding that such Fixed Charges Coverage Ratio shall not subsequently be reattained, but the Borrower will continue to be obligated to employ such a Financial Consultant for such purpose until such Fixed Charges Coverage Ratio shall be reattained.

The Borrower will also be required, from time to time as often as necessary and to the extent permitted by law and the Ground Lease, to revise the rates, fees, and charges aforesaid in such manner as may be necessary or proper so that the Revenue Available for Fixed Charges will be sufficient to meet the requirements of the Loan Agreement, and further, in order to comply with provisions of the Loan Agreement to take all action within its power to obtain approvals of any regulatory or supervisory authority to implement any rates, fees, and charges required by the Loan Agreement. See “**THE LOAN AGREEMENT - Financial Covenants -- Rate Covenant**” in APPENDIX “E” attached hereto.

Enforceability of Remedies

The realization of value from the real and personal property comprising the Project and from the other security for the Series 2017 Bonds upon any default will depend upon the exercise of various remedies specified by the Bond Documents. These and other remedies may require judicial actions, which are often subject to discretion and delay and which may be difficult to pursue. See “**CERTAIN BONDHOLDERS’ RISKS - Enforceability of Remedies**” and “**CERTAIN BONDHOLDERS’ RISKS - Pledge and Assignment of, and Grant of Security Interest in, Future Revenues**” herein.

ADDITIONAL BONDS

So long as no Event of Default under the Indenture shall then be existing, Additional Bonds may, in the Authority’s sole discretion, be issued by the Authority upon the request of the Borrower to provide funds to pay any one or more of the following: (i) the costs of completing a portion of the Project, (ii) the costs of making such Additions or Alterations as the Borrower may deem necessary or desirable and as will not impair the nature of the Project as a student housing facility and as will be located on the Property, (iii) the costs of refunding any Bonds, and (iv) in each such case, the costs of the issuance and sale of the Additional Bonds and capitalized or funded interest for such period and such other costs reasonably related to the financing as shall be agreed upon by the Borrower and the Authority. Such Additional Bonds will be issued on a parity with the Series 2017 Bonds and any Additional Bonds theretofore or thereafter issued, will be secured by the lien and security interests granted by the Leasehold Deed of Trust and the Security Agreement, equally and ratably with the Series 2017 Bonds and any Additional Bonds theretofore or thereafter issued, and will be payable from the Bond Fund and the Redemption Fund. An amount equal to any increase in the Debt Service Reserve Requirement attributable to such Additional Bonds will be required to be deposited into the Debt Service Reserve Fund.

Prior to the issuance of any Additional Bonds to finance the cost of completing the Project or making Additions or Alterations to the Project, there will be required to be prepared and filed with the Trustee a certificate of the Borrower approved by an Independent Architect/Engineer setting forth the estimated costs of the proposed completion or the proposed Additions or Alterations to the Project, including an allowance for contingencies, the estimated date on which the completed Project or such Additions or Alterations will be placed in service or completed, and the amount, if any, provided or to be provided by the Borrower from other sources toward payment of the costs of such completion or such Additions or Alterations to the Project and the manner in which such funds will be provided.

Subject to the provisions of the Indenture described in the third succeeding paragraph, prior to the issuance of any Additional Bonds to finance the costs of completing a portion of the Project, the Borrower will be required to furnish to the Trustee a written report of a Financial Consultant showing that (giving effect to the issuance or incurrence of such Additional Bonds) (i) the expected Fixed Charges Coverage Ratio for each of the three (3) Annual Periods immediately following the Annual Period in which the completed Project is expected to be placed in operation is not less than 1.20 and (ii) the expected Revenue Available for Fixed Charges for each Annual Period until the completed Project is expected to be placed in operation plus any capitalized or funded interest is sufficient to pay the Fixed Charges, including the Fixed Charges that relate to the proposed Additional Bonds, for each Annual Period until the completed Project is expected to be placed in operation.

Prior to the issuance of any Additional Bonds to finance the cost of Additions or Alterations to the Project, there will be required to be prepared and filed with the Trustee:

(i) (A) the certificates or schedules regarding the Fixed Charges Coverage Ratio required by the Loan Agreement as described in **APPENDIX "E"** attached hereto under the subheading "**THE LOAN AGREEMENT - Financial Covenants -- *Rate Covenant***" evidencing that for each of the two (2) Annual Periods immediately preceding the issuance of the proposed Additional Bonds the Fixed Charges Coverage Ratio was greater than or equal to 1.20 and (B) a written report of a Financial Consultant showing that (giving effect to the issuance of such Additional Bonds and to the application of the proceeds thereof and resulting additional income from any Additions or Alterations constructed and acquired from such proceeds) (1) the expected Fixed Charges Coverage Ratio for each of the three (3) Annual Periods immediately following the Annual Period in which such Additions or Alterations are expected to be placed in operation is not less than 1.20 and (2) the expected Revenue Available for Fixed Charges for each Annual Period until such Additions or Alterations are expected to be placed in operation plus any funded interest is sufficient to pay the Fixed Charges, including the Fixed Charges that relate to the proposed Additional Bonds, for each Annual Period until such Additions or Alterations are expected to be placed in operation; or

(ii) a written report or opinion of an Accountant to the effect that for each of the three (3) Annual Periods immediately preceding the issuance of the proposed Additional Bonds the Fixed Charges Coverage Ratio, determined by the application of *pro forma* adjustments to the audited financial statements of the Borrower furnished to the Trustee pursuant to the Loan Agreement as described in **APPENDIX "E"** attached hereto under the heading "**THE LOAN AGREEMENT - Financial Statements**" that include the debt service on the proposed Additional Bonds in Fixed Charges for each such Annual Period, was greater than or equal to 1.20; or

(iii) a written report of a Financial Consultant showing that (giving effect to the issuance of such Additional Bonds and to the application of the proceeds thereof and resulting additional income from any Additions or Alterations constructed and acquired from such proceeds) the Fixed Charges Coverage Ratio for each of the three (3) Annual Periods immediately following the Annual Period in which such Additions or Alterations are expected to be placed in operation is not less than 1.20 and (2) the expected Revenue Available for Fixed Charges for each Annual Period until such Additions or Alterations are expected to be placed in operation plus any funded interest is sufficient to pay the Fixed Charges, including the Fixed Charges that relate to the proposed Additional Bonds, for each Annual Period until such Additions or Alterations are expected to be placed in operation; or

(iv) in the case of Additional Bonds issued to finance the cost of Additions or Alterations that will replace existing student housing on the campus of KGI, (A) a certificate of the Chancellor of KGI to the effect that subsequent to the delivery of the Series 2017 Bonds and prior to the opening of such Additions or Alterations, a number of beds at least equal to the beds to be provided by such Additions or Alterations will be taken off-line from the inventory of existing student housing on the campus of KGI and (B) a written report of an Accountant to the effect that for each of the two (2) Annual Periods preceding the issuance of the proposed Additional Bonds for which audited financial statements are available, the Fixed Charges Coverage Ratio was at least 1.20; or

(v) evidence reasonably acceptable to the Trustee that such Additions or Alterations were ordered by any governmental body or required by an accrediting agency of KGI.

Prior to the issuance of any Additional Bonds to refund any Bonds that results in the refunding of less than all of the then Outstanding Bonds, there will be required to be prepared and filed with the Trustee:

(i) a written report or opinion of an Accountant to the effect that the debt service requirements on all Bonds (assuming no more Bonds are issued after the proposed refunding) for any Annual Period subsequent to the refunding to and including the Annual Period of the final maturity of Bonds outstanding prior to the refunding will not, as a result of such refunding, exceed the debt service requirements for any such Annual Period had such refunding not occurred; or

(ii) (A) the certificates or schedules regarding the Fixed Charges Coverage Ratio required by the Loan Agreement as described in APPENDIX "E" attached hereto under the subheading "**THE LOAN AGREEMENT - Financial Covenants -- Rate Covenant**" evidencing that for each of the two Annual Periods immediately preceding the issuance of the proposed Additional Bonds the Fixed Charges Coverage Ratio was greater than or equal to 1.20 and (B) a written report of a Financial Consultant showing that (giving effect to the issuance of such Additional Bonds and to the refunding) the expected Fixed Charges Ratio for each of the three (3) Annual Periods immediately following such refunding is not less than 1.20; or

(iii) a written report or opinion of an Accountant to the effect that for each of the three (3) Annual Periods immediately preceding the issuance of the proposed Additional Bonds the Fixed Charges Coverage Ratio, determined by the application of *pro forma* adjustments to Fixed Charges, as determined from the audited financial statements of the Borrower furnished to the Trustee pursuant to the Loan Agreement as described in APPENDIX "E" attached hereto under the heading "**THE LOAN AGREEMENT - Financial Statements,**" that substitute the debt service on the proposed Additional Bonds for the actual debt service on the Bonds proposed to be refunded for each such Annual Period, was greater than or equal to 1.20; or

(iv) projected financial statements for the three (3) Annual Periods immediately following such refunding that include a written report of a Financial Consultant showing that (giving effect to the issuance of such Additional Bonds and to the refunding) the expected Fixed Charges Coverage Ratio for each of the three (3) Annual Periods immediately following such refunding is not less than 1.25.

Additional Bonds in an amount not to exceed ten percent (10%) of the principal amount of the Series 2017 Bonds or any Additional Bonds issued or incurred to finance Additions or Alterations may be issued to provide funds to complete the acquisition, construction, furnishing, and equipping of the Series 2017 Project or such Additions or Alterations, as applicable, without regard to the requirements described in the third preceding paragraph.

ANY ADDITIONAL BONDS WILL BE SECURED BY THE LIEN AND SECURITY INTERESTS GRANTED BY THE LEASEHOLD DEED OF TRUST AND THE SECURITY AGREEMENT AND WILL, SUBJECT TO THE PROHIBITION CONTAINED IN THE INDENTURE AGAINST THE USE OF MONEYS IN THE DEBT SERVICE RESERVE FUND FOR THE PAYMENT OF DEBT SERVICE PAYMENTS ON THE SERIES 2017 BONDS OR ANY ADDITIONAL BONDS THAT ARE NOT TAX-EXEMPT BONDS, BE EQUAL, WITHOUT PREFERENCE OR PRIORITY, TO THE LIEN AND SECURITY INTEREST PROVIDED FOR THE SERIES 2017 BONDS.

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

EXCEPT WITH RESPECT TO ADDITIONAL BONDS ISSUED TO FINANCE THE COMPLETION OF THE SERIES 2017 PROJECT OR ADDITIONS OR ALTERATIONS AS DESCRIBED IN THE THIRD PRECEDING PARAGRAPH, NO ADDITIONAL BONDS MAY BE ISSUED PURSUANT TO THE INDENTURE UNLESS AND UNTIL THERE SHALL BE FURNISHED TO THE TRUSTEE WRITTEN CONFIRMATION FROM EACH RATING AGENCY THAT THE ISSUANCE OF SUCH ADDITIONAL BONDS WILL NOT RESULT IN A REDUCTION, SUSPENSION, OR WITHDRAWAL OF ANY RATING OF ANY SUBSERIES OF BONDS.

NOTWITHSTANDING THE PROVISIONS OF THE INDENTURE DESCRIBED IN THE FOREGOING PARAGRAPHS UNDER THIS HEADING, ANY SERIES OF ADDITIONAL BONDS THE PROCEEDS OF WHICH WILL BE USED TO PAY, DISCHARGE, OR DEFEASE (IN ACCORDANCE WITH THE PROVISIONS OF THE INDENTURE DESCRIBED IN APPENDIX "E" ATTACHED HERETO UNDER THE HEADING "THE INDENTURE - Discharge of Lien") ALL OUTSTANDING BONDS WILL BE PERMITTED TO BE ISSUED IN THE AUTHORITY'S SOLE DISCRETION AND WITH THE CONSENT OF KGI WITHOUT COMPLYING WITH THE PROVISIONS OF THE INDENTURE DESCRIBED IN SUCH FOREGOING PARAGRAPHS UNDER THIS HEADING.

CERTAIN BONDHOLDERS' RISKS

Introduction

No person should purchase any of the Series 2017 Bonds without carefully reviewing the following information, which summarizes some, but not all, of the factors that should be carefully considered prior to such a purchase. Furthermore, the tax-exempt feature of the Series 2017A Bonds is relatively more valuable to high tax bracket purchasers than to purchasers who are in the lower tax brackets, and so the value of the interest compensation to any particular purchaser will vary with his, her, or its marginal tax rate. Each prospective purchaser should, therefore, determine his, her, or its present and anticipated marginal tax rate before investing in the Series 2017 Bonds. Each prospective purchaser should also carefully examine this Limited Offering Memorandum and his, her, or its own financial condition (including the diversification of his, her, or its investment portfolio) in order to make a judgment as to whether the Series 2017 Bonds are an appropriate investment.

Identified and summarized below are a number of considerations or risks that could adversely affect the operation of the Project and/or the Series 2017 Bonds and that should be considered by prospective purchasers. The following discussion is not intended to be exhaustive, but includes certain major factors that should be considered along with other factors set forth elsewhere in this Limited Offering Memorandum, including the Appendices hereto.

Revenues from Operation of the Series 2017 Project

If the Borrower is unable to generate sufficient revenues from the operation of the Series 2017 Project to pay its operating expenses and principal of and interest on the Series 2017 Notes, an Event of Default will occur under the Bond Documents. Upon an Event of Default, the Series 2017 Bonds may not be paid or may be paid before maturity or applicable redemption dates and a forfeiture of redemption premiums may result. The Borrower's ability to generate revenues and its overall financial condition may be adversely affected by a wide variety of future events and conditions including (i) a decline in the enrollment of The Claremont Colleges, and, in particular, KGI and/or CGU, (ii) increased competition from other schools, (iii) loss of accreditation, (iv) failure to meet applicable federal guidelines or some other event that results in students being ineligible for federal financial aid, and (v) cost overruns in connection with the Project or other capital improvements.

Limited Obligations of the Authority

The Series 2017 Bonds constitute limited obligations of the Authority and have three potential sources of payment. The sources of payment are as follows:

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

The Authority has no obligation to pay the Series 2017 Bonds except from the related Trust Estate, including Basic Loan Payments derived from the Loan Agreement. See APPENDIX "D" for the definition of "**Trust Estate**." The Series 2017 Bonds, together with interest and premium, if any, thereon, will not be or constitute general obligations or indebtedness of the State, KGI, the Board of Trustees, or any other political subdivision of the State, but will be limited obligations of the Authority. Neither the faith and credit nor the taxing power of the State, the City, or any other agency or political subdivision thereof is pledged to the payment of the Debt Service Payments on the Series 2017 Bonds, and the owners of the Series 2017 Bonds, will not have the right to compel any exercise of the taxing power of the State, the City, or any other political subdivision of the State to pay the Series 2017 Bonds, any premium thereon, or the interest thereon. The Authority has no taxing power. The Borrower will be required to make Basic Loan Payments (the interest in which the Trustee has received by assignment from the Authority) to the Trustee in amounts sufficient to enable the Trustee to pay the Debt Service Payments on the Series 2017 Bonds. See "SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS - THE INDENTURE -- Bond Fund" in APPENDIX "E" hereto. The Basic Loan Payments will be derived solely from operation of the Project. However, no assurance can be made that the Borrower will generate sufficient revenues from the Project to pay Debt Service Payments on the Series 2017 Bonds after payment of operating expenses of the Project.

- (2) Revenues received from operation of the Project by a receiver upon a default under the Indenture.

It has been the experience of lenders in recent years that attempts to have a receiver appointed to take charge of properties with respect to which loans have been made are frequently met with defensive measures such as the initiation of protracted litigation and the initiation of bankruptcy proceedings. Such defensive measures can prevent the appointment of a receiver or greatly increase the expense and time involved in having a receiver appointed. See “**CERTAIN BONDHOLDERS’ RISKS - Enforceability of Remedies**” herein. Accordingly, prospects for uninterrupted payment of principal and interest on the Series 2017 Bonds in accordance with their terms are largely dependent upon Basic Loan Payments from the Borrower described in the preceding paragraph, which are wholly dependent upon the success of the Borrower in the operation of the Project.

- (3) Proceeds realized from the sale or lease of the Borrower’s interest in the Project to a third party by the Trustee at or following foreclosure by the Trustee of the Leasehold Deed of Trust and proceeds realized from the liquidation of other security for the Series 2017 Bonds.

Debtors frequently employ defensive measures, such as protracted litigation and bankruptcy proceedings, in response to lenders’ efforts to foreclose on real property or otherwise to realize upon collateral to satisfy indebtedness that is in default. Such defensive measures can prevent, or greatly increase the expense and time involved in achieving, such foreclosure or other realization. In addition, the Trustee could experience difficulty in selling or leasing the real and personal property portion of the Project upon foreclosure due to the special purpose nature of a student housing facility, and the proceeds of such sale may not be sufficient to pay fully the owners of the Series 2017 Bonds. See “**CERTAIN BONDHOLDERS’ RISKS - Enforceability of Remedies**” herein. Accordingly, prospects for uninterrupted payment of principal and interest on the Series 2017 Bonds in accordance with their terms are largely dependent upon the Basic Loan Payments described in paragraph (1) above, which are wholly dependent upon the success of the Project. Even if the Project is operating in an efficient manner, other factors could affect the ability of the Borrower to make Basic Loan Payments under the Loan Agreement. The Borrower also may become engaged in other ventures in the future.

Limited Resources

The Borrower has no substantial revenues or assets other than the Series 2017 Project. Furthermore, the Series 2017 Bonds are secured only by the operations and assets of the Project. Therefore, timely payment of Debt Service Payments on the Series 2017 Notes will be dependent upon the Borrower’s ability to generate revenues from the Project sufficient to pay its operating expense and such payments of principal of and premium, if any, and interest on the Series 2017 Notes. If after payment of operating expenses, net revenues are insufficient to pay the principal of and premium, if any, and interest on the Series 2017 Notes, the Borrower likely will have no moneys or assets other than the Series 2017 Project from which to make such payments.

Required Occupancy Levels and Rents

In order for the Borrower to generate sufficient revenues to enable it to make the payments at the times required under the Loan Agreement, the Housing Facility must meet certain occupancy levels and achieve certain rents. There can be no assurance, however, that the Housing Facility Project will be able to meet and maintain such required occupancy and rent levels.

Special Use Nature of the Series 2017 Project

The Series 2017 Project will be constructed to serve as a student, faculty, and staff housing facility and as classroom and other space for KGI and is located on the campus of KGI. If it were necessary to sell the Borrower’s interest in the Ground Lease pursuant to the Leasehold Deed of Trust upon an Event of Default, the special use nature of the Series 2017 Project and the fact that the interest to be sold is in the nature of a leasehold interest and subject to the terms of the Ground Lease may curtail the purchase price that could be obtained, and the net proceeds received may be less than the principal amount of Series 2017 Bonds Outstanding. For all practical purposes, payment of the Series 2017 Bonds will be primarily dependent upon the continued operation of the Series 2017 Project.

Risks Associated with the Ground Lease

Neither the Authority nor the Borrower will have fee title to the Property. Instead, the Borrower will lease the Property from KGI pursuant to the Ground Lease. The Borrower’s obligation to comply with the terms of the

Ground Lease and to relinquish any claim to the Series 2017 Project upon the termination of the Ground Lease will likely render the Series 2017 Project less valuable to prospective purchasers upon foreclosure. See “**THE GROUND LEASE**” herein.

Geographic Concentration

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

Insurance and Legal Proceedings

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

Competition

The housing industry is highly competitive. Such competition may inhibit the extent to which the Borrower will be able to increase rates and charges and maintain or increase occupancy of the Housing Facility. Competing companies may offer newer or different projects, amenities, or services and thereby attract occupants who are current or potential occupants of the Housing Facility. Any of the Developer or, under certain circumstances, KGI, CGU, or any other Claremont College may acquire or develop additional housing facilities that compete with the Housing Facility. See “**THE COOPERATION AGREEMENTS - Agreement Regarding Additional Housing**” herein.

Government Regulation

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

Risks of Construction

On the basis the Developer’s representation, management of the Borrower believes that the proceeds of the Series 2017 Bonds will be sufficient to complete the Series 2017 Project; however, the cost of construction of the Series 2017 Project may be affected by factors beyond the control of the Borrower, including strikes, material shortages, adverse weather conditions, subcontractor defaults, delays, and unknown contingencies.

The General Construction Contract between the Developer and the General Contractor will obligate the General Contractor to complete the Series 2017 Project within a specified time for a fixed price. The cost of the Series 2017 Project may be increased, however, if there are change orders. The General Construction Contract requires the General Contractor to furnish performance and payment bonds; however, there can be no assurance that the obligations of the surety under such bonds can be enforced without costly and time-consuming litigation.

If cost overruns resulting from delays, change orders, or other causes are experienced, the Developer will be obligated, subject to *force majeure* and eminent domain, to complete the Series 2017 Project at its own expense. To the extent that construction is delayed or halted due to acts of *force majeure* or eminent domain, neither the Authority, any of The Claremont Colleges, the Borrower, nor the General Contractor will have any obligation to provide for such completion. In the event the Series 2017 Project is not completed, the only meaningful security for the owners of the Series 2017 Bonds would be the right to foreclose under the Leasehold Deed of Trust on the Borrower’s interest in the uncompleted Series 2017 Project. While the Indenture permits the Authority to issue

Additional Bonds to complete the Series 2017 Project, the Authority is not obligated to issue such Additional Bonds and there can be no assurance that a purchaser for such Additional Bonds could be obtained.

Risk of Uninsured or Underinsured Loss

The Borrower will covenant in the Loan Agreement to maintain certain types of insurance with respect to the Series 2017 Project. See “SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS - THE LOAN AGREEMENT – Insurance” in APPENDIX “E” hereto. These insurance policies will not cover all types of risk and will contain both deductible and maximum loss payment provisions. Under the Loan Agreement, the Borrower will be obligated to maintain earthquake insurance only if it is obtainable in reasonable amounts at reasonable cost on the open market. At the present time, the Borrower does not intend to obtain earthquake insurance. The Series 2017 Project could be damaged or destroyed due to earthquake or other casualty for which the Series 2017 Project is uninsured or underinsured. Additionally, there can be no assurance that the Borrower’s insurance providers will in all events be able or willing to make payments under the respective policies for such loss should a claim be made under such policies or that that amounts received as proceeds from insurance on the Series 2017 Project will be sufficient to repair the Series 2017 Project or to redeem the Series 2017 Bonds.

Clean-up Costs and Liens under Environmental Statutes

In anticipation of the execution and delivery of the Ground Lease, the Developer retained The Sanberg Group, Inc., Santa Fe Springs, California (the “*Phase I Provider*”), to conduct an environmental site assessment (the “*Phase I Site Assessment*”) of the Property. The Phase I Provider identified no concerns. Prospective purchasers of the Series 2017 Bonds may obtain a copy of the Phase I Site Assessment from the Underwriter; however, prospective purchasers of the Series 2017 Bonds may not rely upon the findings contained in the Phase I Site Assessment or upon any action or undertaking of the Developer in connection therewith.

The Borrower is not aware of any enforcement actions currently in process with respect to any releases of pollutants or contaminants at the Property. However, there can be no assurance that an enforcement action or actions will not be instituted under such statutes at a future date. In the event such enforcement actions were initiated, the Borrower could be liable for the costs of removing or otherwise treating pollutants or contaminants located at the Property. In addition, under applicable environmental statutes, in the event an enforcement action were initiated, a lien superior to the Trustee’s lien on behalf of the Bondholders could attach to the Project, which would adversely affect the Trustee’s ability to realize value from the disposition of the Borrower’s interest in the Project upon foreclosure of the Leasehold Deed of Trust. Furthermore, in determining whether to exercise any foreclosure rights with respect to the Project under the Indenture, the Trustee and the Bondholders would need to take into account the potential liability of any tenant of the Project, including a tenant by foreclosure, for clean-up costs with respect to such pollutants and contaminants.

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

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

- (1) statutory liens,
- (2) the California Uniform Commercial Code may not recognize a security interest in future revenues derived from the Project,
- (3) constructive trusts, equitable liens, or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction,

(4) federal bankruptcy laws as they affect amounts earned with respect to the Project after any effectual institution of bankruptcy proceedings by or against the Borrower or the Authority,

(5) as to those items in which a security interest can be perfected only by possession, including items converted to cash, the rights of third parties in such items not in the possession of the Trustee,

(6) items not in possession of the Trustee, the records to which are located or moved outside the State of California, which are thereby not subject to or are removed from the operation of California law, and

(7) the requirement that appropriate continuation statements be filed in accordance with the California Uniform Commercial Code as from time to time in effect.

Enforceability of Remedies

The Series 2017 Bonds are payable from the Trust Estate, including payments to be made under the Loan Agreement and the Indenture. The payments to be made by the Borrower under the Loan Agreement are secured by (i) a first deed of trust lien on the Borrower's interest in the Project and the Property pursuant to the Leasehold Deed of Trust, (ii) a grant to the Trustee of a security interest in (a) the Borrower's interest in the rents, issues, profits, revenues, income, receipts, moneys, royalties, rights and benefits of and from the Project and from and in connection with the Borrower's ownership or operation of the Project and (b) all leases of all or part of the Project and any and all tenant contracts, rental agreements, franchise agreements, management contracts, construction contracts, concessions, and other contracts, expenses, and permits pursuant to the Leasehold Deed of Trust, (iii) a pledge and assignment of, and a grant of a security interest in, the Pledged Revenues, (iv) a pledge and assignment of, and a grant of a security interest in, the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Borrower's ownership or operation of the Project pursuant to the Security Agreement, and (v) a grant of a security interest in Inventory and in the Equipment pursuant to the Security Agreement, all subject to Permitted Encumbrances. Pursuant to the Indenture, the Series 2017 Bonds are secured by the Trust Estate, including the grant of a security interest to the Trustee in, the Authority's interest in the Loan Agreement. The practical realization of value upon any default will depend upon the exercise of various remedies specified by the Bond Documents. These and other remedies may, in many respects, require judicial actions, which are often subject to discretion and delay. Under existing law (including, particularly, federal bankruptcy law), the remedies specified by the Bond Documents may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in the Bond Documents. The various legal opinions to be delivered concurrently with the delivery of the Series 2017 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings, and decisions affecting remedies, including judicial discretion in the application of the principles of equity, and by bankruptcy, reorganization, or other laws affecting the enforcement of creditors' rights generally.

Effect of Determination of Taxability

The Authority and the Borrower will covenant not to take any action that would cause the Series 2017A Bonds to be Arbitrage Bonds or that would otherwise adversely affect the federal income tax status of interest in the Series 2017A Bonds. The Borrower and the Corporation will also make representations with respect to certain matters within their knowledge that have been relied on by Special Tax Counsel and that Special Tax Counsel has not independently verified. Failure to comply with such covenants could cause interest on the Series 2017A Bonds to become subject to federal income taxation retroactively from the Closing Date.

It is possible that a period of time may elapse between the occurrence of the event that causes interest to become taxable and the determination that such an event has occurred. In such a case, interest previously paid on the Series 2017A Bonds could become retroactively taxable from the date of their issuance. Additionally, certain owners of Series 2017A Bonds are subject to possible adverse tax consequences. See "TAX MATTERS – SERIES 2017A BONDS" herein.

Market for the Series 2017 Bonds

There is currently no secondary market for the Series 2017 Bonds and there can be no assurance that a secondary market will exist, or that the Series 2017 Bonds can be sold for any particular price. Accordingly, a purchaser of the Series 2017 Bonds should recognize that an investment in the Series 2017 Bonds will in all likelihood be illiquid and be prepared to have his, her, or its funds committed until the Series 2017 Bonds mature or are redeemed.

Transfer Restrictions

Unless and until the Trustee and the Authority shall have received an Investment Grade Notice, the Series 2017 Bonds may be transferred only to Qualified Institutional Buyers or Accredited Investors.

Actual Results May Differ from Cash Flow Projection

The Market Study and its projection of future demands included as **APPENDIX “B”** hereto, and the Cash Flow Projection and its projection of future revenues and expenses with respect to the Series 2017 Project included as **APPENDIX “C”** hereto, are based upon assumptions concerning future events, circumstances, and transactions. The Market Study should be read in its entirety. In addition, the Cash Flow Projection contained herein only covers the approximate five-year period ending June 30, 2023, and consequently does not cover the entire period during which the Series 2017 Bonds may be Outstanding. The achievement of any results of the Market Study, the Cash Flow Projection, or other projection is dependent upon future events, the occurrence of which cannot be assured. Realization of the results projected will depend, among other things, on the implementation by KGI and/or CGU of policies and procedures consistent with the assumptions. Future results will also be affected by events and circumstances beyond the control of the Borrower. For the reasons described above, it is likely that the actual results of the Series 2017 Project will be different from the results projected in the Market Study and the Cash Flow Projection included herein, and those differences may be material and adverse.

Forward Looking Statements

This Limited Offering Memorandum, including but not limited to the information contained in the Market Study and the Cash Flow Projection, contains statements relating to future results that are “forward looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Limited Offering Memorandum, the words “estimate,” “projection,” “intend,” “expect,” and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. The factors that may cause projected revenues and expenditures to be materially different from those anticipated include (1) the ability of the Borrower to market the Housing Facility, (2) the ability of the Housing Facility to maintain substantial occupancy at projected increased rent levels of the Housing Facility, (3) the ability of the occupants of the Series 2017 Project to meet their financial obligations, (4) lower than anticipated revenues, (5) higher than anticipated operating expenses, (6) litigation, (7) changes in governmental regulation, (8) loss of federal tax-exempt status of the Corporation or any Eligible Institution whose students, faculty, and/or staff resides in the Housing Facility, (9) changes in demographic trends, (10) competition from other residential rental projects, (11) changes in the student housing industry, and (12) general economic conditions. No representation or assurances can be made that Revenues will be generated from the operation of the Series 2017 Project in amounts sufficient to pay maturing principal and interest on the Series 2017 Bonds.

Additional Bonds

The Authority has the right to issue Additional Bonds under the Indenture that will be equally and ratably secured on a parity basis with the Series 2017 Bonds. See “**ADDITIONAL BONDS**” herein and “**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS - THE INDENTURE -- Additional Bonds**” in **APPENDIX “E”** hereto. **SUCH ADDITIONAL BONDS COULD DILUTE THE SECURITY OF THE SERIES 2017 BONDS.**

Consequences of Changes in the Corporation’s Tax Status

The tax-exempt status of the Series 2017A Bonds depends upon maintenance by each of the Corporation, KGI, and each of the other Eligible Institutions whose students, faculty, and/or staff resides in the Housing Facility

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

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

The Borrower, the Corporation, and KGI will covenant to and represent that they will remain eligible for such tax-exempt status and avoid operating the Project as an unrelated trade or business (as determined by applying §513 of the Code) except to the *de minimis* extent permitted under §145(a)(2) of the Code. Failure of the Project to remain so qualified or so to operate the Project could affect the funds available to the Borrower for payments under the Loan Agreement by subjecting the Corporation and the Borrower to federal income taxation and could result in the loss of the excludability of interest on the Series 2017A Bonds from gross income for purposes of federal income taxation. Potential investors should note that in such event, the provisions of the Indenture relating to a Determination of Taxability may be applicable. See “**CERTAIN BONDHOLDERS’ RISKS - Effect of Determination of Taxability**” above.

Taxation of Series 2017 Bonds

An opinion of Special Tax Counsel will be obtained as described under “**TAX MATTERS – SERIES 2017A BONDS**” herein. Such an opinion is not binding on the IRS. Application for a ruling from the IRS regarding the status of the interest on the Series 2017A Bonds has not been made. The opinion of Special Tax Counsel contains certain exceptions and is based on certain assumptions described herein under the heading “**TAX MATTERS – SERIES 2017A BONDS.**” Failure by any of the Authority, the Borrower, the Corporation, KGI, or any of the other Eligible Institutions whose students, faculty, and/or staff resides in the Housing Facility to comply with certain provisions of the Code and covenants contained in the Indenture, the Loan Agreement, the Facility Lease, the No Arbitrage Certificate, and the Tax Certificate could result in interest on the Series 2017A Bonds becoming includable in gross income for federal tax purposes.

Opinions of Special Tax Counsel will be obtained regarding the exemption of interest on the Series 2017 Bonds from certain taxation by the State of California, as described under “**TAX MATTERS – SERIES 2017A BONDS**” and “**– SERIES 2017B BONDS**” herein. Special Tax Counsel has not opined as to whether interest on the Series 2017 Bonds is subject to state or local income taxation in jurisdictions other than California. Interest on the Series 2017 Bonds may or may not be subject to state or local income taxation in jurisdictions other than California under applicable state or local laws. Each purchaser of the Series 2017 Bonds should consult his or her own tax advisor regarding the taxable status of the Series 2017 Bonds in a particular state or local jurisdiction.

Book-Entry System

The Series 2017 Bonds will be represented by one or more certificates registered in the name of Cede & Co., the nominee for DTC, and will not be registered in the names of the beneficial owners of such Series 2017 Bonds or their nominees. Because of this, unless and until definitive securities are issued, Beneficial Owners of such Series 2017 Bonds will not be recognized by the Trustee as “registered owners.” Hence, until definitive securities are issued, Beneficial Owners of such Series 2017 Bonds will only be able to exercise the rights of Registered Owners indirectly through DTC and its participating organizations.

Risk of Audit by the IRS

The IRS has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the IRS, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal

income tax purposes. Certain types of transactions are being targeted for audit, including financings of student housing facilities.

No assurances can be given as to whether the IRS will commence an audit of the Series 2017A Bonds. If an audit is commenced, under current procedures the IRS is likely to treat the Authority as the taxpayer and the Bondholders may have no right to participate in such procedure. Neither the Underwriter, Bond Counsel, nor Special Tax Counsel will be obligated to defend the tax-exempt status of the Series 2017A Bonds. Neither the Authority, Bond Counsel, nor Special Tax Counsel will be responsible to pay or reimburse the cost of any Bondholders with respect to any audit or litigation relating to the Series 2017A Bonds.

Because of the complexity of the tax laws and the presence of issues about which reasonable persons can differ, an IRS audit could result in additional taxes, interest, and penalties. An IRS audit ultimately could affect the tax-exempt status of the Corporation, KGI, or any of the other Eligible Institutions whose students, faculty, and/or staff resides in the Housing Facility, as well as the exclusion from gross income for federal income tax purposes of the interest on the Series 2017A Bonds.

THE DEVELOPER AND THE DEVELOPMENT AGREEMENT

General

The Developer is a California limited liability company formed in June of 2014 for the express purpose of providing design and development services to the higher education industry. The Developer has been working with KGI and CGU since June of 2013 in developing the Series 2017 Project. One of the members of the Developer is Hanover Pacific, LLC ("**Hanover Pacific**"), a residential real estate development company formed in June of 2007 and specializing in student housing, faculty/staff housing, and workforce housing working with universities, colleges, K-12 school districts, and healthcare systems.. The principal business office of the Developer is located in Irvine, California. Hanover Pacific has a staff of six (6) individuals. As of the present date, Hanover Pacific and development entities of which Hanover Pacific is a member have developed (or have been selected to develop) 1,443 student beds, on five (5) separate collegiate campuses (including the Housing Facility). One of the facilities developed by the Developer, a 306-bed facility managed by the Submanager and built on a site adjacent to the campus of Western University of Health Sciences, in Pomona, California, approximately 5.3 miles from the Housing Facility, has an occupancy rate of 98%.

Key Personnel

A brief description of the education and professional background of the employees of the Developer having primary responsibility for the design and development of the Series 2017 Project follows:

A brief description of the education and professional background of the officers of the Developer having primary responsibility for the development of the Facilities follows:

Robert Y. Kim, Executive Managing Director. Mr. Kim is the Executive Managing Director of the Developer. He has over 24 years of experience in investment, finance, and real estate in the United States, Korea, China, and Japan. Prior to joining the Developer, Mr. Kim was the Vice President of Frontier Commercial, LLC, the commercial subsidiary of Frontier Homes, LLC, one of the largest, privately-held home builders in the United States; Vice President with AG Capital Holdings, an investment banking group based in Korea; and Senior Associate at Merchants Group International, a private equity fund based in San Francisco. Mr. Kim holds a law degree from the University of San Francisco's School of Law and an undergraduate degree in business administration from the University of Southern California.

Richard Sack, Managing Director – Capital Markets/Chief Financial Officer. Mr. Sack has an extensive background in entrepreneurship, investment banking, and finance. His experience in finance encompasses trading, sales, and investment banking in fixed income and in corporate finance, at various levels, with firms such as Money Managers Inc., Private Ledger, MuniCorp of California, BOCL Securities and Franklin Resources Inc. In addition to finance, Mr. Sack worked in the electronics industry working for such firms as Castelle and Hewlett Packard. After Hewlett Packard, Mr. Sack started a successful financial advisory practice advising early-stage companies. He has degrees in Economics and Sociology from the State University of New York at Stony Brook. Mr. Sack has served on several corporate and advisory boards. In 2006, Mr. Sack worked as the Venture Capitalist in residence

for the Environmental Business Cluster Incubator in San Jose, California. In 2007 and 2008, Mr. Sack was named Entrepreneur in Residence at the Levy Institute for Entrepreneurship at the Kellogg School of Management, Evanston, Illinois.

The Development Agreement

The Borrower and the Developer will enter into the Development Agreement which will set forth certain terms and conditions relating to the development of the Series 2017 Project, including a fixed price not exceeding \$44,850,000 for which the Developer will construct or cause the construction and completion of the Series 2017 Project, and which will authorize the Developer to negotiate and enter into the General Construction Contract and the Architect's Agreement. The Developer will assign to the Borrower all of its right, title, and interest in and to the Development Agreement, the General Construction Contract, and the Architect's Agreement. In the event of a default by the Authority under the Indenture, the Trustee will be entitled to enforce performance of the Development Agreement, but will not be required to perform the obligations of the Borrower as set forth therein.

The Developer will have no obligation to make payments on the Series 2017 Bonds. However, under the terms of the Development Agreement, if the Project shall not be completed on schedule (with the exception of delays caused by Force Majeure or other delays not caused by the fault of the Developer, as described in the Development Agreement), the Developer will be required to pay to the Borrower (i) the cost to provide temporary housing for any residents with signed leases or licenses who are unable to occupy their residential units, any necessary public temporary transportation of such students, any necessary moving services to and from such temporary housing to the campus, any necessary storage facilities for possessions, and a reasonable meal allowance until such persons are delivered occupancy of their respective rooms units and (ii) an amount equal to the daily rental rate assigned to the KGI Space under the Facility Lease until such time as KGI shall be able to occupy the same (collectively, the "**Liquidated Damages**").

The Developer will, as security for its obligations to the Borrower under Development Agreement and pursuant to a Developer's Assignment in favor of the Borrower, grant to the Borrower a first priority security interest in all of its right, title, and interest in and to the General Construction Contract and the Architect's Agreement (both as defined and described below).

THE GENERAL CONTRACTOR AND THE GENERAL CONSTRUCTION CONTRACT

General

The Developer has identified the General Contractor as the general contractor for the Series 2017 Project; however, the Developer and the General Contractor have not, as yet, entered into a construction contract (the "**General Construction Contract**"). The Developer and the General Contractor anticipate that the General Construction Contract will have a guaranteed maximum price of not exceeding \$32,659,380, and the General Contractor will agree to pay any and all costs in excess thereof that are not due to change orders initiated by KGI. The General Contractor is a general contractor licensed in the State, commenced business in 1989, and has advised the Borrower that as of the present date, it has constructed (or has been selected to construct) over 719 student beds, on two (2) separate collegiate campuses (including the Housing Facility). Additionally, during the past five (5) years it has served or is serving as general contractor or design-builder for a total of \$356,800,000 in multifamily housing projects.

The General Contractor will have no obligation to make payments on the Series 2017 Bonds. However, the obligations of the Developer under the Development Agreement to pay Liquidated Damages to the Borrower will be supported by the General Contractor's contractual agreement to pay the identical Liquidated Damages to the Developer. The obligations of the General Contractor to pay Liquidated Damages will be supported by the General Contractor's performance and labor and material payment bonds issued by a surety having a Best Policyholders Rating of "A-" or better and with a financial size rating of Class VIII or larger and licensed by the California Insurance Commissioner to transact the business of insurance in the State.

THE ARCHITECT AND THE ARCHITECT'S AGREEMENT

The Developer has entered into an agreement (the "**Architect's Agreement**") with Architecture Design Collaborative, Laguna Hills California (the "**Architect**"), dated March 8, 2017, relating to the Series 2017 Project.

The Architect is licensed in the State, commenced business in December of 2013, and has advised the Borrower that during the past four (4) years it has served or is serving as architect for approximately five hundred seventy-one (571) student housing units (1,102 beds) and approximately ten thousand (10,000) apartment units. The Architect is serving as designer and/or architect for residential projects having an aggregate construction cost of approximately Five Hundred Million Dollars (\$500,000,000). Recent student housing projects include a sixty-eight (68) unit (378 beds) facility for the University of La Verne in La Verne, California, and a two hundred eleven (211) unit (305 beds) facility for Western University in Pomona, California.

THE MANAGER

General

The Manager is a California limited liability company formed in 2016 for the purpose of providing property management services to the higher education industry. The Manager is headquartered in Irvine, California. As of the present date, the Manager manages (or has been selected to manage) 989 private beds of housing on five (5) separate collegiate campuses (including the Housing Facility).

Delegation to Submanager

Under the Management Agreement, the Borrower will acknowledge that the Manager intends to enter into the Submanagement Agreement with Capstone On-Campus Management, LLC (the “**Submanager**”) pursuant to which the Manager will be permitted to delegate to the Submanager the obligation to perform all or any portion of the Manager’s duties and obligations thereunder and will consent to the Manager’s entering into the Submanagement Agreement; however, the Manager will agree that it will be primarily liable for the performance of all of the Manager’s duties and obligations under the Management Agreement. It is the intent of the Manager that Mr. Robert Kim, whose biographical information appears above under the heading “**THE DEVELOPER AND THE DEVELOPMENT AGREEMENT - Key Personnel**,” will delegate primary day-to-day managerial responsibility to the Submanager, but will participate in all material decisions made by the Submanager with respect to the Housing Facility to include, without limitation, decisions made with respect to the annual budget and room rates.

Management Agreement

Under the Management Agreement, the Manager will be responsible for the payment of operating expenses and the collection and deposit of rent into an account, which the Trustee will withdraw on a weekly basis for the payment of indebtedness related to the Series 2017 Project. In addition to these duties, the Manager will assure proper scheduled maintenance of the Housing Facility, including daily, monthly, and annual maintenance requirements.

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

The Manager, in fulfilling its duties and obligations under the Management Agreement, will agree to operate, manage, and lease the Housing Facility in the same manner as is customary and usual in the operation, management, and leasing of comparable student residential facilities and is obligated to provide such services as are customarily provided by operators of such complexes of comparable class and standing as the Housing Facility.

Termination

The Management Agreement will take effect on the date of its execution and will have an initial term of five (5) years, subject to extension for successive one year periods upon the agreement of both parties commencing on the expiration of the initial 5-year term, unless terminated earlier in accordance with the provisions thereof. The Management Agreement may be terminated by the Borrower or the Manager by written notice to the other party in the event that the other party shall breach its obligations, duties, or covenants under the Management Agreement and such other party shall fail to effect a cure to the satisfaction of the non-breaching party within thirty (30) days of the receipt of the notice and in the event a petition in bankruptcy shall be filed by or against either the Borrower or the Manager or either the Borrower or the Manager shall make an assignment for the benefit of creditors or shall take advantage of any insolvency act and such proceeding shall not be dismissed or terminated within ninety (90) days of the institution thereof.

Management Fee

The management fee will be an annual fee equal to 3.7% of the Pledged Revenues.

THE SUBMANAGER

General

The Manager intends to engage the Submanager to assist in the management of the Housing Facility. The Submanager is an Alabama limited liability company formed in 2003 for the express purpose of managing and maintaining student housing communities. As of the present date, the Submanager manages (or has been selected to manage) 29,103 private beds of housing on 34 separate collegiate campuses (including the Housing Facility). The Submanager's headquarters are in Birmingham, Alabama, with on-site property managers at each student housing development location as well as regional management supervision.

Key Personnel

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

Douglas R. Brown, President. Mr. Brown joined The Capstone Companies as President of the Submanager in 2003, bringing with him over twenty (20) years of experience as a university administrator at University of North Carolina at Greensboro, University of Delaware, and the University of New Orleans. His higher education experience ranges from hall director to Associate Vice Chancellor of Business and Student Services. Mr. Brown holds a Bachelor of Science, as well as a Masters of Guidance and Counseling, both from Missouri State University.

Sandy Hill, Executive Vice President for Operations. Ms. Hill joined the Submanager in 2003. She began her student housing career as a resident assistant at the University of North Carolina at Chapel Hill. The next twenty years would take her around the country managing high-rise, mid-rise, and garden style apartment for private housing providers such as Allen and O'Hara, GMH Management Inc., and Ambling Companies before assuming a senior position at the Submanager. Her experience and insight into the operations component of the Submanager's business model is critical to its on-going success. Sandy worked closely with Doug Brown to take the Submanager's management portfolio from 2,500 beds in 2003, to more than 26,000 beds today and almost \$2 billion in assets. Sandy holds a Bachelor of Arts in Leisure Services, from the University of North Carolina at Chapel Hill.

William E. Davenport, Chief Operating Officer. Mr. Davenport joined the Submanager in 1996, and previously was Executive Vice President of the Finance Division for Capstone Development Corp. In the course of his career, he has worked closely with various university administrators and financial underwriters and advisors, gaining critical insight into working with colleges, universities, and non-profit foundations regarding student housing development and operations. Will holds a Bachelor of Arts from Birmingham Southern College, and a Masters of Business Administration from the University of Alabama in Birmingham.

Submanagement Agreement

The terms, provisions, covenants and agreements contained in the Submanagement Agreement will essentially mirror the terms of the Management Agreement.

Termination

The Submanagement Agreement will take effect on the date of its execution and will have an initial term of five (5) years, subject to extension for successive one year periods upon the agreement of both parties commencing on the expiration of the initial 5-year term, unless terminated earlier in accordance with the provisions thereof. The Submanagement Agreement may be terminated by the Manager or the Submanager by written notice to the other party in the event that the other party shall breach its obligations, duties, or covenants under the Submanagement Agreement and such other party shall fail to effect a cure to the satisfaction of the non-breaching party within thirty (30) days of the receipt of the notice and in the event a petition in bankruptcy shall be filed by or against either the Manager or the Submanager or either the Manager or the Submanager shall make an assignment for the benefit of creditors or shall take advantage of any insolvency act and such proceeding shall not be dismissed or terminated within ninety (90) days of the institution thereof.

Submanagement Fee

The submanagement fee will be an annual fee equal to 2.5% of the Pledged Revenues. **The payment of the submanagement fee will be the responsibility of the Manager , and the Borrower will have no obligation with respect thereto.**

ASSIGNMENT OF CONTRACTS AND AGREEMENTS

The Borrower will, as security for the obligations of the Borrower to the Authority under Loan Agreement and the Series 2017 Notes and subject to Permitted Encumbrances, grant to the Trustee a first priority security interest in the all of the Borrower's right, title, and interest in and to the Facility Lease, the Cooperation Agreements, the Management Agreement, the Submanagement Agreement, the Development Agreement, the General Construction Contract, the Architect's Agreement, and all other contracts and agreements relating to the design, construction, or management of the Series 2017 Project. In the event of a default by the Borrower under the Loan Agreement, the Trustee will be entitled to enforce performance of the Facility Lease and the Development Agreement, but, unless the Trustee shall choose, under such circumstances, to enforce performance of the Facility Lease and the Development Agreement, it will not be required to perform the obligations of the Borrower as set forth in such contracts or agreements. In the event of a default by the Borrower under the Loan Agreement **and** a default by the Developer under the Development Agreement, the Trustee will be entitled to enforce performance of the General Construction Contract and the Architect's Agreement, but, unless the Trustee shall choose, under such circumstances, to enforce performance of the General Construction Contract and/or the Architect's Agreement, the Trustee will not be required to perform the obligations of the Developer or the Borrower (as the Developer's assignee) as set forth in such contracts or agreements.

KGI

General

KGI is a nonprofit public benefit corporation organized and existing under the laws of the State and is located in the City of Claremont, California. KGI was founded in 1997 on the basis of a Fifty Million Dollar (\$50,000,000) grant from the W.M. Keck Foundation. KGI represents The Claremont Colleges' first entry into graduate-level, application-based scientific research and education, and it remains the only graduate institute in the United States with this sole focus.

Enrollment

Student enrollment for the 2016-2017 academic year is approximately 526, which is a 26.4% increase over the 2015-2016 academic year. Entering student enrollment in the fall of 2016 increased 28% over the fall of 2015. The following table shows fall student enrollment at KGI for the last five academic years.

Academic Year	Total Enrollment	Percent Change
2012-13	177	9.9%
2013-14	169	(4.5)
2014-15	310	83.4
2015-16	416	34.2
2016-17	526	26.4

Students

The fall of 2016 entering class had representatives from 22 states (including California) and 11 different countries (including the United States). The mean entering GPA for the entering class was 3.16.

Tuition, Fees, and Room and Board Charges

The annual tuition and fee charges for each full-time student, by program of entry, for the last five academic years are listed below.

Academic Year	Program of Entry						
	MBS	M.Eng	MS	PharmD	PhD	PPC	PPM
2012-13	\$37,900	n/a	\$23,500	n/a	n/a	\$19,961	\$25,200
2013-14	37,900	n/a	30,000	n/a	n/a	21,800	25,200
2014-15	37,900	n/a	30,000	\$43,500	\$10,000	22,700	25,700
2015-16	37,900	n/a	32,900	43,500	19,900	24,900	26,900
2016-17	38,900	38,900	34,900	45,900	24,900	27,900	28,900

No Liability With Respect to Payment of the Series 2017 Bonds

KGI WILL HAVE PAYMENT OBLIGATIONS UNDER THE FACILITY LEASE, BUT WILL NOT HAVE ANY OBLIGATION, EXPRESS OR IMPLIED, WITH RESPECT TO PAYMENT OF THE PRINCIPAL OF, OR THE PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2017 BONDS, AND KGI WILL NOT BE RESPONSIBLE OR LIABLE, EXPRESSLY OR IMPLICITLY, FOR ANY OBLIGATIONS OF ANY OTHER PARTY TO ANY OF THE BOND DOCUMENTS.

CGU

General

CGU is a nonprofit public benefit corporation organized and existing under the laws of the State and is located in the City of Claremont, California. Founded in 1925, CGU is an independent institution devoted entirely to graduate study. At CGU, students pursue academic research agendas both within and across traditional curricular boundaries. As a member of the Claremont Consortium, CGU is able to offer a greater breadth of faculty and campus resources than is typical of a university with 2,200 students. CGU is classified by the Carnegie Commission on Higher Education as R2: Doctoral Research University, Higher Research Activity. Many of its academic programs are practice-based, so students start working in their field while enrolled at CGU. Enrollment is limited and classes are small, so its students receive individualized mentorship that expands their vocational network.

Enrollment

Student enrollment for the 2016-2017 academic year is approximately 2,221, which is a 4.6% decrease from the 2015-2016 academic year. Entering student enrollment in the fall of 2016 decreased 7.8% from the fall of 2015. The following table shows total student enrollment at CGU for the last five academic years.

Academic Year	Total Enrollment	Percent Change
2012-13	2,486	2.2%
2013-14	2,412	(3.0)
2014-15	2,368	(1.8)
2015-16	2,329	(1.6)
2016-17	2,221	(4.6)

Beginning in the academic year 2014-15, CGU undertook a strategic review of each of its twenty-two (22) academic programs, along with associated student demand, market demand for employment, financial structure, and overall integration into CGU's mission. The primary purpose of such strategic review was to fully assess and determine if certain programs should be restructured and/or should receive additional investment to capture market demand. As a result of this analysis, CGU directed its efforts into expanding select masters programs, while reducing or eliminating applicants to a few doctoral programs. At the same time, it went through a process of streamlining many of its central support processes, resulting in a reduction of expenses. It then strategically allocated some of the cost savings to marketing and investing in programs with growth potential. The estimated net reduction in FTEs from the academic years 2015-16 to 2016-17 that are due to these restructuring efforts was approximately 35 FTEs. In addition, the School of Arts and Humanities is responsible for an additional 100 FTEs of the total decline in FTEs over the past five (5) years, a direct result of the strategy of supporting a selective PhD program and expanding the MA programs. The MA markets are still developing and not yet compensating for the loss of doctoral student numbers.

Students

The fall of 2016 entering class had representatives from 22 states (including California); 24% of the class was from outside of California. The mean entering GPA for the entering class is not available at this time.

Tuition, Fees, and Room and Board Charges

The annual tuition and fee charges for each full-time student for the last five academic years are listed below.

Tuition and Fees

Academic Year	Tuition and Fees
2012-13	\$38,140
2013-14	41,110
2014-15	42,334
2015-16	43,632
2016-17	44,928

No Liability With Respect to Payment of the Series 2017 Bonds

CGU WILL NOT BE RESPONSIBLE OR LIABLE, EXPRESSLY OR IMPLICITLY, FOR ANY OBLIGATIONS OF ANY OTHER PARTY TO ANY OF THE BOND DOCUMENTS.

CLAREMONT UNIVERSITY CONSORTIUM

General

The Consortium is the central coordinating institution of The Claremont Colleges, a group of five undergraduate colleges and two graduate institutions with a combined enrollment of approximately 6,300 students. The members include, in order of founding, Pomona College, CGU, Scripps College, Claremont McKenna College, Harvey Mudd College, Pitzer College, and KGI (collectively, "*The Claremont Colleges*"). Each of The Claremont Colleges and the Consortium are separate corporate entities. As the central coordinating institution, the Consortium is responsible for advancing The Claremont Colleges; founding new institutions; promoting cooperation among

member institutions; acquiring, holding, and managing land for future institutions; and providing central support programs and services as well as central facilities operated on behalf of The Claremont Colleges.

Each of The Claremont Colleges is accredited by the Western Association of Schools and Colleges, of which each is a member.

Board of Overseers

The Consortium is currently governed by a 26-person self-perpetuating Board of Overseers, each of whom is a voting member. The Chair of the Board of Trustees and the President of each of The Claremont Colleges, a total of 14 persons, are automatic members of the Board of Overseers by virtue of their leadership positions within The Claremont Colleges. There are between 7 and 11 at-large members of the Board of Overseers, each of whom serves for a three-year term and is elected by the Board of Overseers. In addition, the Chief Executive Officer of the Consortium is a member of the Board of Overseers.

Executive Officers

The Chief Executive Officer of the Consortium is appointed by the Board of Overseers and is charged with the principal responsibility for administration of the Consortium. The Treasurer, Controller, Vice President for Student and Affairs, and Secretary are officers of the Consortium, are elected annually by the Board of Overseers, and are subject to the direction of the Chief Executive Officer.

Programs and Services

The Consortium manages a number of centralized programs and services for the benefit of The Claremont Colleges. Charges to The Claremont Colleges for these centralized programs and services, which currently constitute the most significant portion of the Consortium's total revenues, are based on factors that are deemed appropriate for the particular program or service. It is intended that services break even on a cash basis and have sufficient surplus to maintain such services as are appropriate. Brief descriptions of the programs and services follow.

The Honnold/Mudd Library of The Claremont Colleges serves all of The Claremont Colleges. The library has approximately two million volumes located in two facilities: the main Honnold/Mudd Library complex and the Records Management Center. The library is an integral part of the Consortium central programs and services. Operational costs are allocated based on full-time equivalent ("**FTE**") student enrollment and FTE faculty.

The Consortium provides the Chicano Latino Student Affairs Center and the Office of Black Student Affairs, which support the educational, cultural, and social needs of the Chicano/Latino and African-American students of The Claremont Colleges. Costs are allocated 60% on the basis of FTE enrollment and 40% on the basis of Chicano/Latino or African-American enrollment, plus annual support by CGU for each of these programs.

The Consortium provides health and counseling services to students of The Claremont Colleges. The Student Health Services center provides outpatient and preventive healthcare to students. Costs are allocated 60% on the basis of FTE enrollment and 40% on the basis of student visits. Students are individually charged for lab services, lab supplies, and pharmaceuticals. Monsour Counseling and Psychiatric Services provides psychological counseling services to students. Costs are allocated 60% on the basis of FTE enrollment and 40% on the basis of student visits. Health Education Outreach provides educational programming, services and resources. Costs are allocated on the basis of FTE enrollment.

The Interfaith Chaplaincy serves the religious needs of the students. Its costs are allocated on the basis of FTE enrollment.

The Consortium operates the Huntley Bookstore, which is the central bookstore serving the faculty, students and employees of The Claremont Colleges. The Consortium currently has a contract with Follett to operate the bookstore and receives commissions on sales.

Campus security is maintained for all of the campuses of The Claremont Colleges. The Consortium's mission is to ensure a safe and secure environment for students, staff, faculty, and campus visitors. Basic service

charges are distributed to The Claremont Colleges on the basis of FTE enrollment. Any extra services, such as security fees for particular events, are billed at an hourly rate to the institution requesting such services.

The Consortium maintains staff that provide the following administrative services:

- Employee benefits administration. Costs are allocated on the basis of average number of benefits-based employees;
- Financial services, consisting of various accounting and treasury services. Costs are allocated on the basis of proportional use;
- Risk management and insurance services. Costs are allocated on the basis of average insurance premiums paid over the prior three years;
- Enterprise Services, which supports identification cards and dining services contract support. Costs are allocated on the basis of FTE enrollment. This department also supports The Honnold Café, Copy Center, and other campus life services which are funded on a direct charge basis;
- Lab safety auditing service and expertise on workplace safety issues. Costs are allocated on the basis of hazardous materials, industrial hygiene, training, and administrative workload estimates;
- Records Management, which provides inventory and storage of library materials and historical documents. Costs are allocated on the basis of FTE enrollment;
- Disaster Preparedness, which provides coordination Disaster Planning, communications, and recovery among The Claremont Colleges. Costs are allocated on the basis of FTE enrollment;
- Administration of workers' compensation program. Costs are allocated on the basis of workers' compensation premiums paid;
- Real estate expertise, rental property management, and real estate assessment administration. Costs are allocated on the basis of off-campus housing, rentals, taxes and loan activity;
- Maintenance of Consortium buildings and grounds. Costs are allocated on the basis of FTE enrollment;
- Human resources, public relations, and support to various centralized programs. Costs are allocated on the basis of employee headcount; and
- Executive Office, which provides the administrative leadership for centralized programs and services. Costs are allocated on the basis of FTE enrollment.

Information technology and computer communications connections, campus mail and telephone services are provided. Costs for computer technology are allocated on the basis of FTE enrollment and costs for mail on the basis of mail stops. The Claremont Colleges are charged directly for each phone and for local and long distance calls.

The Consortium provides facilities support to The Claremont Colleges, including tradespeople such as carpenters, electricians, plumbers, HVAC technicians, etc. The individual institutions are charged directly for services performed and supplies purchased.

The Consortium manages an electrical distribution system and backup generation for the six of the seven institutions in The Claremont Colleges. Costs are funded by a surcharge on electrical rates.

No Liability With Respect to Payment of the Series 2017 Bonds

The Consortium will not have any obligation, express or implied, with respect to payment of the principal of, or the premium, if any, or interest on, the Series 2017 Bonds, and the Consortium will not be responsible or liable, expressly or implicitly, for any obligations of any other party to any of the Bond Documents.

THE COOPERATION AGREEMENTS

General

Each of KGI and CGU will agree in the Cooperation Agreements that it will take no action, and will not assist others in taking any action on its behalf, that materially adversely affects the marketability of the Housing Facility or the Series 2017 Project's ability to maintain a Fixed Charges Coverage Ratio of at least 1.20. This covenant, however, will not prohibit either KGI or CGU from constructing or acquiring, or causing others to construct or acquire on its behalf, additional new student housing facilities serving students at its campus, and thereafter operating the same, subject to the provisions described below under the heading "**Agreement Regarding Additional Housing.**"

KGI.

Without limiting the generality of the provisions described in the immediately preceding paragraph, KGI will also agree that it will not give, grant, or permit any preference or priority to be given to any housing facility that is owned, operated, managed, or leased by or to KGI (or any affiliated entity) or the Consortium (or any affiliated entity) or that is owned, operated, managed, or leased by or to any third party with whom KGI (or any affiliated entity) or the Consortium (or any affiliated entity) shall have entered into any lease or any affiliation, support, resident assignment, marketing, cooperation or other similar agreement over the Housing Facility with respect to the assignment of, or direction to, Eligible Residents. The provisions of this paragraph will not apply with respect to any student, faculty, or staff who, in accordance with KGI's or the Consortium's written rules, policies, and or procedures, shall not be permitted to reside in the Housing Facility.

CGU.

Without limiting the generality of the provisions described in the second preceding paragraph, CGU will also agree that it will not, for a period of five (5) years, give, grant, or permit any preference or priority to be given to any housing facility that is owned, operated, managed, or leased by or to CGU (or any affiliated entity) or that is owned, operated, managed, or leased by or to any third party with whom CGU (or any affiliated entity) shall have entered into any lease or any affiliation, support, resident assignment, marketing, cooperation or other similar agreement over the Housing Facility with respect to the assignment of, or direction to, Eligible Residents. The provisions of this paragraph will not apply with respect to any student, faculty, or staff who, in accordance with the Consortium's written rules, policies, and or procedures, shall not be permitted to reside in the Housing Facility.

Marketing

Each of KGI and CGU will also agree (i) to include the Housing Facility in all information and marketing materials regarding Eligible Resident housing that it provides to its current and prospective Eligible Residents, including but not limited to incorporating the Housing Facility in any prospective student campus tours, and the inclusion of Housing Facility information in student acceptance/orientation packages or its equivalent; (ii) to include link on its web site to the Housing Facility's website; (iii) to include references and/or links to the Housing Facility's website in any housing related communications to Eligible Residents, whether current or prospective; (iv) to cooperate with the Manager to identify The Claremont Colleges' student recruitment events and facilitate marketing and promotion of the Housing Facility as student, faculty, and staff housing; (v) to permit to the Borrower and/or the Manager to advertise the availability of the Housing Facility on its campus and to post advertising literature on bulletin boards that are available for public announcements in its facilities; (vi) to the extent possible, to provide to Eligible Residents who are its students the same services and access it provides to its other students, including, without limitation, access to its computer network; and (vii) to implement procedures to assist Eligible Residents in applying for residence at the Housing Facility.

Agreement Regarding Additional Housing

KGI.

KGI will also agree that it will take no action, and will not assist others in taking any action on its behalf, that materially adversely affects the marketability of the Housing Facility or the Series 2017 Project's ability to maintain a Fixed Charges Coverage Ratio (as defined in the Loan Agreement) of at least 1.20. This covenant, however, will not prohibit KGI from constructing or acquiring or causing others to construct or acquire on its behalf, and thereafter operating, additional new student housing facilities that increase the bed capacity of housing facilities serving students, faculty, and/or staff of any of The Claremont Colleges (including off-campus facilities) ("**Additional New Beds**"); *provided, however*, that such Additional New Beds will be permitted to be undertaken only (a) if there shall be prepared and filed with the Trustee (i) the certificates or schedules regarding the Fixed Charges Coverage Ratio required by the Loan Agreement evidencing that for each of the two (2) Annual Periods immediately preceding the construction or acquisition of the proposed Additional New Beds, the Fixed Charges Coverage Ratio was greater than or equal to 1.25 and (ii) a written report of a Consultant showing that (giving effect to the construction or acquisition of such Additional New Beds) the expected Fixed Charges Coverage Ratio for each of the three (3) Annual Periods immediately following the Annual Period in which such Additional New Beds are expected to be placed in operation is not less than 1.25, or (b) if any one or more of The Claremont Colleges takes or shall agree to take off-line from existing student residence halls on its main campus on or before the date such Additional New Beds are made available to students a number of beds at least equal to the Additional New Beds, or (c) KGI shall enter into a first-fill agreement with respect to the Housing Facility.

CGU.

CGU will also agree that it will take no action, and will not assist others in taking any action on its behalf, that materially adversely affects the marketability of the Housing Facility or the Series 2017 Project's ability to maintain a Fixed Charges Coverage Ratio (as defined in the Loan Agreement) of at least 1.20. This covenant, however, will not prohibit CGU from constructing or acquiring or causing others to construct or acquire on its behalf, and thereafter operating, additional new student housing facilities that increase the bed capacity of housing facilities serving students, faculty, and/or staff of any of The Claremont Colleges (including off-campus facilities) that will be made available for occupancy within five (5) years after the date of the CGU Cooperation Agreement ("**Additional New Beds**"); *provided, however*, that such Additional New Beds will be permitted to be undertaken only (i) if there shall be prepared and filed with the Trustee a written report of a Consultant showing that (giving effect to the construction or acquisition of such Additional New Beds) the expected Fixed Charges Coverage Ratio for the Annual Period immediately following the Annual Period in which such Additional New Beds is expected to be placed in operation is not less than 1.20, or (ii) if any one or more of The Claremont Colleges takes or shall agree to take off-line from existing student residence halls on its main campus on or before the date such Additional New Beds are made available to students a number of beds at least equal to the Additional New Beds, or (iii) CGU shall enter into a first-fill agreement with respect to the Housing Facility, or (iv) five (5) years shall have elapsed since the making of the CGU Cooperation Agreement.

The Consortium will also enter into a Cooperation Agreement with the Borrower pursuant to which it will agree to (i) provide security for the Housing Facility, (ii) arrange for the Consortium's insurance provider(s) to provide builder's risk and, upon completion, casualty insurance for the Series 2017 Project, (iii) include the Housing Facility in any information and marketing materials relating to graduate student, faculty, and/or staff housing that it may provide to prospective graduate students, faculty, and/or staff, including, but not limited to, incorporating the Housing Facility in any prospective student campus tours conducted by the Consortium, and the inclusion of Housing Facility information in any student orientation packages or its equivalent provided by the Consortium; (iv) include link on the Consortium's web site to the Housing Facility's website; (v) include references and/or links to the Housing Facility's website in any housing related communications to graduate students, faculty, and/or staff, whether current or prospective; (vi) distribute marketing materials prepared by or on behalf of the Borrower and approved by the Consortium at Consortium events, if any, for current or prospective graduate students, faculty, and/or staff; (vii) cooperate with the Manager to identify The Claremont Colleges' graduate student recruitment events and facilitate marketing and promotion of the Housing Facility as graduate student, faculty, and staff housing; and (viii) post advertising literature on bulletin boards that are available for public announcements in the Consortium's facilities.

THE GROUND LEASE

Pursuant to the Ground Lease, KGI will lease the Property to the Borrower for a term of thirty-five (35) years, subject to certain termination rights provided therein. The annual rental payable under the Ground Lease will be equal to the Net Available Cash Flow. Net Available Cash Flow will equal the amount transferred from time to time to the Surplus Fund created under the Indenture.

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

- (i) The Borrower shall fail to pay the rent due thereunder at the times specified therein.
- (ii) The Borrower shall fail to comply with any other term, covenant, condition, or provision of the Ground Lease and shall fail to correct such failure within thirty (30) days after written notice specifying such is given to the Borrower by KGI. In the case of any such failure that cannot with due diligence be corrected within such thirty (30) day period but can be wholly corrected within a period of time not materially detrimental to the rights of KGI, it will not constitute an event of default thereunder if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the failure shall be corrected in accordance with and subject to any directions or limitations of time established in writing by KGI.
- (iii) The Borrower shall be adjudicated a bankrupt.
- (iv) A permanent receiver shall be appointed for the Borrower's interest in the Premises (generally defined in the Ground Lease as the Property and the Project) and such receiver shall not be removed within ninety (90) days after notice from KGI to the Borrower to obtain such removal.
- (v) The Borrower shall voluntarily take advantage of any bankruptcy or other debtor relief proceedings under any law providing for the reduction or deferral of rent due under the Ground Lease or shall become subject to any such involuntary proceedings and said involuntary proceedings shall not be dismissed within ninety (90) days after notice from KGI to the Borrower to obtain such dismissal.
- (vi) The Borrower shall make a general assignment for the benefit of creditors.
- (vii) The Premises or the Borrower's effects or interests therein shall be levied upon or attached under process and the same shall not be satisfied or dissolved within ninety (90) days after notice from KGI to the Borrower to obtain satisfaction or dissolution thereof.

Upon the occurrence of any of the foregoing events of default, KGI will, subject to the provisions of the Ground Lease described in the two immediately succeeding paragraphs, have the right to (i) terminate the Ground Lease and, to the extent permitted by law, without legal process, take possession and control of the Premises to the complete exclusion of the Borrower and/or otherwise commence action to evict the Borrower from the Premises or (ii) without terminating the Ground Lease, re-let the Project and the Property (upon obtaining the consent of the Trustee) and collect from the Borrower the reasonable costs and expenses of re-letting, repairing, and altering the Property. In addition, KGI will be entitled to exercise various other remedies with respect to certain documents relating to the construction of the Project, a security interest in such documents having been granted to KGI pursuant to the Ground Lease. Such security interest in such documents, however, will be subordinate to the security interest granted to the Trustee under the Assignment of Contracts and Agreements.

Notwithstanding the foregoing termination rights of KGI, the Trustee shall be entitled to extend the date of termination in order to allow it to acquire the Borrower's interest in the Ground Lease by foreclosure or otherwise. If the Ground Lease shall be terminated due to a default by the Borrower the Trustee will have the option, but not the obligation, to enter into a lease of the Premises with KGI at the same rent and upon the same terms and conditions contained in the Ground Lease.

If the Trustee does not elect to enter into such a lease of the Premises with KGI, then, as a condition to KGI's right to terminate the Ground Lease, KGI shall be required to assume the obligations of the Borrower under

the Bond Documents and grant to the Trustee a perfected, first priority security interest in the Pledged Revenues for the purpose of securing any indebtedness owed by the Borrower in respect of the Project.

The liability of the Borrower under the ground lease will be non-recourse, and KGI's source of satisfaction of the obligations of the Borrower will be limited to the Borrower's interest in the Premises and the revenues related thereto.

Under the Ground Lease, the Borrower will be obligated, subject to *force majeure* and eminent domain, to construct the Series 2017 Project and to provide alternative housing and transportation to students who have executed leases with respect to the Series 2017 Project to the extent the Series 2017 Project shall not be completed on schedule. This obligation is supported by the Developer pursuant to provisions in the Development Agreement to pay liquidated damages to the Borrower that are calculated to reimburse them for any costs incurred associated with providing the temporary alternative housing.

Under the Ground Lease, KGI may, on or after the third (3rd) anniversary of the date of substantial completion of the Series 2017 Project, require the Borrower to sell or transfer to an entity designated in writing by KGI (the "**Transferee**") all of the Borrower's right, title, and interest in and to the following (collectively, the "**Transferred Assets**"): (i) the Series 2017 Project, (ii) all other property or assets pledged or assigned to the Trustee or in which the Trustee shall have been granted a security interest pursuant to any of the other Bond Documents, and (iii) without duplication, any and all amounts on deposit (a) in the Operating Account on the date of such sale or transfer and (b) in all funds and accounts created under, or in accordance with, the Indenture on the date of such sale or transfer. If so directed in writing by KGI, the Borrower will be required to exercise the option contained in the provisions of the Loan Agreement described in **APPENDIX "E"** attached hereto in paragraph (c) under the heading "**THE LOAN AGREEMENT - Covenants Regarding Maintenance of Borrower's and Corporation's Status**" (or any successor provision of the Loan Agreement) to so sell or transfer the Transferred Assets and will agree that the total consideration to be paid to the Borrower with respect to such sale or transfer shall be the assumption by the Transferee of all of the obligations of the Borrower under the Borrower Documents and the release of the Borrower from all of its obligations under the Borrower Documents. If KGI shall direct the Borrower to sell or transfer the Transferred Assets, the Borrower will also be required to assign its interest in the resident leases relating to the Housing Facility to the Transferee.

The Ground Lease will terminate upon the payment in full of the Bonds.

THE FACILITY LEASE

General

Pursuant to the Facility Lease, the Borrower will lease the KGI Space to KGI for a term of twenty-eight (28) years, subject to certain termination rights provided therein.

Under the Facility Lease, the Borrower will be required to deliver possession of the KGI Space to KGI no later than August 20, 2018, complete and ready for occupancy, and KGI will be required to use the KGI Space solely as a for classroom space and for future development of a café or other student gathering space or such other use as shall be approved by the Borrower and its counsel. KGI will covenant and agree not to use or suffer or permit any Person or Persons to use the KGI Space: (i) for any use or purpose in violation of or in conflict with any applicable law that is now or hereafter in effect; (ii) in any way or manner that would increase the existing rate of, or adversely affect, any fire or other insurance or invalidate any policy of insurance with respect to the KGI Space, or (iii) in any manner that would jeopardize the tax-exempt status of the Series 2017A Bonds.

Under the Facility Lease, KGI will be required to pay, subject to the provisions of the Facility Lease described below, Base Rent, without setoff or deduction, notice, or demand, on the twentieth (20th) day of September, 2018, and the twentieth (20th) day of each month thereafter to and including June 20, 2019, an amount equal to Two Dollars (\$2) per square foot (initially \$20,000 and increasing three percent (3%) annually). The Borrower will receive all rent free and clear of any and all impositions, encumbrances, charges, obligations, or expenses of any nature whatsoever in connection with the ownership and operation of the KGI Space. In addition to the rent, except as expressly provided in the Facility Lease to the contrary, KGI will be required to pay to the parties respectively entitled thereto all impositions, insurance premiums, operating charges, maintenance charges, construction costs, and any other charges, costs and expenses that arise or may be contemplated under any

provisions of the Facility Lease during the Term. In the event the KGI Space shall not be delivered to KGI complete and ready for occupancy by August 20, 2018, then the rent commencement date will be extended until such date as the KGI Space shall be complete and ready for occupancy.

Under the Facility Lease, from and after delivery of possession of the Series 2017 Project to KGI, KGI will be required at all times, at KGI's sole cost and expense, to keep the KGI Space in good and clean condition, reasonable wear and tear excepted, and repair any and all damage to the Series 2017 Project caused by KGI or its agents, students, employees, licensees, invitees, suppliers, contractors, customers, or patrons. Additionally, KGI will be required to pay for all gas, electricity, water, sewer, telephone, and other utilities, temporary and permanent, that are thereafter delivered to or otherwise provided to the KGI Space and to keep the KGI Space or cause the same to be kept continuously insured against such risks as are customarily insured against with respect to facilities of like size and type, as recommended by an insurance consultant.

Borrower Events of Default

Under the Facility Lease, the following will be "***Borrower Events of Default***," and the term "***Borrower Event of Default***" will mean, whenever it is used under this heading, either one or more of the following events:

(i) Any representation or warranty made by the Borrower herein shall prove to have been inaccurate in any material respect as of the effective date of the Facility Lease and shall not have been corrected within thirty (30) days after written notice specifying such inaccuracy shall have been given to the Borrower by KGI; provided, however, in the case of any such inaccuracy that cannot with due diligence be corrected within such thirty (30) day period, but that can be wholly corrected within a period of time not materially detrimental to the rights of KGI, it will not constitute a Borrower Event of Default if corrective action shall be instituted by the Borrower within the applicable period and diligently pursued until the inaccuracy shall have been corrected; or

(ii) The Borrower shall fail to perform or cause to be performed any covenant, condition, or provision hereof, and to correct such failure within thirty (30) days after written notice specifying such failure shall have been given to the Borrower by KGI; provided, however, in the case of any such failure that cannot with due diligence be corrected within such thirty (30) day period, but that can be wholly corrected within a period of time not materially detrimental to the rights of KGI, it will not constitute a Borrower Event of Default if corrective action shall be instituted by the Borrower within the applicable period and diligently pursued until the failure shall have been corrected.

Upon the occurrence of a Borrower Event of Default, KGI's remedies will be limited to (i) obtaining an order of specific performance or other injunctive relief and/or (ii) actual general damages sustained by KGI as a result of the Borrower's breach, but not special or consequential or punitive damages. KGI will also have the remedy (but not the obligation) of performing the Borrower's unperformed obligations and/or curing the Borrower Event of Default, in which event the Borrower will be required, within ten (10) days after written demand from KGI, to reimburse KGI for all costs and expenses incurred by KGI in connection therewith, failing which KGI shall have a credit against the next installments of Base Rent in equivalent amount. **In no event will KGI have the right to terminate the Facility Lease as a result of a Borrower Event of Default as long as any of the Series 2017 Bonds are Outstanding.**

KGI Events of Default

The following will be "***KGI Events of Default***," and the term "***KGI Event of Default***" shall mean, whenever it is used under this heading, either one or more of the following events:

(i) KGI shall fail to pay the rent at the times specified herein and such failure shall continue for a period of five (5) days after notice by mail, facsimile transmission, or personal delivery given to KGI by either the Borrower or the Trustee (a "***Monetary Event of Default***"); or

(ii) Any representation or warranty made by KGI herein shall prove to have been inaccurate in any material respect as of the date of the issuance or making thereof and shall not have been corrected within thirty (30) days after written notice specifying such inaccuracy shall have been given to KGI by the Borrower or the Trustee; provided, however, in the case of any such inaccuracy that cannot with due

diligence be corrected within such thirty (30) day period, but that can be wholly corrected within a period of time not materially detrimental to the rights of the Borrower, the Trustee, or (in the opinion of the Trustee) the Owners of the Series 2017 Bonds, it will not constitute a KGI Event of Default if corrective action shall be instituted by KGI within the applicable period and diligently pursued until the inaccuracy shall have been corrected in accordance with and subject to any directions or limitations of time established in writing by the Borrower or the Trustee; **or**

(iii) KGI shall fail to perform or cause to be performed any other covenant, condition, or provision hereof, other than as referred to in (i), and to correct such failure within thirty (30) days after written notice specifying such failure shall have been given to KGI by the Borrower or the Trustee; provided, however, in the case of any such failure that cannot with due diligence be corrected within such thirty (30) day period, but that can be wholly corrected within a period of time not materially detrimental to the rights of the Borrower, the Trustee, or (in the opinion of the Trustee) the Owners of the Series 2017 Bonds, it will not constitute a KGI Event of Default under the Facility Lease if corrective action shall be instituted by KGI within the applicable period and diligently pursued until the failure shall have been corrected in accordance with and subject to any directions or limitations of time established in writing by the Borrower or the Trustee; **or**

(iv) KGI shall (a) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, or liquidator of it or of all or a substantial part of its property or of the Leased Premises, (b) fail to lift or bond promptly (if legally permissible) any execution, garnishment, or attachment of such consequence as will impair the ability of KGI to carry on its operations at the Leased Premises, (c) enter into an agreement of composition with its creditors, (d) admit in writing its inability to pay its debts as such debts shall become due, (e) make a general assignment for the benefit of its creditors, (f) commence a voluntary case under the federal bankruptcy law or any similar law in effect in a foreign jurisdiction (as now or hereafter in effect), (g) file a petition or answer seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, (h) fail to controvert in a timely or appropriate manner or acquiesce in writing to any petition filed against it in an involuntary case under such federal bankruptcy law or any similar law in effect in a foreign jurisdiction (as now or hereafter in effect), or (i) take any action for the purpose of effecting any of the foregoing; **or**

(v) A proceeding or case shall be commenced, without the application of KGI, in any court of competent jurisdiction, seeking (a) the liquidation, reorganization, dissolution, winding-up, or composition or adjustment of debts of KGI, (b) the appointment of a trustee, receiver, custodian, liquidator, or the like of KGI or of all or any substantial part of its assets, or (c) similar relief in respect of KGI under any law relating to bankruptcy, insolvency, reorganization, winding-up, or composition and adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment, or decree approving or ordering any of the foregoing shall be entered and shall continue unvacated and unstayed and in effect, for a period of ninety (90) days, whether consecutive or not.

Upon the occurrence of a KGI Event of Default, the Borrower will have (in addition to all other rights and remedies provided by law or otherwise provided for in this Facility Lease), the right, at the option of the Borrower, then or at any time thereafter while such KGI Event of Default continues, to elect any one or more of the following remedies:

(i) to continue the Facility Lease in full force and effect and to collect the Base Rent, Additional Rent, and all other sums payable by KGI thereunder when due for the remainder of the Term;

(ii) to cure such KGI Event of Default on behalf of KGI at KGI's sole cost and expense without prejudice to any other remedies that the Borrower might otherwise have and to be reimbursed for any costs or expenses so incurred;

(iii) to seek an order of specific performance or injunctive relief requiring KGI to cure such KGI Event of Default; and/or

(iv) to seek payment of actual, out-of-pocket damages sustained by the Borrower as a result of the KGI Event of Default, but not special, consequential or punitive damages.

Notwithstanding the foregoing or any other provisions of the Facility Lease to the contrary, and notwithstanding any remedies available at law or equity, the Borrower will have the right to repossess the Series 2017 Project and to terminate the Facility Lease solely upon the occurrence of for a Monetary Event of Default and not in connection with any other Lessee Event of Default.

MARKET STUDY

Attached hereto as **APPENDIX “B”** is a “Student Housing Market Study – Claremont Colleges” dated February 2015, and a “Summary of Key Market Changes” dated February 6, 2017 (collectively, the “**Market Study**”), prepared by Brailsford & Dunlavey, Inc. (the “**Market Study Provider**”) on behalf of the Developer. The conclusions and findings contained in the Market Study are based upon information available at the time and assumptions about the outcome of future events. There can be no assurance, representation, or warranty that such projections will approximate actual results, and there is no assurance, representation, or warranty that such projections will be achieved. See “**CERTAIN BONDHOLDERS’ RISKS - Actual Results May Differ from Market Study and Cash Flow Projection**” and “**- Forward Looking Statements.**” For discussion of the assumptions and methodology used in arriving at the conclusions and findings, see the Market Study which should be read in its entirety. The Market Study Provider has consented to the use of the Market Study in this Limited Offering Memorandum.

CASH FLOW PROJECTION

Attached hereto as **APPENDIX “C”** is a Cash Flow Projection (the “**Cash Flow Projection**”) relating to the Series 2017 Project’s ability to generate revenues from operations sufficient to pay principal of and interest on the Series 2017 Bonds for each of the years ending June 30, 2019 through 2023. The Cash Flow Projection has been prepared by the Developer based on operating budgets formulated by the Manager. Neither the Borrower, any of The Claremont Colleges, or the Claremont Consortium makes any representations with respect to the Cash Flow Projection.

The Cash Flow Projection assumes that the Series 2017 Bonds will be issued in the aggregate principal amount of \$54,500,000 and bear interest at an average interest rate of approximately 5.00%. The Debt Service Reserve Fund is assumed to be gross funded and is assumed to bear interest at 0.50% through 2019 and 1.00% thereafter with investment earnings thereon available to pay debt service after completion of the Series 2017 Project. The Construction Fund and the Capitalized Interest Account will be gross funded and are not assumed to bear interest.

The 2019 through 2023 operating projections for the KGI Space are based on the assumptions that such space will rent for \$2 per square per month which will increase annually by three percent (3%) and that all operating expenses relating thereto will be paid by KGI in accordance with the provisions of the Facility Lease.

The 2019 through 2023 operating projections for the Housing Facility are based on the operating budgets prepared by the Developer and are based on certain assumptions relating to the Housing Facility as summarized herein. The 2019 revenues associated with the operation of four hundred nineteen beds of housing are based on the rental rates outlined in the table below, assuming a 93% occupancy rate during the academic term, and a 93% occupancy rate for the summer term. The 2020 through 2023 operating projections assume a 3% annual growth rate of the 2019 budgeted monthly rental rates per bed.

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Unit Type	Number of Units	Beds per Unit	Number of Beds	2018-19 Monthly Rents	2018-19 Monthly Rents Per Bed
Studio					
Type A	123	1	123	\$1,360	\$1,360
Type B	3	1	3	1,397	1,397
Type C	8	1	8	1,360	1,360
1 Bedroom/1 Bathroom					
Type A	23	1	23	1,623	1,623
Type B - Shared†	15	2	30	1,660	830
Type C	16	1	16	1,586	1,586
2 Bedroom/2 Bathroom					
Type A	100	2	200	2,009	1,004
Type B - Shared†	4	4	16	3,090	773
Total	292		419		

† No design difference from Type A. Based on assumption of double occupancy choices by residents (primarily, international students).

Expenses for the Housing Facility are based on a budget prepared by the Developer and include annual deposits as required by the Indenture. Expenses, including deposits to the Repair and Replacement Fund, have been projected to grow annually at a rate of 3.00%.

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

LITIGATION

The Authority

To the knowledge of the Authority, there is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, governmental agency, or public board or body, pending against the Authority seeking to restrain or enjoin the sale or issuance of the Series 2017 Bonds, or in any way contesting or affecting any proceedings of the Authority taken concerning the sale thereof, the pledge or application of any moneys or security provided for the payment of the Series 2017 Bonds, the validity or enforceability of the documents executed by the Authority in connection with the Series 2017 Bonds, the completeness or accuracy of this Limited Offering Memorandum, or the existence or powers of the Authority relating to the sale of the Series 2017 Bonds.

The Borrower

There is no litigation now pending or threatened against the Borrower, of which the Borrower has knowledge, that in any manner questions the right of the Borrower to enter into or perform its obligations under the Loan Agreement, the Series 2017 Notes, the Leasehold Deed of Trust, the Security Agreement, or the Assignment of Contracts and Agreements or that individually or in the aggregate would adversely affect the operations of the Borrower, financial or otherwise.

CONFLICTS OF INTEREST; RELATIONSHIPS

Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina is acting as counsel to the Underwriter and the Developer and the Manager.

TAX MATTERS – SERIES 2017A BONDS

Tax Exemption

The delivery of the Series 2017A Bonds is subject to the opinion of Special Tax Counsel to the effect that interest on the Series 2017A Bonds for federal income tax purposes (i) will be excludable from gross income, as

defined in §61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (for purposes of this heading, the “*Code*”), pursuant to §103 of the Code and existing regulations, published rulings, and court decisions, and (ii) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. The delivery of the Series 2017A Bonds is also subject to the delivery of the opinion of Special Tax Counsel, based upon existing provisions of the laws of the State, that interest on the Series 2017A Bonds is exempt from personal income taxes of the State. The forms of Special Tax Counsel’s opinions are reproduced as **APPENDIX “H.”** The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

Interest on the Series 2017A Bonds owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust (“*FASIT*”). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by §55 of the Code will be computed.

In rendering the foregoing opinions, Special Tax Counsel will rely upon representations, certifications, and covenants of the Borrower, the Corporation, and KGI made in certificates dated the date of delivery of the Series 2017A Bonds pertaining to the use, expenditure, and investment of the proceeds of the Series 2017A Bonds and qualification of the Corporation and KGI as exempt organizations described in §501(c)(3) of the Code; will assume continuing compliance by the Authority, the Borrower, and the Corporation with the provisions of the Indenture and Loan Agreement subsequent to the issuance of the Series 2017A Bonds; will rely on and assume the accuracy of opinions of Waller Lansden Dortch & Davis, LLP, Nashville, Tennessee, that the Borrower is a disregarded entity for federal tax purposes, that the Corporation and KGI are organizations exempt from federal income taxation under §501(a) of the Code as organizations described in §501(c)(3) of the Code, and that the Borrower’s and the Corporation’s use of the projects to be financed with the proceeds of the Series 2017A Bonds does not constitute an unrelated trade or business of the Corporation and KGI’s use of the projects to be financed with the proceeds of the Series 2017A Bonds does not constitute an unrelated trade or business of KGI, in both instances, except to the *de minimis* extent permitted under §145(a)(2) of the Code and will rely on and assume the accuracy of an opinion of Bond Counsel relating to the validity of the Series 2017 Bonds. The Indenture and the Loan Agreement contain covenants by the Authority and the Borrower with respect to, among other matters, the use of the proceeds of the Series 2017A Bonds and the facilities financed therewith by persons other than state or local governmental units or organizations described in §501(c)(3) of the Code, the manner in which the proceeds of the Series 2017A Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage “profits” from the investment of proceeds, and the reporting of certain information to the United States Treasury. The Loan Agreement, the Facility Lease, the No Arbitrage Certificate, and the Tax Certificate also contain covenants by the Borrower, the Corporation, and KGI that the Borrower will remain an entity disregarded for federal tax purposes and that the Corporation and KGI will remain exempt organizations described in §501(c)(3), that the Borrower and KGI will use the property financed by the Series 2017A Bonds only for exempt purposes, except to the *de minimis* extent permitted under §145(a)(2) of the Code, and that the Borrower and KGI will not permit more than *de minimis* private business use of such property. Failure to comply with any of these covenants may cause interest on the Series 2017A Bonds to be includable in the gross income of the Owners thereof from the date of the issuance of the Series 2017A Bonds.

Special Tax Counsel’s opinions are not a guarantee of a result, but represent its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations, covenants, and opinions of other counsel described above. No ruling has been sought from the IRS or the State with respect to the matters addressed in the opinions of Special Tax Counsel, and Special Tax Counsel’s opinions are not binding on the IRS or the State. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Series 2017A Bonds is commenced, under current procedures the IRS is likely to treat the Authority as the “taxpayer,” and the Owners of the Series 2017A Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Series 2017A Bonds, the Authority may have different or conflicting interests from the Owners of the Series 2017A Bonds. Public awareness of any future audit of the Series 2017A Bonds could adversely affect the value and liquidity of the Series 2017A Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Special Tax Counsel expresses no other opinion with respect to any other federal, state, or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Series 2017A Bonds. Prospective purchasers of the

Series 2017A Bonds should be aware that the ownership of tax-exempt obligations such as the Series 2017A Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to Owners of the Series 2017A Bonds of the exclusion of interest on the Series 2017A Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Series 2017A Bonds. Prospective purchasers of the Series 2017A Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Series 2017A Bonds

The initial public offering price of certain Series 2017A Bonds (the “**Discount Series 2017A Bonds**”) may be less than the amount payable on such Series 2017A Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Series 2017A Bond (assuming that a substantial amount of the Discount Series 2017A Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Series 2017A Bond. A portion of such original issue discount allocable to the holding period of such Discount Series 2017A Bond by the initial purchaser will, upon the disposition of such Discount Series 2017A Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Series 2017A Bonds described above under “**Tax Exemption.**” Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Series 2017A Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Series 2017A Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by §55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Series 2017A Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Series 2017A Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Series 2017A Bond was held) is includable in gross income.

Owners of Discount Series 2017A Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Series 2017A Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Series 2017A Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Series 2017A Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Series 2017A Bonds (the “**Premium Series 2017A Bonds**”) may be greater than the amount payable on such Series 2017A Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Series 2017A Bond (assuming that a substantial amount of the Premium Series 2017A Bonds of that maturity are sold to the public at such price) and the amount payable at

maturity constitutes premium to the initial purchaser of such Premium Series 2017A Bonds. The basis for federal income tax purposes of a Premium Series 2017A Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Series 2017A Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Series 2017A Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Series 2017A Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Series 2017A Bonds.

TAX MATTERS – SERIES 2017B BONDS

Interest on the Series 2017B Bonds is exempt from personal income taxes of the State. The following is a general summary of the United States federal income tax consequences of the purchase and ownership of the Series 2017B Bonds. The discussion is based upon laws, Treasury Regulations, rulings, and decisions now in effect, all of which are subject to change or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all aspects of United States federal income taxation that may be relevant to a particular investor in the Series 2017B Bonds in light of the investor's particular personal investment circumstances or to certain types of investors subject to special treatment under United States federal income tax laws (including insurance companies, tax-exempt organizations, financial institutions, brokers-dealers, and persons who have hedged the risk of owning the Series 2017B Bonds). The summary is therefore limited to certain issues relating to initial investors who will hold the Series 2017B Bonds as "capital assets" within the meaning of §1221 of the Code, and acquire such Series 2017B Bonds for investment and not as a dealer or for resale. Prospective investors should note that no rulings have been or will be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING FEDERAL STATE, LOCAL, FOREIGN, AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF THE SERIES 2017B BONDS.

Payments of Stated Interest on the Series 2017B Bonds

The stated interest paid on the Series 2017B Bonds will be included in the gross income, as defined in §61 of the Code, of the beneficial owners thereof and be subject to U.S. federal income taxation when received or accrued, depending on the tax accounting method applicable to the beneficial owners thereof.

Original Issue Discount

If a substantial amount of the Series 2017B Bonds of any stated maturity is purchased at original issuance for a purchase price (the "**Issue Price**") that is less than their face amount by more than one quarter of one percent times the number of complete years to maturity, the Series 2017B Bonds of such maturity will be treated as being issued with "original issue discount." The amount of the original issue discount will equal the excess of the principal amount payable on such Series 2017B Bonds at maturity over its Issue Price, and the amount of the original issue discount on the Series 2017B Bonds will be amortized over the life of the Series 2017B Bonds using the "constant yield method" provided in the Treasury Regulations. As the original issue discount accrues under the constant yield method, the beneficial owners of the Series 2017B Bonds, regardless of their regular method of accounting, will be required to include such accrued amount in their gross income as interest. This can result in taxable income to the beneficial owners of the Series 2017B Bonds that exceeds actual cash distributions to the beneficial owners in a taxable year.

The amount of the original issue discount that accrues on the Series 2017B Bonds each taxable year will be reported annually to the IRS and to the beneficial owners. The portion of the original issue discount included in each beneficial owner's gross income while the beneficial owner holds the Series 2017B Bonds will increase the adjusted tax basis of the Series 2017B Bonds in the hands of such beneficial owner.

Premium

If a beneficial owner purchases a Series 2017B Bond for an amount that is greater than its stated redemption price at maturity, such beneficial owner will be considered to have purchased the Series 2017B Bond with “amortizable bond premium” equal in amount to such excess. A beneficial owner may elect to amortize such premium using a constant yield method over the remaining term of the Series 2017B Bond and may offset interest otherwise required to be included in respect of the Series 2017B Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a Series 2017B Bond held by a beneficial owner that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a Series 2017B Bond. However, if the Series 2017B Bond may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the Treasury Regulations which could result in a deferral of the amortization of some bond premium until later in the term of the Series 2017B Bond. Any election to amortize bond premium applies to all taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

Medicare Contribution Tax

Pursuant to §1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income) or (ii) the excess of “modified adjusted gross income” of the individual over \$200,000 for unmarried individuals (\$250,000 for married couples filing a joint return and a surviving spouse). Holders of the Series 2017B Bonds should consult with their tax advisor concerning this additional tax, as it may apply to interest earned on the Series 2017B Bonds as well as gain on the sale of a Series 2017B Bond.

Disposition of Series 2017B Bonds and Market Discount

A beneficial owner of Series 2017B Bonds will generally recognize gain or loss on the redemption, sale, or exchange of a Series 2017B Bond equal to the difference between the redemption or sales price (exclusive of the amount paid for accrued interest) and the beneficial owner’s adjusted tax basis in the Series 2017B Bonds. Generally, the beneficial owner’s adjusted tax basis in the Series 2017B Bonds will be the beneficial owner’s initial cost, increased by the original issue discount previously included in the beneficial owner’s income to the date of disposition. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the beneficial owner’s holding period for the Series 2017B Bonds.

Under current law, a purchaser of a Series 2017B Bond who did not purchase the Series 2017B Bonds in the initial public offering (a “*subsequent purchaser*”) generally will be required, on the disposition of the Series 2017B Bonds, to recognize as ordinary income a portion of the gain, if any, to the extent of the accrued “market discount.” Market discount is the amount by which the price paid for the Series 2017B Bonds by a subsequent purchaser is less than the sum of Issue Price and the amount of original issue discount previously accrued on the Series 2017B Bonds. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire Series 2017B Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The re-characterization of gain as ordinary income on a subsequent disposition of Series 2017B Bonds could have a material effect on the market value of the Series 2017B Bonds.

Backup Withholding

Under §3406 of the Code, a beneficial owner of the Series 2017B Bonds who is a United States person, as defined in §7701(a)(30) of the Code, may, under certain circumstances, be subject to “backup withholding” on payments of current or accrued interest on the Series 2017B Bonds. This withholding applies if such beneficial owner of Series 2017B Bonds: (i) fails to furnish to payor such beneficial owner’s social security number or other taxpayer identification number (“*TIN*”); (ii) furnishes the payor an incorrect *TIN*; (iii) fails to report properly

interest, dividends, or other “reportable payments” as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such beneficial owner is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain beneficial owners of the Series 2017B Bonds. Beneficial owners of the Series 2017B Bonds should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations

Under §§1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the rate of 30% on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest received by the beneficial owners of the Series 2017B Bonds is not treated as effectively connected income within the meaning of §864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as portfolio interest. Interest will be treated as portfolio interest if: (i) the beneficial owner provides a statement to the payor certifying, under penalties of perjury, that such beneficial owner is not a United States person and providing the name and address of such beneficial owner; (ii) such interest is treated as not effectively connected with the beneficial owner’s United States trade or business; (iii) interest payments are not made to a person within a foreign country which the IRS has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the Series 2017B Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such beneficial owner is not a controlled foreign corporation, within the meaning of §957 of the Code; and (vi) such beneficial owner is not a bank receiving interest on the Series 2017B Bonds pursuant to a loan agreement entered into in the ordinary course of the bank’s trade or business.

Assuming payments on the Series 2017B Bonds are treated as portfolio interest within the meaning of §§871 and 881 of the Code, then no backup withholding under §§1441 and 1442 of the Code and no backup withholding under §3406 of the Code is required with respect to beneficial owners or intermediaries who have furnished Form W-8 BEN, Form W-8 EXP or Form W-8 IMY, as applicable, provided the payor does not have actual knowledge that such person is a United States person.

Reporting of Interest Payments

Subject to certain exceptions, interest payments made to beneficial owners with respect to the Series 2017B Bonds will be reported to the IRS. Such information will be filed each year with the IRS on Form 1099 which will reflect the name, address, and TIN of the beneficial owner. A copy of Form 1099 will be sent to each beneficial owner of a Series 2017B Bond for U.S. federal income tax purposes.

UNDERWRITING

Raymond James & Associates, Inc. (the “**Underwriter**”) is purchasing the Series 2017 Bonds and intends to offer the Series 2017 Bonds to the original purchasers thereof at the offering prices set forth on the cover page of this Limited Offering Memorandum, which offering price may subsequently be changed without any requirement of prior notice. The Underwriter will purchase the Series 2017 Bonds at a price equal to \$_____ (being \$_____, the principal amount thereof[, plus \$_____ of original issue premium], less \$_____ of Underwriter’s discount[, and less \$_____ of original issue discount]). The Underwriter has reserved the right to permit other securities dealers who are members of the National Association of Securities Dealers, Inc. to assist in selling the Series 2017 Bonds. The Underwriter may offer and sell Series 2017 Bonds to certain dealers at prices lower than the public offering price or otherwise allow concessions to such dealers who may re-allow concessions to other dealers. Any discounts and/or commissions that may be received by such dealers in connection with the sale of the Series 2017 Bonds will be deducted from the Underwriter’s discount.

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

RATING OF THE SERIES 2017 BONDS

Moody's Investors Service, Inc. ("**Moody's**") has assigned the Series 2017 Bonds the long-term rating of "Ba2." An explanation of the significance of such rating may be obtained from Moody's. Such rating reflects only the view of Moody's, and neither the Authority, KGI, CGU, the Consortium, nor the Underwriter makes any representation as to the appropriateness thereof.

There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely, if in the judgment of Moody's, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse affect on the market price of the Series 2017 Bonds.

LEGAL MATTERS

All legal matters incidental to the authorization and issuance of the Series 2017 Bonds will be subject to the approving opinion of Nixon Peabody LLP, Los Angeles, California, Bond Counsel, the form of which is included as **APPENDIX "G"** hereto. All legal matters relating to the tax status of interest on the Series 2017 Bonds will be subject to the special tax opinion of Norton Rose Fulbright US LLP, Austin, Texas, Special Tax Counsel, the forms of which are included as **APPENDIX "H"** hereto. Certain legal matters will be passed on for the Authority by its counsel, Orrick, Herrington & Sutcliffe LLP, San Francisco, California, for the Borrower and the Corporation by their counsels, Waller Lansden Dortch & Davis, LLP, Nashville, Tennessee, and for the Underwriter by its counsel, Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina.

Bond Counsel has been engaged primarily for the purpose of preparing certain legal documents and supporting certificates, reviewing the transcript of proceedings by which the Series 2017 Bonds have been authorized to be issued, and rendering opinions as to the validity and enforceability of the Series 2017 Bonds and to the exemption or lack thereof of interest thereon from income taxation by the United States of America and the State of California. While Bond Counsel has assisted in the preparation of this Limited Offering Memorandum and is of the opinion that the statements and descriptions made herein under the headings "**SUMMARY STATEMENT - The Series 2017A Bonds,**" "**SUMMARY STATEMENT - The Series 2017B Bonds,**" "**THE SERIES 2017 BONDS**" "**LEGAL MATTERS,**" and "**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS**" in **APPENDIX "E"** hereto fairly summarize the matters there referred to, such counsel has not been engaged to confirm or verify, has not confirmed or verified, and will express no opinion with respect to the accuracy, completeness, or fairness of any other information contained in this Limited Offering Memorandum (other than the form of legal opinion set forth in **APPENDIX "G"**).

Special Tax Counsel has been engaged primarily for the purpose of preparing certain legal documents and supporting certificates and rendering opinions as to the exemption or lack thereof of interest on the Series 2017 Bonds from income taxation by the United States of America and the State. While Special Tax Counsel has assisted in the preparation of this Limited Offering Memorandum and is of the opinion that the statements and descriptions made herein under the headings "**TAX MATTERS – SERIES 2017A BONDS**" and "**TAX MATTERS – SERIES 2017B BONDS**" accurately reflect the substance of the legal conclusions contained in the opinions of Special Tax Counsel, such counsel has not been engaged to confirm or verify, has not confirmed or verified, and will express no opinion with respect to the accuracy, completeness, or fairness of any other information contained in this Limited Offering Memorandum (other than the forms of legal opinions set forth in **APPENDIX "H"**).

None of the legal counsel referenced in this Limited Offering Memorandum has (a) participated in the underwriting of the Series 2017 Bonds, (b) provided any advice regarding the creditworthiness of the Series 2017 Bonds, or (c) assisted in determining the value of the collateral for the Series 2017 Bonds upon the occurrence of an event of default. Legal counsel have solely and exclusively opined to those matters which are expressly set forth in their opinions which are attached hereto or which have been delivered in connection herewith and no holder of a Series 2017 Bond shall be authorized or entitled to infer that such legal counsel have rendered opinions beyond those stated in their written opinions or to rely on the participation of counsel in this transaction. Except for negligent errors in their express written opinions, legal counsel shall have no obligations to holders of the Series 2017 Bonds and holders of the Series 2017 Bonds must not rely either expressly or implicitly upon such counsel in determining whether the Series 2017 Bonds represent suitable investments or otherwise meet their creditworthiness and risk tolerance standards.

CONTINUING DISCLOSURE

The Borrower will agree in a Continuing Disclosure Agreement (the “*Continuing Disclosure Agreement*”) dated as of _____ 1, 2017, between the Borrower and the Trustee for the benefit of the Owners from time to time of the Series 2017 Bonds, in accordance with, and as the only obligated person with respect to the Series 2017 Bonds under, Rule 15c2-12 (the “*Rule*”) promulgated by the Securities and Exchange Commission, to provide or cause to be provided to each National Repository (currently, the Municipal Securities Rulemaking Board (the “*MSRB*”) through its Electronic Municipal Market Access (EMMA) System) and any SID, such financial information and operating data, audited financial statements, and notices, in such manner, as may be required for purposes of the Rule.

Annual Reports

Not later than six (6) months after the end of each Annual Period, commencing with the report for the Annual Period ending June 30, 2019, the Borrower will be required to post or cause the Dissemination Agent to, post with each Repository an Annual Report. Each Annual Report will be required to contain, or include by reference, the audited financial statements of the Borrower for the prior Annual Period, prepared in accordance with generally accepted accounting principles and may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as described under this heading; provided that the audited financial statements of the Borrower may be submitted separately from the balance of the Annual Report and later than the date described above for the filing of the Annual Report if they shall not be available by that date. If the audited financial statements of the Borrower shall not be available at the time of filing of the Annual Report, unaudited financial statements will be required to be included in the Annual Report. If the Annual Period shall change, the Borrower will be required to give prompt written notice thereof to the Dissemination Agent and, if the Trustee shall not be the Dissemination Agent, to the Trustee and will be required to post notice of such change in the same manner as is described below under the heading “**Events Disclosure.**”

Any or all of the items described above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Borrower is an Obligated Person, that have been posted with each of the Repositories or filed with the SEC. If the document included by reference is a final official statement, it must be available from the MSRB. The Borrower will be required to identify clearly each such other document so included by reference.

Periodic Information Disclosure

Following the issuance of the Series 2017 Bonds, the Borrower will agree to undertake to, and will be required to, post, or cause the Dissemination Agent to post, with each Repository:

(i) no later than May 31, 2017, and thereafter, on or prior to the last day of each calendar month until the Series 2017 Completion Date, (a) a calculation of the cumulative percentage of completion of the Series 2017 Project as of the end of the prior month, (b) the monthly report of the Independent Engineer to the Borrower as to (1) the status of the construction of the Series 2017 Project in accordance with the Plans and Specifications and the requirements of the General Construction Contract and the Project schedule as of the end of such prior month and (2) any variances from the Plans and Specifications or the Project schedule, and (c) to the extent there are variances from the Project schedule, a schedule recovery plan of the Developer to the Borrower; and

(ii) no later than April 30, 2018, and thereafter, on or prior to the last day of each calendar month until the Series 2017 Completion Date, a calculation of the number of beds in the Housing Facility as to which leases shall have been entered into with residents;

(iii) no later than November 1, 2018, and thereafter, on no later than each March 1 and November 1 until the Series 2017 Bonds shall have been paid in full, a calculation of the percent of beds in the Housing Facility that were occupied as of the immediately preceding February 1 or October 1, as applicable;

(iv) no later than November 1, 2018, and thereafter, on no later than November 1 until the Series 2017 Bonds shall have been paid in full, the then current unit mix and applicable rents for the Housing Facility;

(v) no later than November 1, 2018, and thereafter, on no later than each October 1 until the Series 2017 Bonds shall have been paid in full, a comparison of KGI's and CGU's then current years' applications, acceptances, matriculations, and total enrollment, respectively, as compared to the previous year; and

(vi) within sixty (60) days after each December 31 and June 30 until the Series 2017 Bonds shall have been paid in full, unaudited financial statements of the Borrower for the six (6) months ended December 31 and the year ended June 30, respectively, prepared by the Borrower in accordance with generally accepted accounting principles for non-profit corporations consistently applied, and such other accounting principles approved by an Accountant.

Events Disclosure

The Borrower will be required to post, or cause the Dissemination Agent to post, with each Repository, notice of the following pursuant to the Rule:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, IRS notices, or events affecting the tax-exempt status of the Series 2017A Bonds;
- (vii) modifications to rights of holders of the Series 2017 Bonds, if material;
- (viii) optional, contingent, and unscheduled Series 2017 Bond calls, if material;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Series 2017 Bonds, if material;
- (xi) rating changes;
- (xii) tender offers;
- (xiii) bankruptcy, insolvency, receivership, or similar event of the Borrower;
- (xiv) the consummation of a merger, consolidation, or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xv) appointment of a successor or additional Trustee, or the change of the name of the Trustee, if material.

The Borrower will be required, within ten (10) Business Days of the occurrence thereof, to provide the Trustee, and if the Trustee shall not be Dissemination, the Dissemination Agent all information in the format required to satisfy the requirements of the Rule. Further, the Borrower will be required to provide, within ten (10) Business Days of the occurrence thereof, notice of any failure by the Borrower to post audited financial statements, financial information, and operating data in accordance with the provisions of the Continuing Disclosure Agreement

described above under the headings “**Annual Reports**” and “**Periodic Financial Information Reporting**” with each Repository.

If the Borrower shall deem any of the events enumerated in (ii), (vii), (viii), (x), (xiv), or (xv) of this heading as not material, it will nonetheless be required to file a notice of the occurrence of such event with the Trustee, and if the Trustee shall not be Dissemination, the Dissemination Agent and provide an opinion of counsel experienced in federal securities matters to the effect that dissemination of the occurrence of the event deemed not material is not required under the Rule.

Additional Information

The Borrower will not be obligated to provide additional or more frequent information than is described above. The Borrower may, however, elect to disseminate other information, using the means of dissemination described above or any other means of communication, or include other information in any annual financial information or event disclosure in addition to that required by the Loan Agreement.

Failure to Comply

UNDER NO CIRCUMSTANCES WILL THE BORROWER BE LIABLE TO THE OWNER OR THE BENEFICIAL OWNER OF ANY SERIES 2017 BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE BORROWER WHETHER NEGLIGENT OR WITH OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT DESCRIBED UNDER THIS HEADING, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH WILL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the Borrower in observing or performing its obligations described under this heading will comprise a breach of or default under the Loan Agreement for purposes of any other provision thereof.

FORWARD LOOKING STATEMENTS

This Limited Offering Memorandum, including but not limited to the information contained in the Market Study and the Cash Flow Projection, contains statements relating to future results that are “forward looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Limited Offering Memorandum, the words “estimate,” “projection,” “intend,” “expect,” and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. The factors that may cause projected revenues and expenditures to be materially different from those anticipated include (1) the ability of the Borrower to market the Series 2017 Project, (2) the ability of the Series 2017 Project to maintain substantial occupancy at projected increased rent levels of the Series 2017 Project, (3) the ability of the occupants of the Series 2017 Project to meet their financial obligations, (4) lower than anticipated revenues, (5) higher than anticipated operating expenses, (6) litigation, (7) changes in governmental regulation, (8) loss of federal tax-exempt status of the Corporation or any Eligible Institution whose students, faculty, and/or staff resides in the Housing Facility (9) changes in demographic trends, (10) competition from other residential rental projects, (11) changes in the student housing industry, and (12) general economic conditions. No representation or assurances can be made that Revenues will be generated from the operation of the Series 2017 Project in amounts sufficient to pay maturing principal and interest on the Series 2017 Bonds.

MISCELLANEOUS

The information set forth herein relating to the Borrower and the Corporation has been furnished by the Borrower.

The information set forth herein relating to the Developer and the Series 2017 Project has been furnished by the Developer.

The information set forth herein regarding KGI and CGU has been furnished by the KGI and CGU, respectively.

The information set forth herein regarding the Claremont Consortium has been furnished by the Claremont Consortium.

The Authority has furnished only the information included herein under the headings, “**THE AUTHORITY**,” and “**LITIGATION - The Authority**.”

Any statements made in this Limited Offering Memorandum involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither this Limited Offering Memorandum nor any statement that may have been made orally or in writing is to be construed as a contract with the owners of the Series 2017 Bonds.

The Borrower has duly authorized the execution, delivery, and distribution of this Limited Offering Memorandum in connection with the offering of the Series 2017 Bonds.

NCCD – CLAREMONT PROPERTIES LLC

By _____
Charles G. Eden, President

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APPENDIX “A”

THE SERIES 2017 PROJECT

Description of the Housing Facility

The Housing Facility will consist of two hundred ninety-two (292) student housing units (419-beds) distributed in two buildings on a 2.7 acre site within the central campus of KGI. The buildings will be four stories, wood frame construction, with a stucco exterior, such stucco detailing and color to be complementary to existing campus architecture. Common spaces, such as stairs and landings, will be galvanized steel deck with poured concrete. One hundred four (104) of the units will be a standard two-bedroom, two-bathroom apartment style configuration, fifty-four (54) of the units will be a standard one-bedroom, one-bathroom apartment style configuration, and the remaining one hundred thirty-four (134) units will be a standard studio apartment style configuration. The Developer is of the opinion that there is an imbalance of supply and demand for studio apartments in Claremont and adjacent municipalities with there being a significantly greater demand than supply.

The two-bedroom, two-bathroom units will contain approximately 780 square feet. It is assumed that one hundred (100) of such units will be single occupancy bedroom units and that four (4) of such units will be double occupancy bedroom units. The single occupancy units will be shared by two (2) residents and will rent for \$1,004.25 per resident per month. Each resident will have a private bedroom and a private bathroom. The double occupancy units will be shared by four (4) residents (primarily, international students) and will rent for \$772.50 per resident per month. Each resident will share a bedroom and a bathroom with one other resident.

The one-bedroom, one-bathroom units will contain approximately 494 square feet. It is assumed that thirty-nine (39) of such units will be single occupancy bedroom units and that fifteen (15) of such units will be double occupancy bedroom units. The single occupancy units will be occupied by one resident and will rent for \$1,623.28 per month. Each resident will have a private bedroom and private bathroom. The double occupancy units will be shared by two (2) residents (primarily, international students) and will rent for \$830.18 per resident per month. Each resident will share a bedroom and a bathroom with one other resident.

The studio units will contain approximately 404 square feet, will be occupied by one resident, and will rent for \$1,359.60 per month. Each resident will have a private bedroom and a private bathroom.

The kitchens will contain a full size refrigerator with ice maker, stove, microwave, dishwasher, and food disposal, and two laundry rooms on each floor will contain standard size clothes washers and dryers.

Community amenities at the Housing Facility will be comprised of a swimming pool, fitness center, resident lounges, balcony study areas, business center and printing stations, indoor bicycle parking, complimentary coffee station, landscaped courtyards and central plaza area, Uber/Lyft pick-up and drop-off areas, and controlled access. The Housing Facility will consist of approximately 225,295 square feet of gross rentable area with 396 parking spaces.

The Housing Facility is scheduled for completion by August 1, 2018, allowing for leasing to Eligible Residents in the Fall term of 2018.

City of Claremont

The City of Claremont (the “*City*”), known as the “City of Trees and Ph.D.’s” is the quintessential college town. The downtown area known as the Claremont Village is a dining and entertainment destination for East Los Angeles County. The City itself is dominated by The Claremont Colleges and other higher education institutions. The City has been a destination for students of The Claremont Colleges and several other colleges and universities in adjacent cities seeking housing as the City is viewed as being affluent, safe, and an entertainment destination with a large residential college student population. The challenge for students outside the area has been the City’s low vacancy rate and high cost of housing. The Housing Facility will be the only purpose built student housing facility located in downtown Claremont, one block from the “Claremont Village” and its greater concentration of entertainment, dining, and shopping venues and along transportation corridors with easy access to bicycle, bus, and rail lines.



Existing On-Campus Student Housing

Current housing for The Claremont Colleges consists of approximately 5,400 beds in fifty-four (54) buildings on six (6) campuses. All but one of such facilities are serving primarily undergraduate students. The only facility currently serving primarily graduate students is a 240-bed facility on CGU's campus (the "***CGU Housing Facility***"). The CGU Housing Facility is being repositioned with the goal by the fall of 2018 it will house primarily undergraduate students. It is expected that the Housing Facility, when opened, will be the only housing on any campus of The Claremont Colleges designed for, and serving, primarily graduate students.

Description of the KGI Space

The KGI Space will consist of approximately 6,000 square feet of finished classroom space and approximately 4,000 square feet of "warm shell" space to be developed by KGI as a café or other student gathering space or such other use as shall be consistent with the Corporation's charitable purpose and as shall be approved by the Borrower and its counsel.

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Campus Plan

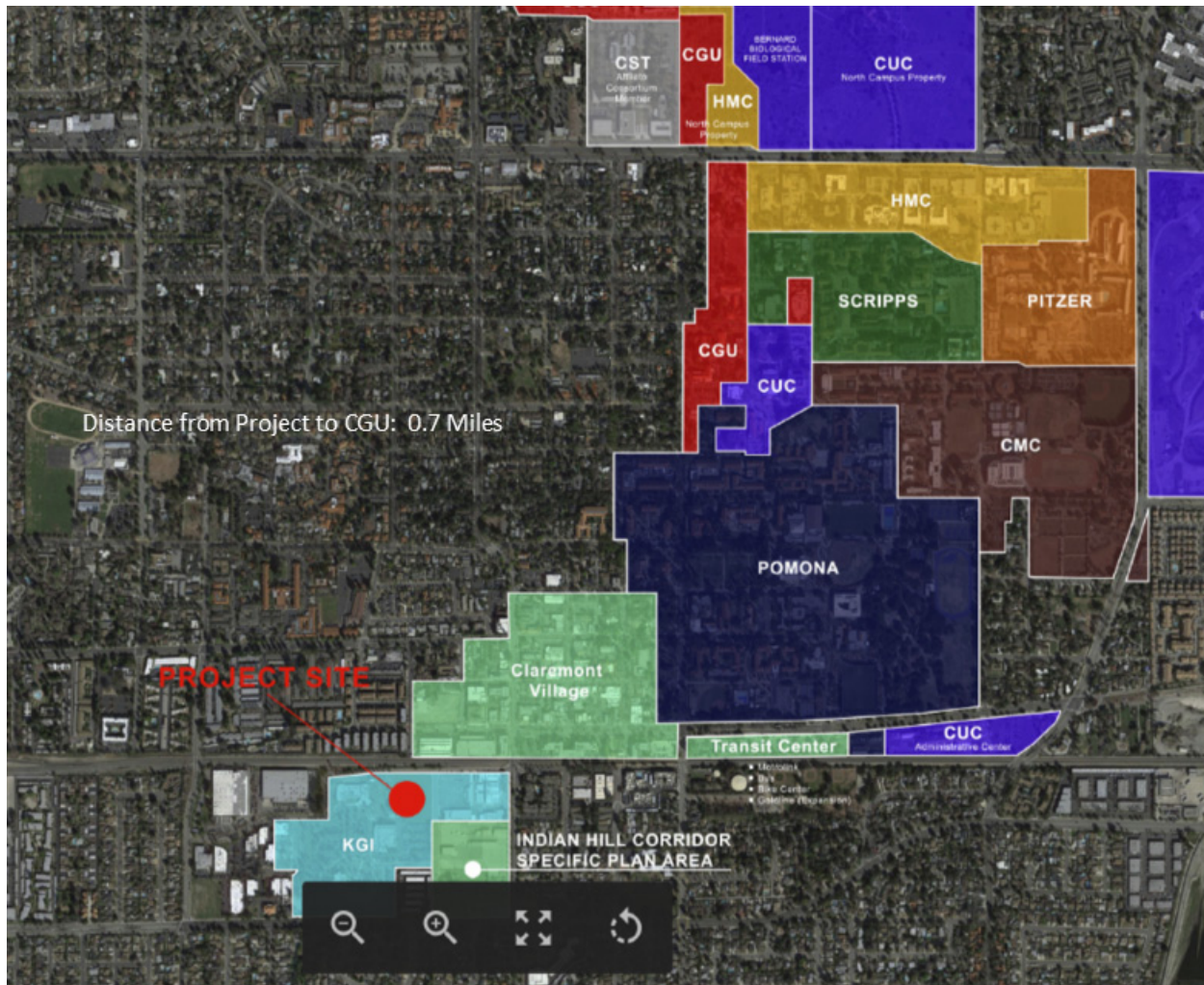
Included below is a campus plan showing the location of the Series 2017 Project and various other buildings on the campus of KGI.



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Aerial View of The Claremont Colleges

Included below is an aerial view of the campuses of The Claremont Colleges showing the proposed location of the Series 2017 Project in relation thereto.



General Market Conditions

The following table lists the vacancy rates and effective monthly rents for multifamily housing facilities for Los Angeles County, for the adjacent Orange and Riverside/San Bernardino Counties, and for the United States for the year 2016 and the estimated vacancy rates and effective monthly rents for such counties and the United States for the year 2017:

Location	Vacancy Rate		Effective Monthly Rent	
	2016	2017 Estimate	2016	2017 Estimate
Los Angeles County	2.9%	2.6%	\$1,987	\$2,095
Orange County	2.9	3.8	1,909	2,004
Riverside/San Bernardino Counties	3.1	2.5	1,337	1,430
United States	3.8	4.0	1,299	1,348

† Source: Marcus & Millichap 2017 US Multifamily Investment Forecast.

Comparison of Rents

The following analysis presents comparable rents of apartment projects in the surrounding area to the Housing Facility. The Housing Facility will not open until the 2018-2019 academic year, and the intent of this analysis is to compare Housing Facility rents for the 2018-2019 academic year (which include amenities and utilities) to Tier I Comparable Apartments (as herein defined) rents and Tier II Comparable Apartments (as herein defined) rents (neither of which includes utilities or amenities) for the 2018-2019 academic year. The comparable apartments are all within three (3) miles of the Housing Facility and are included in the Market Study. The apartment projects for which publicly stated rents are available that have been built since 2007 (the “**Tier 1 Comparable Apartments**”) include the Paseos at Montclair North, Rancho Monte Vista, Park Central, and College Park Apartment Homes. The apartment projects for which publicly stated rents are available that were built prior to 2007 (the “**Tier 2 Comparable Apartments**”) include Plum Tree, Dakota Creek Apartments, North Upland Terrace, Terramonte Apartments, Foothill Ridge Apartments, and Mountain View Apartment Homes. Three additional apartment projects (Claremont Villas, Parc Claremont Apartments, and Drake Manor) that were included in the Market Study are not included in this analysis because the survey indicated that they are fully occupied and do not have publicly stated rents.

The following table lists the rents for the Housing Facility for the 2018-2019 academic year:

Unit Type	Cost/Bed	Cost/Unit
Studio	\$1,360	\$1,360
1 Bedroom/1 Bathroom	1,623	1,623
2 Bedroom/2 Bathroom	1,004	2,008

The following table lists the average publicly stated rents for the 2017-2018 academic year for the four Tier 1 Comparable Apartments by unit type. The table compares the average publicly stated rents to the Housing Facility rents. The costs of water, trash services, and internet will be included in the rent for residents of the Housing Facility. In order to provide an appropriate comparison, the following table adds \$135 to the average monthly rents for the Tier 1 Comparable Apartments. The \$135 per month is based upon a \$35 assumption for water and trash services and a \$100 assumption for high-speed internet and cable. The adjusted rents (including the \$135 monthly cost of the utilities and amenities) for the Tier 1 Comparable Apartments are then compared to the rents for the Housing Facility.

	Unit Type		
	Studio	1 Bedroom/ 1 Bathroom	2 Bedroom/ 2 Bathroom
Housing Facility Rent Level	\$1,360	\$1,623	\$2,008
Not Including Utilities/Amenities			
Average Market Rent Level[†]	\$1,551	\$1,766	\$2,009
Difference from Housing Facility Rents ^{††}	(191)	(143)	(1)
Percentage Difference ^{††}	(14%)	(9%)	0%
Including Utilities/Amenities			
Utilities/Amenities	\$ 135	\$ 135	\$ 135
Total Including Utilities/Amenities	\$1,686	\$1,901	\$2,144
Difference from Housing Facility Rents ^{††}	(326)	(278)	(136)
Percentage Difference ^{††}	(24%)	(17%)	(7%)

[†] Publicly stated rents from applicable web site.

^{††} Numbers with parentheses indicate Housing Facility rents are less than comparables, and numbers without parentheses indicate Housing Facility rents are more than comparables.

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To facilitate an appropriate comparison, the following table assumes the Average Market Rent Level for the 2017-2018 academic for the Tier 1 Comparable Apartments increases by 3.0% for the 2018-2019 academic year and compares the increased Average Market Rent Level for the Tier 1 Comparable Apartments to the rents for the Housing Facility for the 2018-2019 academic year.

	Unit Type		
	Studio	1 Bedroom/ 1 Bathroom	2 Bedroom/ 2 Bathroom
Housing Facility Rent Level	\$1,360	\$1,623	\$2,008
Not Including Utilities/Amenities [†]			
Average Market Rent Level[†]	\$1,598	1,819	2,069
Difference from Housing Facility Rents ^{††}	(238)	(196)	(61)
Percentage Difference ^{††}	(18%)	(12%)	(3%)
Including Utilities/Amenities			
Utilities/Amenities	\$ 135	\$ 135	\$ 135
Total Including Utilities/Amenities	\$1,733	\$1,954	\$2,204
Difference from Housing Facility Rents ^{††}	(373)	(331)	(196)
Percentage Difference ^{††}	(27%)	(20%)	(10%)

[†] Publicly stated rents from applicable web site.

^{††} Numbers with parentheses indicate Housing Facility rents are less than comparables, and numbers without parentheses indicate Housing Facility rents are more than comparables.

To facilitate an appropriate comparison, the following table lists the average stated rents for the 2017-2018 academic year for the six Tier 2 Comparable Apartments. The table also compares the average stated rents to the comparable unit rent for the Housing Facility. The rents plus the \$135 monthly cost of the utilities and amenities for the Tier 2 Comparable Apartments is also compared to the rents for the Housing Facility.

	Unit Type		
	Studio	1 Bedroom/ 1 Bathroom	2 Bedroom/ 2 Bathroom
Housing Facility Rent Level	\$1,360	\$1,623	\$2,008
Not Including Utilities/Amenities [†]			
Average Market Rent Level[†]	\$1,368	1,480	1,822
Difference from Housing Facility Rents ^{††}	(9)	144	186
Percentage Difference ^{††}	(1%)	9%	9%
Including Utilities/Amenities			
Utilities/Amenities	\$ 135	\$ 135	\$ 135
Total Including Utilities/Amenities	\$1,503	\$1,615	\$1,957
Difference from Housing Facility Rents ^{††}	(144)	9	51
Percentage Difference ^{††}	(11%)	1%	3%

[†] Publicly stated rents from applicable web site.

^{††} Numbers with parentheses indicate Housing Facility rents are less than comparables, and numbers without parentheses indicate Housing Facility rents are more than comparables.

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To facilitate an appropriate comparison, the following table assumes the Average Market Rent Level for the 2017-2018 academic year for the Tier 2 Comparable Apartments increases by 3.0% for the 2018-2019 academic year. The table also compares the increased Average Market Rent Level for the Tier 2 Comparable Apartments to the rents for the Housing Facility for the 2018-2019 academic year.

	Unit Type		
	Studio	1 Bedroom/ 1 Bathroom	2 Bedroom/ 2 Bathroom
Housing Facility Rent Level	\$1,360	\$1,623	\$2,008
Not Including Utilities/Amenities [†]			
Average Market Rent Level[†]	\$1,409	\$1,524	\$1,877
Difference from Housing Facility Rents ^{††}	(49)	99	131
Percentage Difference ^{††}	(4%)	6%	7%
Including Utilities/Amenities			
Utilities/Amenities	\$ 135	\$ 135	\$ 135
Total Including Utilities/Amenities	\$1,544	\$1,659	\$2,012
Difference from Housing Facility Rents ^{††}	(185)	(36)	(4)
Percentage Difference ^{††}	(14%)	(2%)	(0%)

[†] Publicly stated rents from applicable web site.

^{††} Numbers with parentheses indicate Housing Facility rents are less than comparables, and numbers without parentheses indicate Housing Facility rents are more than comparables.

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APPENDIX “B”

MARKET STUDY

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STUDENT HOUSING MARKET STUDY PREPARED FOR HANOVER PACIFIC, LLC

CLAREMONT COLLEGES

FEBRUARY 2015

FINAL REPORT



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PREFACE

In July 2014, Hanover Pacific, LLC engaged Brailsford & Dunlavey (“B&D”) to conduct a comprehensive Housing Market Study (“the Study”) to confirm demand for a 417-bed housing complex (the “Project”), serving the graduate student, faculty, and staff communities of the Claremont Colleges. The housing development to be located adjacent to the Keck Graduate Institute campus.

B&D would like to thank the following individuals who provided insight and comments throughout the process:

- ◆ Robert Kim, Executive Managing Director, Hanover Pacific, LLC

The B&D team that produced the Study was comprised of the following individuals:

- ◆ Matt Bohannon, Regional Vice President
- ◆ Sam Jung, Project Manager
- ◆ Monty Jarecke, Project Analyst
- ◆ Austin Metoyer, Project Analyst

The report sets forth B&D’s findings with respect to various market conditions and concept options. The findings contained herein represent the professional opinions of B&D’s personnel based on assumptions and conditions detailed in this report. B&D has conducted research using both primary and secondary information sources which were deemed reliable, but whose accuracy cannot be guaranteed.

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TABLE OF CONTENTS

- 1** Executive Summary
- 2** Project Overview
- 3** Demographic Analysis
- 4** Market Supply Analysis
- 5** Demand Analysis

APPENDIX

- A** Off-campus Housing Data
- B** Survey Results (Graduate)
- C** Survey Results (Faculty)
- D** Survey Results (Staff)
- E** Survey Comments (Graduate)
- F** Survey Comments (Faculty)
- G** Survey Comments (Staff)

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1. Executive Summary

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EXECUTIVE SUMMARY

INTRODUCTION

In July 2014, Hanover Pacific, LLC engaged Brailsford & Dunlavey (“B&D”) to conduct a comprehensive Housing Market Study (“the Study”). The objective of the Study was to confirm demand for a 417-bed housing community (the “Project”) on the Keck Graduate Institute’s campus (“KGI”); located on the corner of Wharton Drive and Bucknell Avenue. The Project will provide additional housing capacity for a community that offers limited available rental housing.



FIGURE 1.1: SITE LOCATION OF PROPOSED KECK GRADUATE HOUSING IN RELATION TO ACADEMIC FACILITIES

B&D’s scope of work included both qualitative and quantitative analyses that are instrumental in framing issues that would affect demand for the Project. The scope of work included:

- ◆ A review of the Claremont College’s existing housing inventory,
- ◆ A student, faculty, and staff demographic analysis to identify trends,
- ◆ An off-campus market analysis to understand the local housing market,

- ◆ A survey of graduate, faculty, and staff to quantify their preferences / desire for a campus affiliated housing project on the KGI campus, and
- ◆ A demand analysis to quantify demand for the Project.

CURRENT SITUATION

The Claremont Colleges are a consortium of seven institutions of higher education: Pomona College, Scripps College, Claremont McKenna College, Harvey Mudd College, Pitzer College, Claremont Graduate University (“CGU”), and the Keck Graduate Institute of Applied Life Sciences (“KGI”). Currently CGU is the only institution that provides graduate specific housing. Enrollment and employment at the Claremont Colleges have remained stable over the last three years.

However, KGI has experienced significant growth, a 67% increase since 2012. KGI expects continued growth over the next five years, in part due to the growth of the pharmaceutical program. KGI expects to increase overall graduate enrollment by roughly 300 students over the next four years. The prestige and academic rigor of the growing doctoral pharmacy program will attract students with a strong desire to be close to academic and university resources. As these populations are predisposed to live on campus, the continued growth is a strong impetus for additional university provided housing.

ENROLLMENT BY STATUS		2012	2013	2014	DELTA (%)	DELTA (#)
CLAREMONT GRADUATE UNIVERSITY	FULL-TIME	1,432	1,424	1,393	-3%	(39)
	PART-TIME	809	780	761	-6%	(48)
	TOTAL ENROLLMENT	2,241	2,204	2,154	-4%	(87)
KECK GRADUATE INSTITUTE	FULL-TIME	164	157	274	67%	110
	PART-TIME	13	13	7	-46%	(6)
	TOTAL ENROLLMENT	177	170	281	59%	104

FIGURE 1.2: ENROLLMENT TRENDS BY FULL-TIME AND PART-TIME

TOTAL FACULTY & STAFF	2012	2013	2014	DELTA (%)	DELTA (#)
TOTAL FACULTY	956	953	955	0%	(1)
TOTAL STAFF	1,676	1,781	1,841	10%	165

FIGURE 1.3: TOTAL FACULTY AND STAFF, 2012 – 2014

PROJECT OVERVIEW

KGI, in partnership with Hanover Pacific, LLC plans to develop a graduate, faculty, and staff apartment complex to provide housing to the KGI and Claremont College communities. The Project will introduce approximately 296 additional units to the local market that is in need of additional rental housing. The current rental vacancy is approximately 1.1%, making it challenging to find quality rental housing near campus. Many travel in excess of 20 minutes to and from campus. The Project is designed to attract individuals looking to live closer to campus in a more vibrant urban community. It is differentiated by its campus affiliation, superior amenities package, proximity to Claremont Village, and proximity to campus for its target market. At the time of the study, the Project was anticipated to have a unit mix and price structure outlined below:

	# OF UNITS	RATE / UNIT	RATE / BED	SQ. FT. / UNIT	RENT / SQ. FT.
STUDIO	138	\$1,350	\$1,350	419	\$3.22
ONE-BEDROOM (PRIVATE)	45	\$1,513	\$1,513	480	\$3.15
ONE-BEDROOM (SHARED)	8	\$1,564	\$783	485	\$3.22
TWO-BEDROOM (PRIVATE)	101	\$1,893	\$947	771	\$2.46
TWO-BEDROOM (SHARED)	4	\$2,524	\$631	771	\$3.27

Note:

1. Faculty and staff rate structures will be the same as graduate rates
2. Proposed rental rates were deescalated by 3% to reflect 2014 rates

FIGURE 1.4: PROPOSED AVERAGE RENTAL RATES AND SQUARE FOOTAGE PER UNIT (FALL 2014)

PROJECT RECOMMENDATIONS

B&D identified 470 beds of demand for the Project. Housing demand is supported by the limited availability of rental housing in the immediate community (1.1% vacancy rate), strong enrollment growth among highly intensive academic programs at KGI, and the competitive advantages of the Project's amenities package. Although the model currently demonstrates approximately 129 beds of demand from KGI's graduate students, its students could eventually represent a greater proportion of residents through enrollment growth and increased retention rates among residents.

FALL 2016	STUDIO	1 – BED (SINGLE)	1 – BED (DOUBLE)	2 – BED (SINGLE)	2 – BED (DOUBLE)	TOTAL
CGU	125	125	30	94	0	374
KGI	24	5	22	28	50	129
FACULTY / STAFF	0	32	0	29	0	61
TOTAL	149	162	52	151	50	564
W / 1.2 OCR	124	135	43	126	42	470

FIGURE 1.5: STUDENT HOUSING DEMAND (FALL 2016 HEADCOUNT)

The Project offers a mix of amenities that aligns with market preferences. The addition of higher end amenities such as a café, fitness center, swimming pool, and proximity to Claremont Downtown Village, should attract and help retain some KGI students from considering the CGU Apartment Complex and / or the off-campus market.

TOP TEN AMENITIES FROM SURVEY (IN RANK ORDER)	COLLEGE PARK APARTMENTS	MOUNTAIN SPRING APARTMENTS	ENCLAVE AT TOWN SQUARE	CGU APARTMENT COMPLEX	KECK CAMPUS HOUSING
	OFF-CAMPUS (1.1 MILES)	OFF-CAMPUS (5.4 MILES)	OFF-CAMPUS (5.9 MILES)	ON-CAMPUS	ON-CAMPUS
FURNISHED UNIT	✓	✓	✓	✓	✓
FREE CABLE / INT.				✓	✓
UTILITIES INCL.				✓	✓
LAUNDRY FACILITY		✓	✓	✓	Per Floor
IN-UNIT W/D	✓				
ASSIGNED PARKING	✓	✓	✓		✓
CAFÉ					✓
FITNESS CENTER	✓	✓	✓		✓
STORAGE	✓	✓	✓	✓	✓
POOL	✓	✓	✓		✓
PATIO / BALCONY	✓	✓	✓	Ground Floor Only	

FIGURE 1.6: AMENITIES COMPARISON TABLE OF THE PROPOSED PROJECT AND COMPARABLE OFF-CAMPUS PROPERTIES

Although the Project's rates are more expensive than CGU's on-campus rates, it is competitive with comparable properties identified in the Market Supply Analysis. While comparisons were done on a per unit basis, the project will also offer two-bedroom units on a per bed basis. In addition, the Project will operate with an edge over its competition because of the expansive amenities package. This advantage

will further differentiate the asset over comparable options available to students, particularly those willing to pay the premium for quality housing facilities near campus.

ON-CAMPUS RATE COMPARISON	STUDIO	1BR	2BR
CGU APARTMENT COMPLEX	\$925	\$1,337	\$1,850
KECK CAMPUS HOUSING	\$1,350	\$1,539	\$2,209
DELTA (%)	46%	15%	19%
DELTA (\$)	\$425	\$202	\$359

COMPARABLE PROPERTY RATE COMP	STUDIO	1BR	2BR
COMPARABLE PROPERTIES	\$1,179	\$1,482	\$1,760
KECK CAMPUS HOUSING	\$1,350	\$1,539	\$2,209
DELTA (%)	14%	4%	25%
DELTA (\$)	\$171	\$57	\$449

1. Proposed average rental rates were deescalated by 3% to reflect 2014 rates

FIGURE 1.7: PROJECT RENTAL RATES COMPARED TO COMPARABLE PROPERTIES AND CGU HOUSING (FALL 2014)

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2. Project Overview

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KECK CAMPUS HOUSING

PROJECT OVERVIEW

The Claremont Colleges are a consortium of seven institutions of higher education: Pomona College, Scripps College, Claremont McKenna College, Harvey Mudd College, Pitzer College, Claremont Graduate University (“CGU”) and the Keck Graduate Institute of Applied Life Sciences (“KGI”). Currently CGU is the only institution that provides graduate specific housing.

Hanover Pacific, in partnership with KGI, is seeking to develop a 417-bed housing development (the “Project”) targeting graduate students, faculty, and staff of the Claremont Colleges. The Project is located adjacent to the Claremont Colleges’ Keck Graduate Institute. Located on the KGI campus at the corner of Wharton Drive and Bucknell Avenue.



FIGURE 2.1: SITE LOCATION OF PROPOSED KECK GRADUATE HOUSING IN RELATION TO ACADEMIC FACILITIES

HOUSING RATES AND UNIT MIX

The Project offers 296 apartment units for graduate students, faculty, and staff. At the time of the study, the Project was planned to offer 417 beds: 138 studio beds, 61 one-bedroom beds, and 218 two-bedroom beds. Monthly rental rates and unit types vary.

- ◆ Lease Terms: Graduate students, faculty, and staff will have individual leases.
- ◆ Housing Rates: Housing rates will range from \$631 to \$1,513 per person per month and unit size will range from 419 square feet to 771 square feet. The same housing rate will be charged to both the graduate students and faculty and staff populations. The latter is intended to be a secondary market for the project. The Project is focused on attracting? younger faculty and staff members to? studios and one-bedroom units.
- ◆ Faculty and Staff Housing: Housing rates will range from \$631 to \$1,513 per person per month and unit size will range from 419 square feet to 771 square feet.

	# OF UNITS	RATE / UNIT	RATE / BED	SQ. FT. / UNIT	RENT / SQ. FT.
STUDIO	138	\$1,350	\$1,350	419	\$3.22
ONE-BEDROOM (PRIVATE)	45	\$1,513	\$1,513	480	\$3.15
ONE-BEDROOM (SHARED)	8	\$1,564	\$783	485	\$3.22
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TWO-BEDROOM (SHARED)	4	\$2,524	\$631	771	\$3.27

1. Proposed rental rates were deescalated by 3% to reflect 2014 rates

FIGURE 2.2: AVERAGE PROPOSED RENTAL RATES AND SQUARE FOOTAGE PER UNIT

AMENITIES AND FEATURES

Monthly rental rates are inclusive of utilities, including basic cable, high-speed Internet, and telephone with voice mail. Each unit comes fully furnished, with a full kitchen, bathrooms, and a living room. Additional community features include study rooms, an academic classroom and offices, a state-of-the-art fitness center, a café, a pool, and 225 parking spaces.

Typical unit plans and average rental rates illustrated below:

Unit 01: Studio, one bathroom apartment unit

Proposed Rent: \$1,350/month/unit



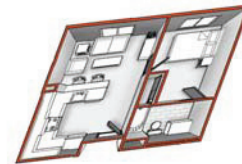
Unit 2: One-bedroom (Private), one bathroom apartment unit

Proposed Rent: \$1,513/month/unit



Unit 3: One-bedroom (Shared), one bathroom apartment unit

Proposed Rent: \$1,564/month/unit



Unit 4: Two-bedroom, two bathroom apartment unit

Proposed Rent: \$1,893 - \$2,524/month/unit



CLAREMONT GRADUATE UNIVERSITY HOUSING OVERVIEW

The CGU apartment community is comprised of five buildings with a total of 158 units and 241 apartment beds. Housing is predominately comprised of apartment-style units with some suite-style units.

Apartment-style units are offered in studio, one-bedroom / one-bathroom, and two-bedroom / two-bathroom configurations. Apartment-style rental rates range from \$925 to \$1,850 per unit, and suite-style rental rates range from \$1,418 to \$2,172 per unit.

FLOOR PLAN	UNIT TYPE	RATE / UNIT	RATE / BED	SQ. FT. / UNIT	RENT / SQ. FT.
UNIT A STUDIO	APARTMENT	\$925	\$925	315	\$2.94
UNIT B ONE BEDROOM	APARTMENT	\$1,337	\$1,337	536	\$2.49
UNIT C TWO BEDROOM	APARTMENT	\$1,850	\$925	793	\$2.33
UNIT D TWO-BEDROOM SUITE	SUITE	\$1,418	\$709	536	\$2.65
UNIT E THREE-BEDROOM SUITE	SUITE	\$2,004 - \$2,172	\$668 - \$724	793	\$2.53 - \$2.74

FIGURE 2.3: CLAREMONT GRADUATE UNIVERSITY APARTMENT COMPLEX RENTAL RATES

Figure 2.4 below depicts the relationship of the Project with the Claremont Colleges. The Project is approximately a 24-minute (walking distance) or 1.1 miles from CGU.

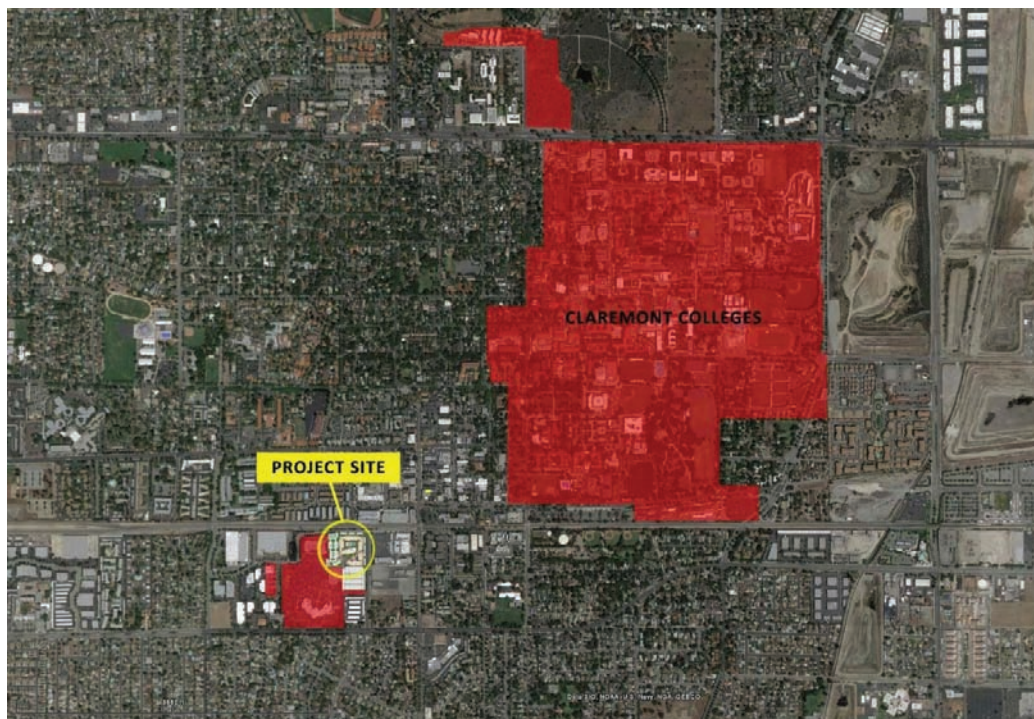


FIGURE 2.4: SITE LOCATION OF PROPOSED KGI HOUSING IN RELATION TO CLAREMONT COLLEGES

Residents of CGU's on-campus housing generally reported high satisfaction with existing housing conditions. However, they were least satisfied with current housing rates.

LEVEL OF SATISFACTION WITH ON-CAMPUS HOUSING	
PHYSICAL CONDITION OF YOUR CURRENT RESIDENCE	94%
CURRENT RESIDENCE	89%
AMENITIES AND SERVICES OFFERED AT YOUR CURRENT RESIDENCE	81%
SIZE OF YOUR CURRENT RESIDENCE	68%
HOUSING RATE YOU ARE PAYING FOR YOUR CURRENT RESIDENCE	38%

FIGURE 2.5: LEVEL OF SATISFACTION WITH ON-CAMPUS HOUSING N=46 (SEE APPENDIX B Q48-54)

Of those residents that chose to live in CGU provided housing, their most important decision factor was the proximity of housing to their classes (77%).

FIVE TOP DECISION FACTORS	
PROXIMITY TO CLASSES	77%
TOTAL COST OF RENT AND UTILITIES	70%
AVAILABILITY OF HIGH-SPEED INTERNET	35%
ABILITY TO STAY DURING BREAKS	33%
ACCESS TO CAMPUS RESOURCES	33%

FIGURE 2.6: IMPORTANT FACTORS IN DECISION WHERE TO LIVE THIS YEAR N=46 (SEE APPENDIX B Q55)

HOUSING COMPARISON: PROJECT VS. CGU HOUSING

The Project's proposed rates for graduate and professional students are priced higher than CGU's on-campus housing rates. Rental rates for the Project were 19% to 46% more expensive.

ON-CAMPUS RATE COMPARISON	STUDIO	1BR	2BR
CGU APARTMENT COMPLEX	\$925	\$1,337	\$1,850
KECK CAMPUS HOUSING	\$1,350	\$1,539	\$2,209
DELTA (%)	46%	15%	19%
DELTA (\$)	\$425	\$202	\$359

1. Proposed average rates were deescalated by 3% to reflect 2014 rates

FIGURE 2.7: GRADUATE STUDENT RENTAL RATE COMPARISON WITH EXISTING HOUSING

Figure 2.8 below highlights the top desired amenities among survey respondents who identified as very interested / interested in campus affiliated housing. When compared to the CGU Apartment Complex, the Project will provide a package of amenities that align more closely with graduate student preferences.

The addition of higher end amenities such as café, fitness center, and swimming pool, should provide enough added value to attract and retain KGI students from considering the CGU Apartment Complex. Lastly, the Project's close proximity to the Claremont Village, the City of Claremont's downtown business district, provides KGI residents access to a number of retail shopping and dining experiences.

TOP TEN STUDENT AMENITIES PREFERENCE FROM STUDENT SURVEY (IN RANK ORDER)	CGU APARTMENT COMPLEX	KECK CAMPUS HOUSING
FURNISHED UNIT	✓	✓
FREE CABLE / INTERNET	✓	✓
UTILITIES INCLUDED	✓	✓
LAUNDRY FACILITY	✓	Per Floor
IN-UNIT W/D		
ASSIGNED PARKING	✓	✓
CAFÉ		✓
FITNESS CENTER		✓
STORAGE	✓	✓
POOL		✓
PATIO / BALCONY	Ground Floor Only	

FIGURE 2.8: AMENITIES COMPARISON N=48 (SEE APPENDIX B Q78)

3. Demographic Analysis

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DEMOGRAPHIC ANALYSIS

OBJECTIVES & METHODOLOGY

Brailsford & Dunlavey (“B&D”) examined the demographic and enrollment trends of the Claremont Colleges, with a particular emphasis on graduate students, faculty, and staff (collectively the “Target Market”). Findings from this analysis provided key insights into market demand for the identified Target Market. Data from fall 2012 to fall 2014 were used to identify changes to key demographic characteristics that influence housing demand, including enrollment status, residency, and gender.

SUMMARY OF KEY FINDINGS

GRADUATE STUDENT ENROLLMENT TRENDS

CGU enrollment has remained stable over the last three years. While CGU has experienced minor decreases in full-time and part-time students, the overall decrease has only resulted in the loss of 87 graduate students out of a total population of 4,308.

KGI has experienced significant growth among its graduate population. Strong growth among full-time graduate students resulted in a net increase of 110 full-time graduate students, or a 67% increase since 2012. KGI expects continued growth over the next five years, in part due to the growth of the pharmaceutical program. KGI expects to increase overall graduate enrollment by roughly 300 students over the next four years. The prestige and academic rigor of the growing doctoral pharmacy program will attract students with a strong desire to be close to academic and university resources. As these populations are predisposed to live on campus, the continued growth is a strong impetus for additional university provided housing.

ENROLLMENT BY STATUS		2012	2013	2014	DELTA (%)	DELTA (#)
CLAREMONT GRADUATE UNIVERSITY	FULL-TIME	1,432	1,424	1,393	-3%	(39)
	PART-TIME	809	780	761	-6%	(48)
	TOTAL ENROLLMENT	2,241	2,204	2,154	-4%	(87)
KECK GRADUATE INSTITUTE	FULL-TIME	164	157	274	67%	110
	PART-TIME	13	13	7	-46%	(6)
	TOTAL ENROLLMENT	177	170	281	59%	104

FIGURE 3.1: ENROLLMENT TRENDS BY FULL-TIME AND PART-TIME

CGU's enrollment of international and out-of-state graduate students has increased over the last three years. Out-of-state graduate students have increased by 4% and international graduate students have

increased by 14%. KGI has had a slight decrease in the international graduate population that resulted in a net loss of nine students.

ENROLLMENT BY RESIDENCY		2012	2013	2014	DELTA (%)	DELTA (#)
CLAREMONT GRADUATE UNIVERSITY	IN-STATE	1,592	1,576	1,548	-3%	(44)
	OUT-STATE	486	495	504	4%	18
	INTERNATIONAL	369	385	420	14%	51
KECK GRADUATE INSTITUTE	IN-STATE	120	119	233	94%	113
	OUT-STATE	N/A	N/A	N/A	N/A	N/A
	INTERNATIONAL	57	51	48	-16%	(9)

FIGURE 3.2: ENROLLMENT TRENDS BY RESIDENCY

FACULTY DEMOGRAPHIC TRENDS

- ◆ The Claremont Colleges have approximately 1,000 faculty, a number that has remained stable over the last three years.
- ◆ Since 2012, the total number of full-time faculty has increased by 2%, while the number of part-time faculty has decreased by 10%.
- ◆ The total number of male and female faculty members has remained stable. Male faculty represents 56% of total faculty, while female faculty represents 44%.

TOTAL FACULTY	2012	2013	2014	DELTA (%)	DELTA (#)
FULL-TIME	769	783	786	2%	17
PART-TIME	187	170	169	-10%	(18)
TOTAL	956	953	955	0%	(1)

FIGURE 3.3: TOTAL FACULTY, 2012 – 2014

GENDER	2012	2013	2014	DELTA (%)	DELTA (#)
MALE	539	545	535	-1%	(4)
FEMALE	417	408	420	1%	3
TOTAL	956	953	955	0%	(1)

FIGURE 3.4: TOTAL FACULTY BY GENDER, 2012 – 2014

- ◆ The total number of employed faculty has remained stable since 2012.

- ◆ The Colleges with the largest percentage increases included Harvey Mudd College (25%) and the Keck Graduate Institute (23%).
- ◆ The Colleges with decreases in faculty included Pitzer College (-10%), McKenna College (-9%), and Pomona College (-1%)

COLLEGE	2012	2013	2014	DELTA (%)	DELTA (#)
MCKENNA COLLEGE	181	174	165	-9%	(16)
HARVEY MUDD	89	97	111	25%	22
PITZER COLLEGE	117	106	105	-10%	(12)
POMONA COLLEGE	278	272	274	-1%	(4)
SCRIPPS COLLEGE	119	121	120	1%	1
CLAREMONT GRADUATE	137	139	137	0%	0
KECK GRADUATE INSTITUTE	35	44	43	23%	8
TOTAL	956	953	955	0%	(1)

FIGURE 3.5: TOTAL FACULTY BY COLLEGE, 2012 - 2014

- ◆ The greatest concentration of the Claremont Colleges' faculty reside within the Claremont area (54%), followed by Upland (13%).
- ◆ Faculty represented by "other" varied in location from Los Angeles County, Orange County, and San Bernardino County.

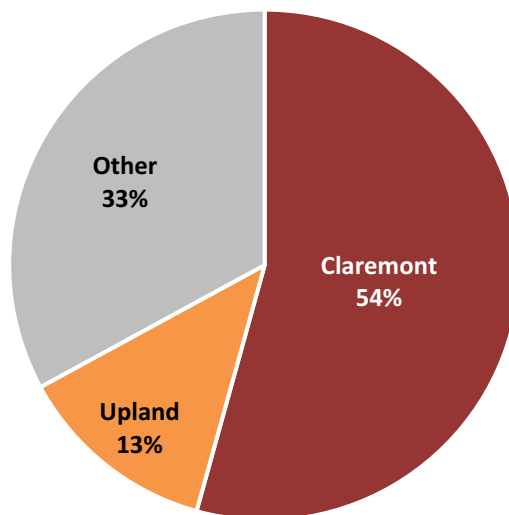


FIGURE 3.6: TOTAL FACULTY BY RESIDENCE TAKEN FROM B&D'S 2014 SURVEY

STAFF DEMOGRAPHIC TRENDS

- ◆ The Claremont Colleges have approximately 1,800 staff, a 10% increase since 2012.
- ◆ Since 2012, the total number of full-time staff has increased by 7%, and the number of part-time staff has increased by 29%.
- ◆ The total number of male and female staff members has increased overall with significant growth in male staff (12%). Male staff represents 39% and female staff represent 61% of total staff.

TOTAL STAFF	2012	2013	2014	DELTA (%)	DELTA (#)
FULL-TIME	1,472	1,575	1,578	7%	106
PART-TIME	204	206	263	29%	59
TOTAL	1,676	1,781	1,841	10%	165

FIGURE 3.7: TOTAL STAFF, 2012 – 2014

GENDER	2012	2013	2014	DELTA (%)	DELTA (#)
MALE	644	700	719	12%	75
FEMALE	1,032	1,081	1,122	9%	90
TOTAL	1,676	1,781	1,841	10%	165

FIGURE 3.8: TOTAL STAFF BY GENDER, 2012 – 2014

- ◆ The Claremont College system has experienced growth in staff across all colleges except one; overall, the system's staff grew by 10%.
- ◆ The colleges with the largest percentage increases included KGI (50%), Harvey Mudd College (32%) and the Pitzer College (27%).
- ◆ CGU experienced an 8% decrease in the total number of staff.

COLLEGE	2012	2013	2014	DELTA (%)	DELTA (#)
MCKENNA COLLEGE	290	297	297	2%	7
HARVEY MUDD	188	216	248	32%	60
PITZER COLLEGE	188	156	238	27%	50
POMONA COLLEGE	485	518	515	6%	30
SCRIPPS COLLEGE	222	232	232	5%	10
CLAREMONT GRADUATE	247	265	227	-8%	(20)
KECK GRADUATE INSTITUTE	56	65	84	50%	28
TOTAL	1,676	1,749	1,841	10%	165

FIGURE 3.9 TOTAL STAFF BY COLLEGE, 2012 - 2014

- ◆ The greatest concentration of the Claremont Colleges' staff reside within the Claremont area (27%), followed by Upland (15%) and Rancho Cucamonga (8%).
- ◆ Staff represented by "other" varied in location; however, they were primarily located within San Bernardino and Riverside County.

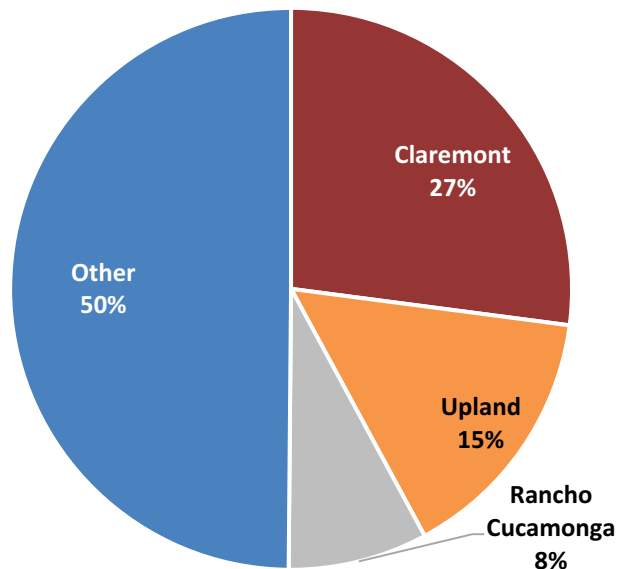


FIGURE 3.10: TOTAL STAFF BY RESIDENCE TAKEN FROM B&D'S 2014 SURVEY

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4. Market Supply Analysis

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MARKET SUPPLY ANALYSIS

APPROACH

Brailsford & Dunlavey (“B&D”) conducted a detailed market analysis that examined the characteristics of Claremont Colleges’ student enrollment, as well as housing available in the on- and off-campus markets, to confirm the viability of the proposed housing project (the “Project”). Particular emphasis was placed on the Keck Graduate Institute (“KGI”) because of the Project’s campus affiliation. The results of the analysis are instrumental in framing issues that could impact demand for the student housing project for the future.

A detailed discussion of the objectives, methodology, and key findings are provided in the following text.

FOCUS GROUP SUMMARY

OBJECTIVE

The objective of the focus group discussions was to engage students and faculty members in an open discussion about their sentiments regarding a potential housing development on the KGI campus. The discussions were designed to help B&D identify student and faculty preferences for a new campus development.

METHODOLOGY

With the assistance of college staff, B&D held focus groups to obtain a broad range of feedback from graduate students, faculty, and staff at KGI. Approximately 20 individuals participated in focus groups held on October 13, 2014. A moderator from B&D led each of the focus group sessions and guided the conversation. While the moderator was focused on the answers to a predetermined set of questions, he also paid close attention to tangential issues and topics raised by individuals.

SUMMARY OF KEY FINDINGS

Graduate Students

Overall, graduate students expressed interest in a new housing development at the Claremont Colleges. They believed that the Project would be best served for out-of-area students who were new to the area and unfamiliar with the rental housing community near campus. Students shared that the provision of amenities was an important factor to draw graduate students to the Project. Focus group participants desired reliable wireless Internet, a 24-hour convenience store, shuttle service, and furnished units. Generally, students were price sensitive and noted that the Project's rental rates should be comparable with the general off-campus market.

Faculty/Staff

Faculty and staff participants expressed that they would have little demand for the proposed development and said that the greatest interest would come from visiting professors. Sensitivity to rental rates and general reluctance to live with students were the primary deterrents for faculty and staff. While faculty and staff expressed similar needs in terms of amenities and services as graduate students, short-term leases, convenience retail, and security were their highest priority needs.

OFF-CAMPUS MARKET ANALYSIS

OBJECTIVES & METHODOLOGY

The off-campus market analysis serves as a mechanism to identify the characteristics of the competitive rental market near campus. This analysis provides insights into the types of amenities and rental rates in this particular market. This analysis can provide insight into the types of amenities and rental rates that would be competitive in this particular market.

A quantitative evaluation of the off-campus rental market was conducted to understand options available to students, faculty, and staff. Components of this research included interviews with planning officials and phone and Internet research. B&D surveyed 55 rental properties: 30 apartments and 25 rental homes. All market data were gathered during July 2014. Figure 4.1 below provides a depiction of rental homes and apartment buildings in relation to the proposed site.

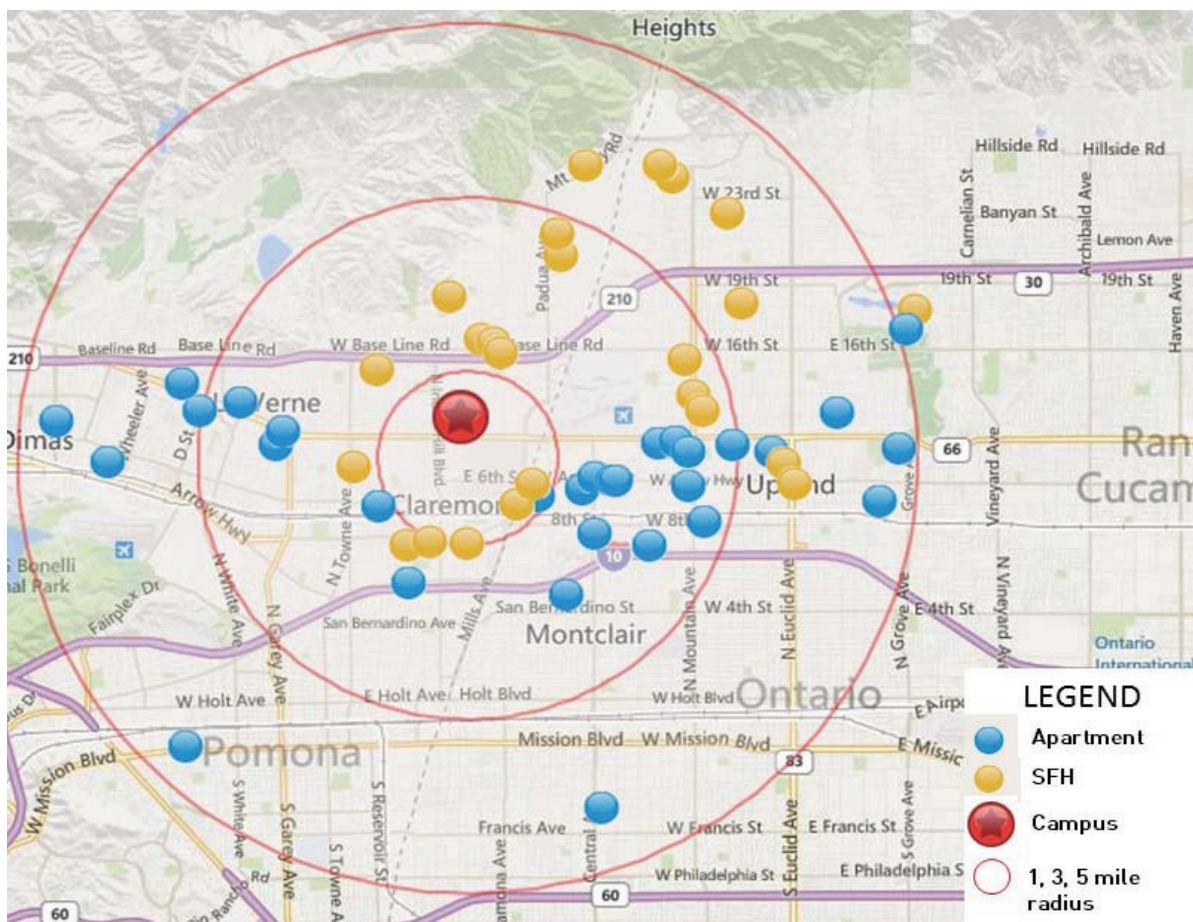


FIGURE 4.1: GEOGRAPHIC REPRESENTATION OF CAMPUS CORE (RED), APARTMENTS (BLUE), AND SINGLE FAMILY HOMES (YELLOW)

CLAREMONT HOUSING MARKET

The housing market in the City of Claremont presents multiple challenges for individuals seeking rental housing, as rental vacancy remains low (1.1%). The composition of the housing market is 76% single-family homes and 24% multi-family homes. The majority of the city's inventory is inhabited by family households, which comprise 68%¹ of all units. The majority of housing (54%) in Claremont was built before 1970 with the remaining 46% built between 1970 to 2012. Growth in the market has been limited, as only 100 units (<1%) have been added to the market during the 2010-2014 period. Limited growth, low vacancy, and a market geared toward families presents a challenge when seeking quality rental housing.

Housing Type	2010		2014		of
	Number of Units	Percent Total Units	Number of Units	Percent Total Units	
Single-family	9,332	77%	9,338	76%	
Multi-family	2,801	23%	2,895	24%	
Other	23	0%	23	0%	
Total	12,156	100%	12,256	100%	
Vacancy Rate	-	4.50%	-	4.50%	

FIGURE 4.2: HOUSING COMPOSITION

The ability to meet future housing demands is dependent on the city's capability to grow its housing inventory. However, the city's General Plan cites that a majority of its available land has limited residential potential due to its topography and physical hazards. Areas that are underutilized offer potential room for housing growth, but these are limited and expensive to develop. As of 2009, the General Plan cited recent appraisals at \$700,000-\$915,000 per acre or \$16 to \$21 per square foot. Other obstacles to development include the need for water infrastructure in hillside areas and the lack of wastewater services to undeveloped properties within the unincorporated area of the city.

¹ Claremont (California). *City of Claremont General Plan*. 2009

AVERAGE HOUSING RATES

The average rental rates per person (not including utilities) for a private studio, one-, two-, and three-bedroom apartment were \$1,085, \$1,258, \$731, and \$657, respectively.

	APARTMENTS		SINGLE – FAMILY HOMES	
	ENTIRE UNIT	PRIVATE ROOM	ENTIRE UNIT	PRIVATE ROOM
STUDIO	\$1,085	\$1,085	-	-
1 BEDROOM	\$1,258	\$1,258	-	-
2 BEDROOM	\$1,462	\$731	-	-
3 BEDROOM	\$2,108	\$657	\$2,250	\$750
4 BEDROOM	-	-	\$2,649	\$662

FIGURE 4.3: OFF-CAMPUS RENTAL RATES (EXCLUDING UTILITIES)

Survey results indicated that 44% of graduate students and 67% of faculty and staff live in single-family homes. The prevalence of single-family homes coupled with its lower monthly rent on a per person basis makes this housing type attractive for both graduates, faculty, and staff.

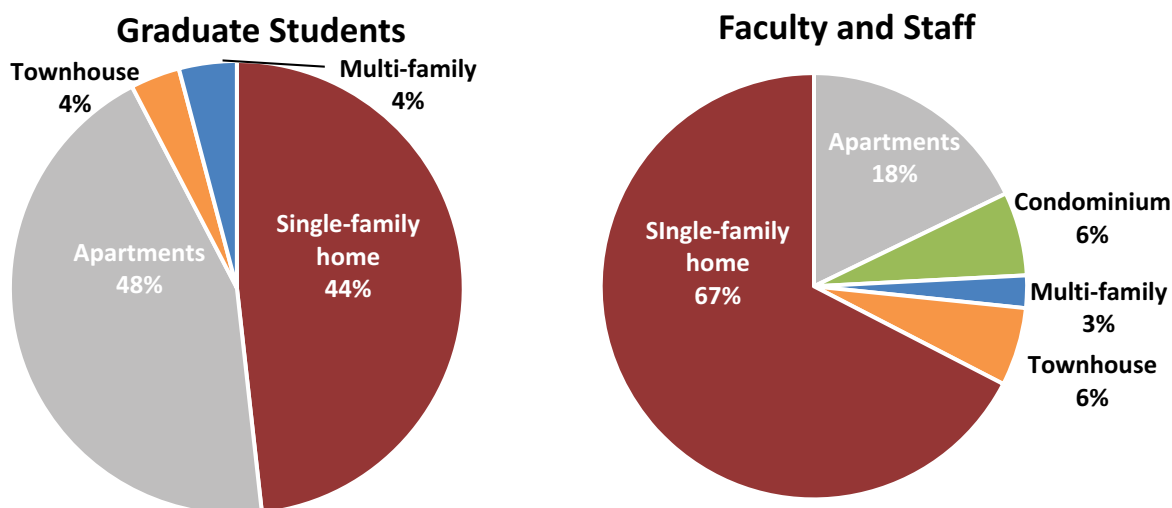


FIGURE 4.4: HOUSING TYPE BY SURVEY PARTICIPANT, GRADUATE N = 178 (see appendix B Q65), FACULTY N = 136 (see appendix C Q17), STAFF N = 367 (see appendix D Q17)

Additionally, the number of faculty and staff renting or owning their residence varied between populations. The majority of faculty members reported owning their homes (70%). Staff were almost equally divided

between renting and owning their homes. Conversely, graduate students were predominately renting in the off-campus market.

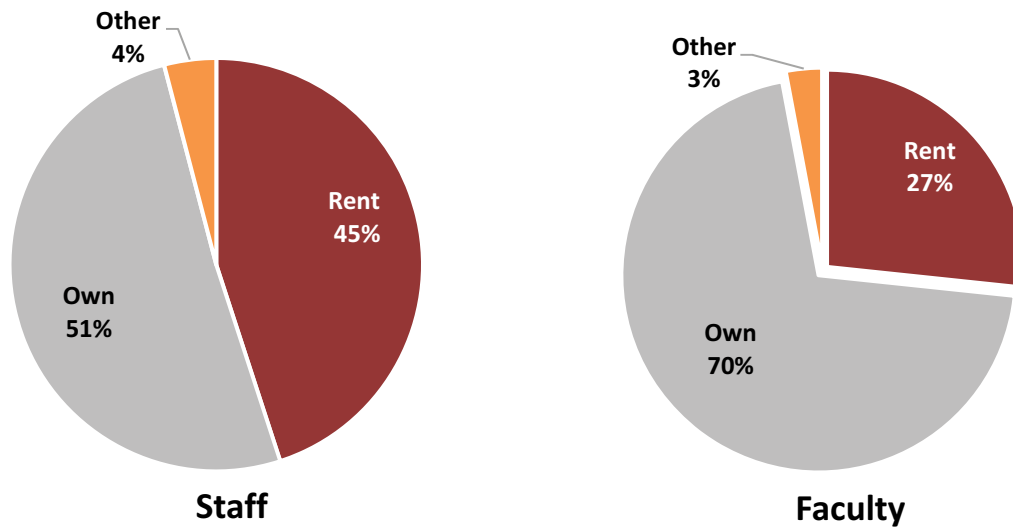


FIGURE 4.5: HOUSING STATUS, STAFF N = 369 (see appendix D Q16) FACULTY N = 136 (see appendix C Q16)

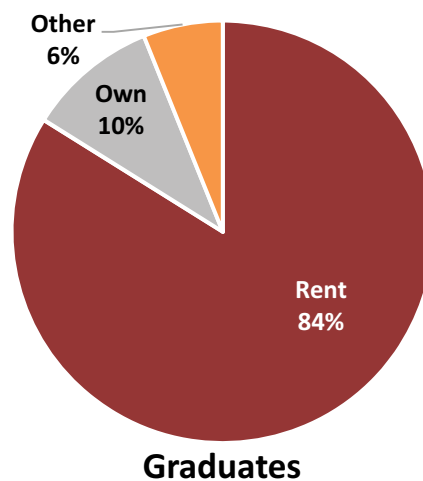


FIGURE 4.6: HOUSING STATUS, STAFF N = 180 (see appendix B Q64)

To better understand researched market rates with student spending patterns on housing, survey results from graduate students were used to create a self-reported rental rate. Survey data revealed that students were paying close to \$610 to \$992 per month per person before utilities. On average, graduate students reported paying more than the average rate found in B&D's survey of local rental communities.

		REPORTED STUDENT SURVEY	RESEARCHED PROPERTIES	VARIANCE (\$)	VARIANCE (%)
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MARKET ANALYSIS

APARTMENTS	1 BR	\$992	\$1,258	\$266	27%
	2 BR	\$815	\$731	-\$84	-10%
	3 BR	\$809	\$704	-\$106	-13%
		REPORTED STUDENT SURVEY	RESEARCHED PROPERTIES	VARIANCE (\$)	VARIANCE (%)
SINGLE-FAMILY HOMES	3 BR	\$664	\$704	\$40	6%
	4 BR	\$660	\$662	\$2	0%

FIGURE 4.7: OFF-CAMPUS RENTAL RATES (EXCLUDING UTILITIES)

Rental rates ranged from \$2.18 to \$1.06 per square foot in the off-campus market.

	RENT PER UNIT	SQUARE FOOTAGE	RENT / SQUARE FOOT (OFF- CAMPUS)
STUDIO	\$1,085	497	\$2.18
1 BR	\$1,258	712	\$1.77
2 BR	\$1,462	971	\$1.51
3 BR	\$2,108	1,394	\$1.51
4 BR	\$2,649	2,494	\$1.06

FIGURE 4.8: OFF-CAMPUS RENTAL RATES PER SQUARE FOOT (EXCLUDING UTILITIES)

FEES, AMENITIES, AND SECURITY DEPOSIT ANALYSIS

Rental properties surrounding KGI offered leases ranging from one- to 12-month terms. On average, 53% of apartment properties surveyed offered lease terms of six-months or less. Almost all single-family homes surveyed require a one-year lease. All of the surveyed apartments required a security deposit of \$100 to \$950. Among properties surveyed, 90% allowed pets with the requirement that an average pet deposit of \$200-\$600 be secured and a monthly “pet rent” of \$25 to \$45 be paid.

The general market offers minimal amenities or services when compared to the KGI housing project. While the relatively older housing stock did provide some similar amenities, the vast majority did not accommodate newer or preferred amenities.

TOP TEN STUDENT AMENITIES PREFERENCE FROM STUDENT SURVEY (IN RANK ORDER)	GENERAL MARKET	KECK CAMPUS HOUSING
---	-----------------------	--------------------------------

FURNISHED UNIT	FEW	✓
FREE CABLE / INTERNET		✓
UTILITIES INCLUDED		✓
LAUNDRY FACILITY	MOST	✓
IN-UNIT W/D	FEW	
ASSIGNED PARKING	ALL	✓
CAFÉ		✓
FITNESS CENTER	MOST	✓
STORAGE	FEW	✓
POOL	MOST	✓
PATIO / BALCONY	MOST	

FIGURE 4.9: AMENITIES COMPARISON OF THE GENERAL MARKET**COMPARABLE PROPERTIES ASSESSMENT: RENTAL RATE COMPARISON**

B&D identified three comparable properties in the off-campus market. These properties were selected based on their respective rental rates, amenities, and location. Rental rates for comparable properties ranged between an average of \$1,073 and \$1,654 per unit per month. A comparison of the comparable properties' rates with proposed Keck Housing rates found rates similarly priced with studio and one-bedroom units, and rates slightly more expensive for two-bedroom units.

COMPARABLE RATE COMPARISON	STUDIO	1BR	2BR
COLLEGE PARK APARTMENT	-	\$1,465	\$1,716
MOUNTAIN SPRINGS APARTMENT	\$1,073	\$1,305	\$1,545
ENCLAVE AT TOWN SQUARE	-	\$1,357	\$1,702
AVERAGE:	\$1,179	\$1,482	\$1,760
KECK CAMPUS HOUSING	\$1,350	\$1,539	\$2,209
DELTA (%)	14%	4%	25%
DELTA (\$)	\$171	\$57	\$449

NOTE:

1. Comparable properties includes a self-reported \$106 per month figure to account for utilities
2. Proposed average rental rates were deescalated by 3% to reflect 2014 rates

FIGURE 4.10: COMPARISON OF RENTAL RATES AT COMPARABLE PROPERTIES AND THE PROPOSED PROJECT RATES (INCLUDING UTILITIES)

Similarly, when assessing the size of the Project's units with comparable properties, slight variances were observed between unit configurations. Proposed unit sizes were found to be smaller than comparable properties resulting in a higher rent per square foot.

RENT PER SQUARE FOOT COMPARISON	COMPARABLE PROPERTIES		KECK CAMPUS HOUSING		VARIANCE	
	Square Feet	Rent / Square Feet	Square Feet	Rent / Square Feet	(\$)	(%)
STUDIO	500	\$2.15	419	\$3.22	-\$1.08	-50%
ONE-BEDROOM	718	\$1.92	483	\$3.19	-\$1.27	-66%
TWO-BEDROOM	999	\$1.66	771	\$2.87	-\$1.20	-72%

NOTE:

1. Proposed average rental rates were deescalated by 3% to reflect 2014 rates

FIGURE 4.11: COMPARISON OF RENT PER SQUARE FOOTAGE AT COMPARABLE PROPERTIES

COMPARABLE PROPERTIES ASSESSMENT: AMENITIES COMPARISON

Figure 4.12 below details the available amenities provided by the selected comparable housing properties. The proposed project's rental rate places it at the slightly higher end of the spectrum in terms of rental rates, and the lower end of the spectrum concerning unit size. However, this analysis reveals that the Project aligns closely with desired amenities and services of Claremont students. The inclusion of premium amenities and services such as fully furnished units, free utilities, a café, pool, and fitness center appeal to a number of KGI and CGU graduate students.

Additionally, the adjacency of the proposed project to the Keck Graduate Institute and the limited availability of apartment housing surrounding the campus affords the project an opportunity to provide easy access to campus resource and academic facilities. Likewise, the project's location in Claremont provides residents with immediate access to the Claremont Village downtown district, which provides additional dining, entertainment, and shopping. A readily available nightlife and access to academic resources are attractive to graduate students and younger faculty and staff.

TOP TEN STUDENT AMENITIES PREFERENCE FROM STUDENT SURVEY (IN RANK ORDER)	COLLEGE PARK APARTMENTS	MOUNTAIN SPRING APARTMENTS	ENCLAVE AT TOWN SQUARE	KECK CAMPUS HOUSING
	OFF-CAMPUS (1.1 MILES)	OFF-CAMPUS (5.4 MILES)	OFF-CAMPUS (5.9 MILES)	ON-CAMPUS
FURNISHED UNIT	✓	✓	✓	✓
FREE CABLE / INTERNET				✓
UTILITIES INCLUDED				✓
LAUNDRY FACILITY		✓	✓	Per Floor
IN-UNIT W/D	✓			
ASSIGNED PARKING	✓	✓	✓	✓
CAFÉ				✓
FITNESS CENTER	✓	✓	✓	✓
STORAGE	✓	✓	✓	✓
POOL	✓	✓	✓	✓
PATIO / BALCONY	✓	✓	✓	

FIGURE 4.12: AMENITIES COMPARISON TABLE OF THE PROPOSED PROJECT AND COMPARABLE OFF-CAMPUS PROPERTIES

SURVEY ANALYSIS

OBJECTIVE

B&D developed a web-based survey to quantitatively test student demand for proposed campus affiliated-housing. In addition, survey questions were designed to assess current and future habits and preferences related to housing. Response options were structured to maximize information about desirable unit configurations, facility characteristics, and overall preferences for new housing. Specific responses were sorted by various demographic characteristics to further analyze demand patterns and identify any discrepancies in results.

METHODOLOGY

From September 2 to October 7, 2014, graduate students, faculty, and staff were surveyed via an on-line link distributed to their campus e-mail. All graduate students, faculty, and staff were given an opportunity to indicate their level of support for a specific range of housing amenities and preferences. During that time, 786 of the surveyed population participated in the survey, rendering 721 total completed responses. The survey analysis reflects responses from the entire survey population of 786 students. This response translates to a margin of error of +/- 5% assuming a 95% confidence level.

A full report of the data collected can be found in the Appendix sections of this report.

CURRENT LIVING SITUATION

Location

Claremont College graduate students, especially those attending the KGI and CGU are residing within the immediate area of Claremont, Upland, La Verne, Pomona, and Montclair. However, 43% of KGI graduates indicated that they were residing in areas outside of the immediate area such as Pasadena, El Monte, Corona, and Redlands. Similarly, while CGU graduate students reported residing in areas outside of the immediate service areas, a smaller percentage of graduate students reported living outside of the service area (35%).

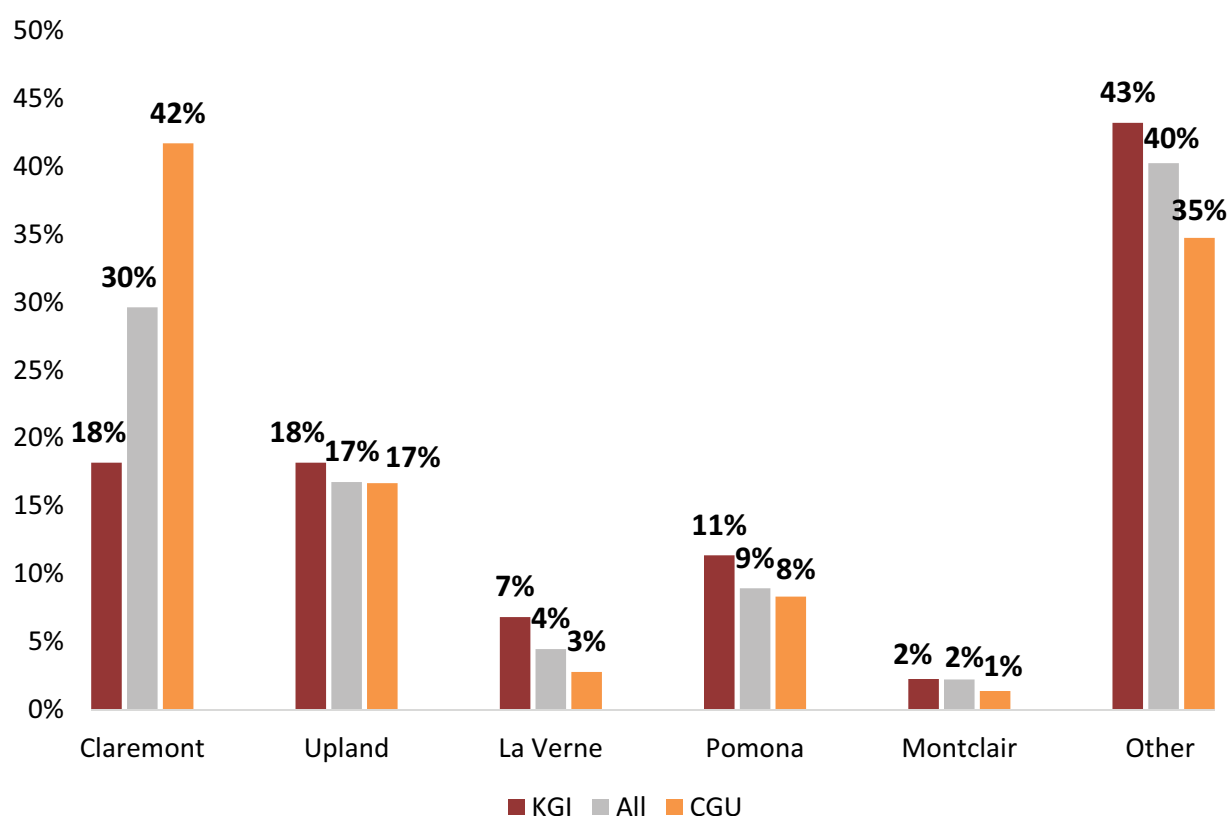


FIGURE 4.13: WHERE GRADUATE STUDENTS ARE CURRENTLY RESIDING N=179 (SEE APPENDIX B Q59)

A slight majority (52%) of graduate students reported a one-way commute time of less than 15 minutes, likely those students residing in the Claremont – Upland area. Approximately 48% of students reported a one-way commute time over 16 minutes. One-fifth (20%) of graduate student respondents reported a one-way commute time over 36 minutes.

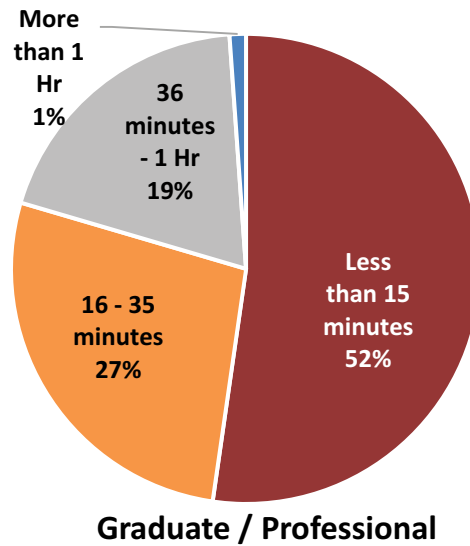


FIGURE 4.14: TYPICAL ONE-WAY COMMUTE TIME N=88 (SEE APPENDIX B Q61)

Approximately 40% of Claremont Colleges' faculty members reported a one-way commute time of less than 15 minutes, while the majority (60%) reported a one-way commute between 16 minutes to more than an hour. In addition, of the majority of faculty that experienced long commute times, at least 25% reported a one-way commute of more an hour. Long commute times place faculty residences in areas such as Los Angeles, Glendale, Irvine, and Redlands.

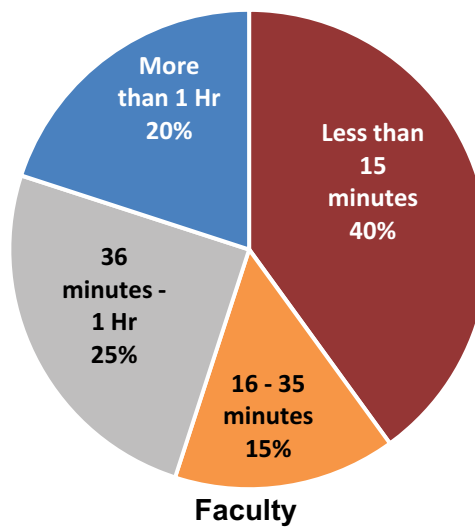


FIGURE 4.15: TYPICAL ONE-WAY COMMUTE TIME N=19 (SEE APPENDIX C Q15)

Approximately 31% of staff respondents live within 15 minutes of the KGI campus. When compared to the graduate and faculty populations, staff respondents reported average commute time about midway between the two groups. The majority of the staff respondents reside within the immediate areas of Claremont, Pomona, Montclair, and Ontario.

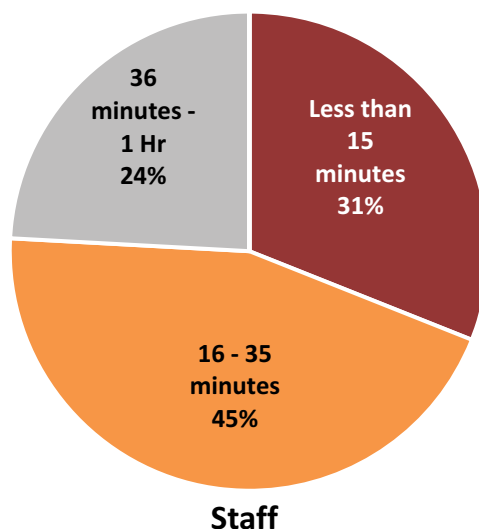


FIGURE 4.16: TYPICAL ONE-WAY COMMUTE TIME N=29 (SEE APPENDIX E Q15)

Figure 4.17 below depicts the drive times surrounding the Keck Graduate Institute in 10-, 20-, and 30-minute increments. The average drive times for staff and graduate students is between 21 and 24 minutes, while the average drive time for faculty members is 32 minutes.



FIGURE 4.17: AREA MAP DENOTING DRIVE TIME SURROUNDING KECK GRADUATE INSTITUTE

GRADUATE / PROFESSIONAL STUDENT SATISFACTION AND DECISION FACTORS

General satisfaction among student renters was relatively high. Residents were overwhelmingly satisfied with the size of their current residence (93%) and their current residence in general (86%).

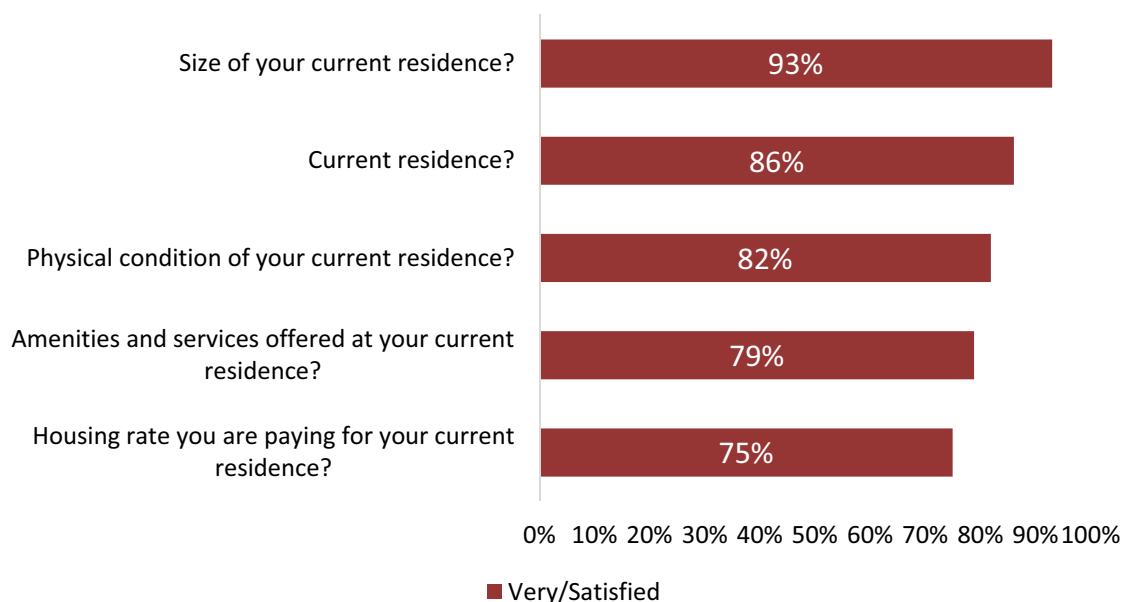


FIGURE 4.18: LEVEL OF SATISFACTION WITH CURRENT RESIDENCE N=93 (SEE APPENDIX B Q48-54)

The cost of rent and utilities was rated as the number one decision-making factor for housing selection next year (88%). Their next top priority was proximity to academic classes.

TOP FIVE DECISION FACTORS	
TOTAL COST OF RENT AND UTILITIES	88%
PROXIMITY TO CLASSES	63%
AVAILABILITY OF A KITCHEN	38%
AVAILABILITY OF A PRIVATE (SINGLE) BEDROOM	36%
AVAILABILITY OF A PRIVATE BATHROOM	32%

FIGURE 4.19: IMPORTANT FACTORS IN DECISION WHERE TO LIVE THIS YEAR N=93 (SEE APPENDIX B Q55)

FACULTY SATISFACTION AND DECISION FACTORS

While renting faculty were highly satisfied with their current residences' proximity to and availability of resources, faculty generally expressed low levels of satisfaction with other elements of their current living situation. Renting faculty members were least satisfied with the quality, type, and size of their current residence. Lastly, only 54% of faculty members were satisfied with their travel time to and from campus.

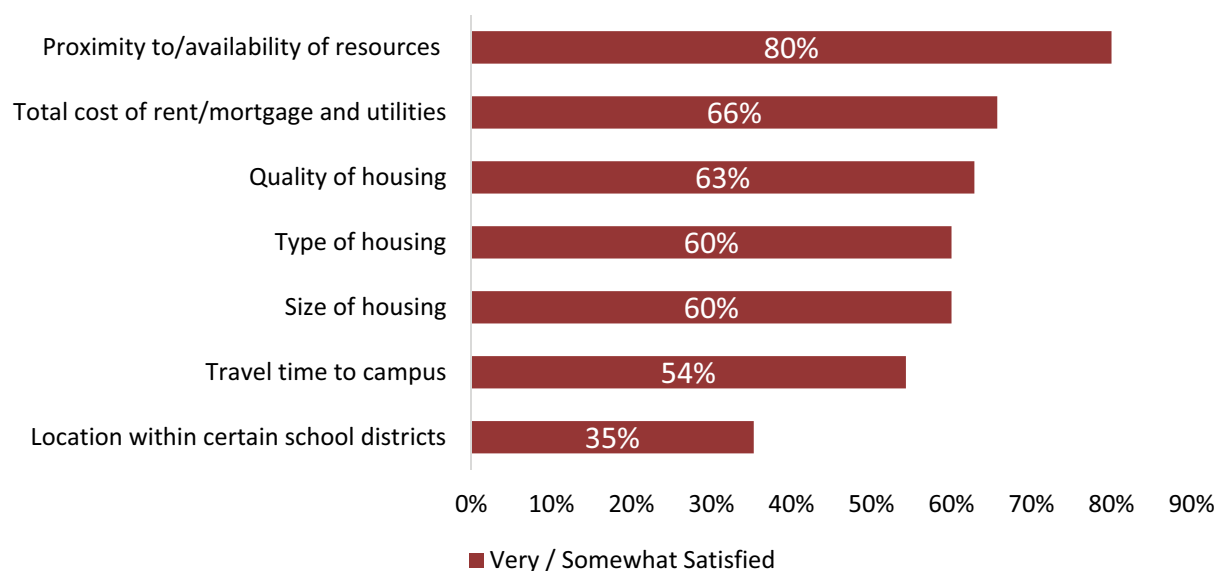


FIGURE 4.20: RENTERS' LEVEL OF SATISFACTION WITH CURRENT RESIDENCE N=129 (SEE APPENDIX C Q26-32)

Faculty member levels of satisfaction and dissatisfaction closely aligned with their decision-making factors for where they currently are living. The quality of housing and total cost of rent were the top two factors.

FACULTY TOP DECISION FACTORS	
QUALITY OF HOUSING	100%
TOTAL COST OF RENT/MORTGAGE AND UTILITIES	97%
TYPE OF HOUSING	87%
TRAVEL TIME TO CAMPUS	83%
SIZE OF HOUSING	81%
PROXIMITY TO/AVAILABILITY OF RESOURCES	52%
LOCATION WITHIN CERTAIN SCHOOL DISTRICTS	29%

FIGURE 4.21: IMPORTANT FACTORS IN DECISION WHERE TO LIVE THIS YEAR N= 123 (SEE APPENDIX C Q35-41)

The Project stands to offer a premium on-campus housing experience to fit the needs of new and renting faculty members. In addition, the property's close proximity to campus will alleviate faculty frustrations with long commute times to and from campus. Faculty are looking most closely at quality and rates.

STAFF SATISFACTION AND DECISION FACTORS

Renting staff members were satisfied with their current residence's proximity and availability of resources. They expressed low levels of satisfaction with travel time to campus (65%), cost of rent (62%), and quality of housing (60%).

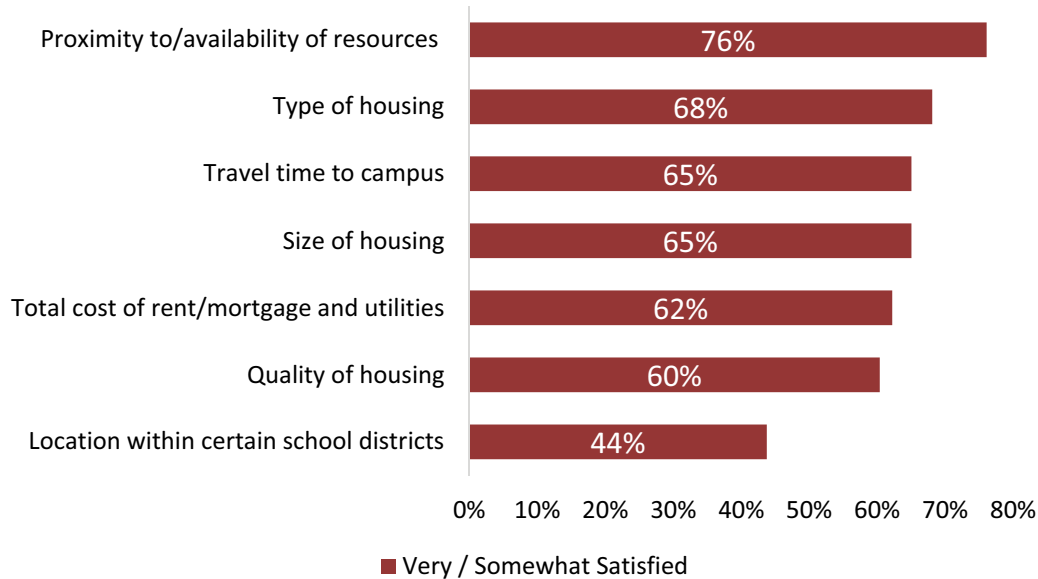


FIGURE 4.22: RENTERS LEVEL OF SATISFACTION WITH CURRENT RESIDENCE N=355 (SEE APPENDIX D Q26-32)

Similarly, the areas in which staff expressed the least satisfaction with their current residence were also key drivers in their decision on where to live this year. The total cost of rent (99%), the quality of housing (97%), and the travel time to campus (94%) were the top three decision factors in where staff chose to live. While these factors may be of importance to staff, their levels of dissatisfaction indicate the unavailability of suitable offerings in the area.

STAFF TOP DECISION FACTORS	
TOTAL COST OF RENT/MORTGAGE AND UTILITIES	99%
QUALITY OF HOUSING	97%
TRAVEL TIME TO CAMPUS	94%
TYPE OF HOUSING	90%
SIZE OF HOUSING	85%
PROXIMITY TO/AVAILABILITY OF RESOURCES	84%
LOCATION WITHIN CERTAIN SCHOOL DISTRICTS	35%

FIGURE 4.23: IMPORTANT FACTORS IN DECISION WHERE TO LIVE THIS YEAR N=353 (SEE APPENDIX D Q35-41)

INTEREST IN KGI HOUSING PROJECT

All respondents were asked if campus-affiliated housing were provided to them in the current academic term (fall 2014), how interested they would be to live there. Of those respondents, graduate / professional students were 71% very interested / interested in campus-affiliated housing if it was provided. Claremont Colleges' staff respondents expressed the greatest level of interest in campus-affiliated housing (82%). Faculty members were the least interested in campus-affiliated housing (68%).

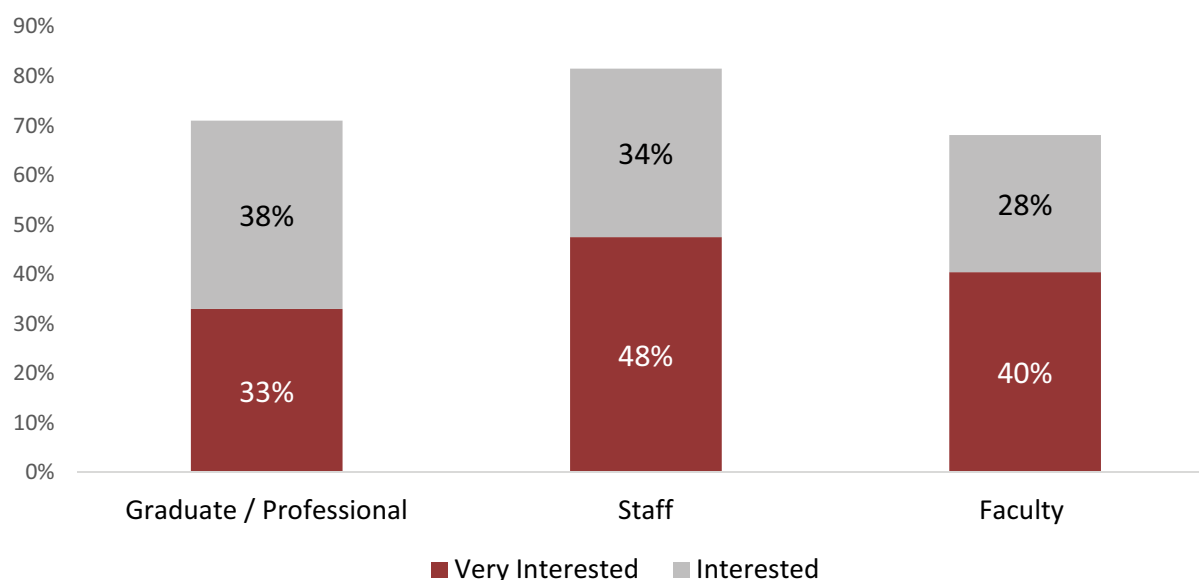


FIGURE 4.24: LEVEL OF INTEREST IN CAMPUS-AFFILIATED HOUSING N=242, N=200, N=47 (SEE APPENDIX B Q43, APPENDIX C Q13, APPENDIX D Q13)

The amenities and services that the Project plans to provide aligns closely with graduate student, faculty, and staff interest. All respondents indicated assigned-parking, on-site laundry, and extra storage as important features to include in new housing. The figures below highlight the top five desired amenities per group.

DESIRED AMENITIES	GRADUATE / PROFESSIONAL
ON-SITE LAUNDRY	78%
FITNESS CENTER	67%
ASSIGNED PARKING	50%
WI-FI HOTSPOTS	49%
POOL	47%

FIGURE 4.25: TOP FIVE AMENITIES DESIRED IN AFFILIATED HOUSING N=161 (SEE APPENDIX B Q78)

DESIRED AMENITIES	FACULTY
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ON-SITE LAUNDRY	100%
EXTRA STORAGE	56%
PRIVATE PATIO / BALCONY	50%
ASSIGNED PARKING	50%
NEARBY CAFÉ	44%

FIGURE 4.26: TOP FIVE AMENITIES DESIRED IN AFFILIATED HOUSING N=16 (SEE APPENDIX C Q78)

DESIRED AMENITIES	STAFF
ON-SITE LAUNDRY	87%
PRIVATE PATIO / BALCONY	73%
ASSIGNED PARKING	72%
EXTRA STORAGE	45%
FITNESS CENTER	41%

FIGURE 4.27: TOP FIVE AMENITIES DESIRED IN AFFILIATED HOUSING N=120 (SEE APPENDIX D Q78)

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5. Demand Analysis

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DEMAND ANALYSIS

OBJECTIVES

The Claremont Colleges in conjunction with Hanover Pacific, LLC (“Developer”) is exploring the opportunity to provide campus-affiliated graduate, staff, and faculty housing on the Keck Graduate Institute campus (“KGI”). The current plans anticipate a 417-bed graduate and faculty / staff housing community comprised of studio, one-bedroom, and two-bedroom units (“Project”). Brailsford & Dunlavey (“B&D”) was engaged by the Developer to confirm demand and provide recommendations for the Project.

METHODOLOGY

B&D utilized its proprietary Demand-Based Programming model to project housing demand at KGI. The model derives demand from survey responses, demographic data, and market supply analyses. By utilizing unit type preferences demonstrated in the survey, B&D’s model projected demand based on KGI’s fall 2016 enrollment. Survey respondents were provided with a narrative description of the Project that included floor plans along with proposed rental rates for each unit. Following their review of the narrative, respondents were asked to indicate which unit type and occupancy option they would have selected to live in had it been available at the beginning of the current academic year (fall 2014). A response option was provided to allow respondents to indicate that they would not have chosen to live on campus.

To project realistic demand, B&D developed specific target markets consisting of survey respondents who would likely be interested in the Project. A combination of survey data and B&D’s expert judgment were used to develop the target market criteria. Additionally, B&D applied an Occupancy Coverage Ratio (“OCR”), a proprietary tool used to align demand calculations with the University’s risk tolerance. Much like a debt-coverage ratio, the larger the OCR (for example, a 1.1:1 ratio versus a 1.5:1), the more conservative the demand projection.

OCRs by classification level utilized for the Claremont Colleges are outlined below:

- ◆ Graduate: 1.2:1
- ◆ Faculty / Staff: 1.2:1

The specific unit types and costs tested on the survey are provided in the following pages.

FACULTY / STAFF HOUSING OPTIONS:

Unit A: *Single occupancy (private) bedroom in a studio apartment*
Proposed Rent: *\$1,100/month/unit*



Unit B: *Single occupancy (private) bedroom in a one-bedroom*
Proposed Rent: *\$1,375/month/unit*



Unit C: *Single occupancy (private) bedroom in a two-bedroom apartment*
Proposed Rent: *\$1,740/month/unit*



GRADUATE / PROFESSIONAL HOUSING OPTIONS:

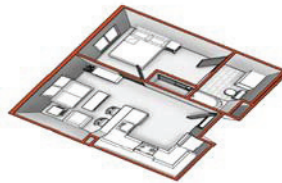
Unit A: *Single occupancy (private) bedroom in a studio apartment*
Proposed Rent: *\$1,145/month/unit*



Unit B *Single occupancy (private) bedroom in a one-bedroom*
Proposed Rent: *\$1,400/month/unit*



Unit C *Double occupancy (shared) bedroom in a one-bedroom*
Proposed Rent: *\$775/month/unit*



Unit D: *Single occupancy (private) bedroom in a two-bedroom apartment*
Proposed Rent: *\$950/month/unit*



Unit E: *Double occupancy (shared) bedroom in a two-bedroom apartment*
Proposed Rent: *\$650/month/unit*



DEFINING TARGET MARKET

To project realistic demand, B&D developed a specific target market consisting of survey respondents who would likely be interested in living in the Project. The target market was defined to include:

Graduate / Professional students:

- ◆ Full-time, between 18 – 35 years old
- ◆ Graduate / professional student
- ◆ Very interested / interested in a college-sponsored student housing program

Faculty / Staff:

- ◆ Employed at the college for less than 3 years
- ◆ Considering moving to a new / different residence within 2 years
- ◆ Considering renting their next residence
- ◆ Very interested / interested in college-sponsored / developed rental housing
- ◆ Currently monthly rental payment is equal to or greater than \$1,250

Respondents not meeting the aforementioned criteria were removed from the demand analysis.

SUMMARY OF FINDINGS

The model revealed three submarkets within the Claremont Colleges that exhibited the strongest interest for the Project: KGI graduate students, CGU graduate students, and faculty / staff of the Claremont Colleges. Enrollment and employment was held flat to remain conservative. However, KGI enrollment was escalated to account for the growth in its pharmaceutical program, which is expected to help double the campus's population over the next 5 years.

Overall, the model projects a maximum potential demand figure of approximately 564 beds by fall 2016. With the application of the OCR, the recommended demand is approximately 470 beds, well above the planned 417-bed concept.

- ◆ The model demonstrated the strongest demand was from the CGU campus. This is expected as the campus has demonstrated strong occupancy from its own on-campus asset.
- ◆ The faculty and staff populations of the Claremont Colleges demonstrated some demand for the Project. These findings correlate with faculty and staff focus groups.
- ◆ Lastly, the model demonstrated approximately 129 beds of demand from KGI's graduate students by fall 2016. KGI's continued enrollment growth will likely result in greater housing demand from this population. In addition, KGI's intensive academic programs will likely create an environment

where students seek accommodations closest to campus. This can positively impact resident retention rate and eventually result in a resident composition that is made of mostly KGI students.

FALL 2016	STUDIO	1 – BED (SINGLE)	1 – BED (DOUBLE)	2 – BED (SINGLE)	2 – BED (DOUBLE)	TOTAL
CGU	125	125	30	94	0	374
KGI	24	5	22	28	50	129
FACULTY / STAFF	0	32	0	29	0	61
TOTAL	149	162	52	151	50	564
W / 1.2 OCR	124	135	43	126	42	470

FIGURE 5.1: STUDENT HOUSING DEMAND (FALL 2016 HEADCOUNT)

B&D's demand model identified approximately 470 beds of housing demand for the KGI affiliated housing project. The Project's current program offers less one-bedroom units and more studio and two-bedroom units. Although the Project will offer fewer number of one-bedroom units, the lower per bed price point of the two-bedroom unit should attract students away from the one-bedroom option.

FALL 2016	DEMAND BEDS	CURRENT PROGRAM BEDS	DELTA (#)
STUDIO	124	138	14
ONE-BEDROOM	178	61	-117
TWO-BEDROOM	168	218	50
TOTAL	470	417	53

FIGURE 5.2: COMPARISON OF STUDENT HOUSING DEMAND WITH CURRENTLY PROPOSED PROGRAM

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A. Off-Campus Market Analysis

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APPENDIX A: CLAREMONT COLLEGES OFF-CAMPUS HOUSING DATA

The Claremont Colleges
Off-Campus Market Analysis

Exhibit B1 - General Information - Apartments

Housing Type: Apartments

	No.	Property	Address	City	Miles from Campus	Lease Term	Year Built	Number of Units	Occupancy Rate
Apartments	1	Plum Tree	284 N. Carnegie Avenue	Claremont	1.7	12 mo.	1973	109	98%
	2	Claremont Villas	690 San Jose Avenue	Claremont	2.2	12 mo.	1986	17	100%
	3	Paseos at Montclair North	4914 Olive Street	Montclair	2.3	12/13/15 mo.	2012	385	NP
	4	Rancho Monte Vista Apartment Homes	2100 West Arrow Highway	Upland	2.6	6-13 mo.	2007	240	98%
	5	Park Central	524 N Central Ave	Upland	2.1	3-15 mo.	NP	128	NP
	6	The Pines At Montclair	9550 Fremont Ave	Montclair	3.2	6-12 mo.	1965	86	100%
	7	Parc Claremont Apartments	1826 W Arrow Route	Upland	2.3	6/9/12 mo.	1987	136	99%
	8	Dakota Creek Apartments	1790 W Arrow Route	Upland	2.4	12 mo.	1984	151	92%
	9	Canyon Club	1539 W 7th St	Upland	3.5	12 mo.	1976	289	94%
	10	North Upland Terrace Apartments	1460 W Foothill Blvd	Upland	2.6	12 mo.	1978	62	96%
	11	Drake Manor	200 Drake St	Pomona	2.7	12 mo.	1975	110	100%
	12	Terramonte Apartments	150 W Foothill Blvd	Pomona	2.4	2-13 mo.	1963	138	96%
	13	Amber Ridge Apartments	2421 Foothill Blvd	La Verne	3.3	6-13 mo.	2005	147	95%
	14	Foothill Ridge Apartments	1334 W Foothill Blvd	Upland	2.6	12 mo.	1973	232	94%
	15	Mountain View Apartment Homes	1256 W Arrow Hwy	Upland	2.6	6-14 mo.	1985	118	93%
	16	Arbor Park	859 N Mountain Ave	Upland	3.0	6/9/12 mo.	1972	260	98%
	17	La Verne Woods	3563 D St	La Verne	3.4	6-12 mo.	1970s	98	100%
	18	The Village	195 Armstrong Way	Upland	3.9	6-12 mo.	1960s	72	100%
	19	Monte Vista Apartment Homes	1825 Foothill Blvd	La Verne	3.9	6-13 mo.	1972	207	91%
	20	Delta Manor	880 Orchid Ct	Upland	3.5	12 mo.	NP	28	100%
	21	College Park Apartment Homes	250 College Park Dr	Upland	1.1	13-18 mo.	2009	448	NP
	22	Amber Pines	330 Amber Ct	Upland	3.9	12 mo.	1975	22	100%
	23	Shadow Mountain	2132 Blossom Ln	La Verne	5.5	12/14 mo.	1977	96	100%
	24	Sunset Ridge	597 E 13th St	Upland	4.7	6/ 12 mo.	NP	108	NP
	25	The Oaks	1265 9th St	Upland	5.5	6 mo. Or MTM	NP	194	99%
	26	Mountain Springs Apartment Homes	1413 San Bernardino Rd	Upland	5.4	flex	1986	340	93%
	27	Country Club Villas & Terrace	501 Golf Club Dr	Upland	6.8	6/ 12 mo.	1986	301	94%
	28	Mission Suites Apartments	1379 W Mission Blvd	Pomona	6.1	12 mo.	1961	117	94%
	29	San Dimas Canyon Apartments	301 N San Dimas Canyon R	San Dimas	6.3	12 mo.	1972	100	85%
	30	Enclave at Town Square	11475 Central Ave	Chino	5.9	3-12 mo.	1987	124	98%

The Claremont Colleges
Off-Campus Market Analysis

Exhibit B2 - General Information - Single Family Homes

Housing Type: Single Family Homes

	No.	Property Address	City	Miles from Campus	Lease Term	Year Built
Single Family Homes	1	628 Blanchard Pl	Claremont	1	12 mo.	1950
	2	4491 Amundsen Br	Claremont	4.6	12 mo.	2005
	3	2163 Bonnie Brae Ave	Claremont	2.3	12 mo.	1978
	4	2159 Edinboro Ave	Claremont	1.8	12 mo.	1977
	5	1029 E Belmont Abbey Ln	Claremont	3.4	12 mo.	1990
	6	940 Fenn Ct	Claremont	2.2	12 mo.	1962
	7	369 Geneva Ave	Claremont	1.7	12 mo.	1952
	8	2590 King Way	Claremont	2.4	12 mo.	1977
	9	1037 Canton Cir	Claremont	3.3	12 mo.	1988
	10	440 Middlebury Ct	Claremont	1.8	12 mo.	1999
	11	810 N Towne Ave	Claremont	2	12 mo.	1957
	12	344 Notre Dame Rd	Claremont	1.5	12 mo.	1958
	13	351 S Villanova Dr	Claremont	1.3	12 mo.	1951
	14	1785 Ambrosia Ave	Upland	7.1	12 mo.	2004
	15	761 Matthys Way	Upland	7.3	12 mo.	2014
	16	745 N Laurel Ave	Upland	4.1	12 mo.	1951
	17	1317 N Erin Ave	Upland	3.2	12 mo.	1978
	18	2441 Bruin Pl	Upland	1.3	NP	2013
	19	1206 W 14th St	Upland	3.3	12 mo.	1977
	20	2288 Coolcrest Ave	Upland	5.4	12 mo.	1978
	21	1262 W Aster St	Upland	3.6	12 mo.	1975
	22	1351 Malaga St	Upland	5.5	12 mo.	1987
	23	1811 N San Antonio Ave	Upland	4.8	12 mo.	1964
	24	1451 Newman St	Upland	5.7	12 mo.	1945
	25	2257 Lobelia Ave	Upland	5.1	NP	1986

APPENDIX A: CLAREMONT COLLEGES OFF-CAMPUS HOUSING DATA

The Claremont Colleges
Off-Campus Market Analysis
Exhibit B3 - Studios

Type: Apartments

	No.	Property	Rent Per Unit	Rent Private Room	Rent Shared Room	Unit Size (SF)	Rent/SF
Apartments	1	Plum Tree	\$1,150	\$1,150	\$575	384	\$2.99
	2	Claremont Villas	-	-	-	-	-
	3	Paseos at Montclair North	\$1,410	\$1,410	\$705	566	\$2.49
	4	Rancho Monte Vista Apartment Homes	-	-	-	-	-
	5	Park Central	-	-	-	-	-
	6	The Pines At Montclair	\$975	\$975	\$488	500	\$1.95
	7	Parc Claremont Apartments	-	-	-	-	-
	8	Dakota Creek Apartments	-	-	-	-	-
	9	Canyon Club	\$878	\$878	\$439	525	\$1.67
	10	North Upland Terrace Apartments	\$975	\$975	\$488	450	\$2.17
	11	Drake Manor	-	-	-	-	-
	12	Terramonte Apartments	\$1,419	\$1,419	\$710	504	\$2.82
	13	Amber Ridge Apartments	-	-	-	-	-
	14	Foothill Ridge Apartments	-	-	-	-	-
	15	Mountain View Apartment Homes	\$1,250	\$1,250	\$625	530	\$2.36
	16	Arbor Park	-	-	-	-	-
	17	La Verne Woods	-	-	-	-	-
	18	The Village	-	-	-	-	-
	19	Monte Vista Apartment Homes	-	-	-	-	-
	20	Delta Manor	-	-	-	-	-
	21	College Park Apartment Homes	-	-	-	-	-
	22	Amber Pines	\$895	\$895	\$448	605	\$1.48
	23	Shadow Mountain	-	-	-	-	-
	24	Sunset Ridge	-	-	-	-	-
	25	The Oaks	-	-	-	-	-
	26	Mountain Springs Apartment Homes	\$1,073	\$1,073	\$536	500	\$2.15
	27	Country Club Villas & Terrace	-	-	-	-	-
	28	Mission Suites Apartments	\$825	\$825	\$413	410	\$2.01
	29	San Dimas Canyon Apartments	-	-	-	-	-
	30	Enclave at Town Square	-	-	-	-	-

The Claremont Colleges
Off-Campus Market Analysis

Exhibit B4 - 1-Bedrooms

Type: Apartments

	No.	Off Campus Housing Options	Rent Per Unit	Rent Private Room	Rent Shared Room	Unit Size (SF)	Rent/SF
Apartments	1	Plum Tree	\$1,325	\$1,325	\$663	656	\$2.02
	2	Claremont Villas	-	-	-	-	-
	3	Paseos at Montclair North	\$1,594	\$1,594	\$797	753	\$2.12
	4	Rancho Monte Vista Apartment Homes	\$1,404	\$1,404	\$702	805	\$1.74
	5	Park Central	\$1,350	\$1,350	\$675	759	\$1.78
	6	The Pines At Montclair	\$1,178	\$1,178	\$589	750	\$1.57
	7	Parc Claremont Apartments	\$1,325	\$1,325	\$663	712	\$1.86
	8	Dakota Creek Apartments	-	-	-	-	-
	9	Canyon Club	\$1,050	\$1,050	\$525	725	\$1.45
	10	North Upland Terrace Apartments	\$1,100	\$1,100	\$550	616	\$1.79
	11	Drake Manor	\$895	\$895	\$448	552	\$1.62
	12	Terramonte Apartments	\$1,696	\$1,696	\$848	704	\$2.41
	13	Amber Ridge Apartments	\$1,560	\$1,560	\$780	815	\$1.91
	14	Foothill Ridge Apartments	\$963	\$963	\$481	655	\$1.47
	15	Mountain View Apartment Homes	\$1,210	\$1,210	\$605	750	\$1.61
	16	Arbor Park	\$1,043	\$1,043	\$522	680	\$1.53
	17	La Verne Woods	-	-	-	-	-
	18	The Village	-	-	-	-	-
	19	Monte Vista Apartment Homes	\$1,659	\$1,659	\$829	837	\$1.98
	20	Delta Manor	-	-	-	-	-
	21	College Park Apartment Homes	\$1,465	\$1,465	\$732	798	\$1.84
	22	Amber Pines	\$1,165	\$1,165	\$583	805	\$1.45
	23	Shadow Mountain	-	-	-	-	-
	24	Sunset Ridge	\$1,000	\$1,000	\$500	700	\$1.43
	25	The Oaks	\$1,080	\$1,080	\$540	705	\$1.53
	26	Mountain Springs Apartment Homes	\$1,305	\$1,305	\$653	700	\$1.86
	27	Country Club Villas & Terrace	-	-	-	-	-
	28	Mission Suites Apartments	\$961	\$961	\$481	540	\$1.78
	29	San Dimas Canyon Apartments	-	-	-	-	-
	30	Enclave at Town Square	\$1,357	\$1,357	\$679	657	\$2.07

APPENDIX A: CLAREMONT COLLEGES OFF-CAMPUS HOUSING DATA

The Claremont Colleges
Off-Campus Market Analysis

Exhibit B5 - 2-Bedrooms

Type: Apartments

	No.	Off Campus Housing Options	Rent Per Unit	Rent Private Room	Rent Shared Room	Unit Size (SF)	Rent/SF
Apartments	1	Plum Tree	\$1,482	\$741	\$370	841	\$1.76
	2	Claremont Villas	\$1,375	\$688	\$344	800	\$1.72
	3	Paseos at Montclair North	\$1,925	\$963	\$481	1,132	\$1.70
	4	Rancho Monte Vista Apartment Homes	\$1,677	\$838	\$419	1,036	\$1.62
	5	Park Central	\$1,678	\$839	\$420	1,096	\$1.53
	6	The Pines At Montclair	\$1,423	\$711	\$356	900	\$1.58
	7	Parc Claremont Apartments	\$1,510	\$755	\$378	948	\$1.59
	8	Dakota Creek Apartments	\$1,332	\$666	\$333	1,075	\$1.24
	9	Canyon Club	\$1,300	\$650	\$325	1,025	\$1.27
	10	North Upland Terrace Apartments	\$1,270	\$635	\$318	728	\$1.74
	11	Drake Manor	-	-	-	-	-
	12	Terramonte Apartments	\$1,727	\$863	\$432	1,010	\$1.71
	13	Amber Ridge Apartments	\$1,502	\$751	\$375	983	\$1.53
	14	Foothill Ridge Apartments	\$1,259	\$629	\$315	970	\$1.30
	15	Mountain View Apartment Homes	\$1,530	\$765	\$383	930	\$1.65
	16	Arbor Park	\$1,279	\$640	\$320	905	\$1.41
	17	La Verne Woods	\$1,345	\$673	\$336	1,000	\$1.35
	18	The Village	\$1,175	\$588	\$294	890	\$1.32
	19	Monte Vista Apartment Homes	\$1,795	\$898	\$449	968	\$1.86
	20	Delta Manor	\$975	\$488	\$244	900	\$1.08
	21	College Park Apartment Homes	\$1,716	\$858	\$429	1,085	\$1.58
	22	Amber Pines	\$1,330	\$665	\$333	987	\$1.35
	23	Shadow Mountain	\$1,263	\$631	\$316	912	\$1.38
	24	Sunset Ridge	\$1,188	\$594	\$297	865	\$1.37
	25	The Oaks	\$1,305	\$653	\$326	865	\$1.51
	26	Mountain Springs Apartment Homes	\$1,545	\$773	\$386	991	\$1.56
	27	Country Club Villas & Terrace	\$1,939	\$970	\$485	1,288	\$1.51
	28	Mission Suites Apartments	-	-	-	-	-
	29	San Dimas Canyon Apartments	\$1,400	\$700	\$350	1,150	\$1.22
	30	Enclave at Town Square	\$1,702	\$851	\$425	922	\$1.85

The Claremont Colleges
Off-Campus Market Analysis

Exhibit B6 - 3-Bedrooms

Type: Apartments

	No.	Off Campus Housing Options	Rent Per Unit	Rent Private Room	Rent Shared Room	Unit Size (SF)	Rent/SF
Apartments	1	Plum Tree	\$2,050	\$683	\$342	1,000	\$2.05
	2	Claremont Villas	\$1,605	\$535	\$268	1,100	\$1.46
	3	Paseos at Montclair North	\$2,398	\$799	\$400	1,359	\$1.76
	4	Rancho Monte Vista Apartment Homes	-	-	-	-	-
	5	Park Central	\$1,933	-	-	1,196	\$1.62
	6	The Pines At Montclair	-	-	-	-	-
	7	Parc Claremont Apartments	-	-	-	-	-
	8	Dakota Creek Apartments	-	-	-	-	-
	9	Canyon Club	-	-	-	-	-
	10	North Upland Terrace Apartments	-	-	-	-	-
	11	Drake Manor	-	-	-	-	-
	12	Terramonte Apartments	-	-	-	-	-
	13	Amber Ridge Apartments	\$2,300	\$767	\$383	1,310	\$1.76
	14	Foothill Ridge Apartments	-	-	-	-	-
	15	Mountain View Apartment Homes	-	-	-	-	-
	16	Arbor Park	-	-	-	-	-
	17	La Verne Woods	-	-	-	-	-
	18	The Village	-	-	-	-	-
	19	Monte Vista Apartment Homes	\$2,198	\$733	\$366	1,080	\$2.03
	20	Delta Manor	\$1,495	\$498	\$249	1,100	\$1.36
	21	College Park Apartment Homes	\$2,328	\$776	\$388	1,336	\$1.74
	22	Amber Pines	-	-	-	-	-
	23	Shadow Mountain	-	-	-	-	-
	24	Sunset Ridge	-	-	-	-	-
	25	The Oaks	\$1,648	\$549	\$275	1,050	\$1.57
	26	Mountain Springs Apartment Homes	-	-	-	-	-
	27	Country Club Villas & Terrace	\$2,078	\$693	\$346	1,419	\$1.46
	28	Mission Suites Apartments	-	-	-	-	-
	29	San Dimas Canyon Apartments	\$1,600	\$533	\$267	1,250	\$1.28
	30	Enclave at Town Square	-	-	-	-	-

APPENDIX A: CLAREMONT COLLEGES OFF-CAMPUS HOUSING DATA

The Claremont Colleges
Off-Campus Market Analysis

Exhibit B6 - 3-Bedrooms

Type: Single Family Homes

	No	Name	Rent Per Unit	Rent Private Room	Rent Shared Room	Unit Size (SF)	Rent/SF
Single Family Homes	1	628 Blanchard Pl	\$1,500	\$500	\$250	1,050	\$1.43
	2	4491 Amundsen Br	-	-	-	-	-
	3	2163 Bonnie Brae Ave	-	-	-	-	-
	4	2159 Edinboro Ave	-	-	-	-	-
	5	1029 E Belmont Abbey Ln	-	-	-	-	-
	6	940 Fenn Ct	\$2,700	\$900	\$450	2,015	\$1.34
	7	369 Geneva Ave	-	-	-	-	-
	8	2590 King Way	\$3,000	\$1,000	\$500	2,003	\$1.50
	9	1037 Canton Cir	-	-	-	-	-
	10	440 Middlebury Ct	\$2,250	\$750	\$375	1,591	\$1.41
	11	810 N Towne Ave	-	-	-	-	-
	12	344 Notre Dame Rd	\$2,675	\$892	\$446	1,349	\$1.98
	13	351 S Villanova Dr	\$1,850	\$617	\$308	1,080	\$1.71
	14	1785 Ambrosia Ave	-	-	-	-	-
	15	761 Matthys Way	-	-	-	-	-
	16	745 N Laurel Ave	\$1,850	\$617	\$308	1,574	\$1.18
	17	1317 N Erin Ave	-	-	-	-	-
	18	2441 Bruin Pl	\$2,800	\$933	\$467	1,900	\$1.47
	19	1206 W 14th St	-	-	-	-	-
	20	2288 Coolcrest Ave	-	-	-	-	-
	21	1262 W Aster St	\$2,095	\$698	\$349	1,753	\$1.20
	22	1351 Malaga St	\$2,150	\$717	\$358	1,750	\$1.23
	23	1811 N San Antonio Ave	-	-	-	-	-
	24	1451 Newman St	\$1,875	\$625	\$313	1,411	\$1.33
	25	2257 Lobelia Ave	-	-	-	-	-

The Claremont Colleges
Off-Campus Market Analysis

Exhibit B7 - 4-Bedrooms

Type: Single Family Homes

	No.	Name	Rent Per Unit	Rent Private Room	Rent Shared Room	Unit Size (SF)	Rent/SF
Single Family Homes	1	628 Blanchard Pl	-	-	-	-	-
	2	4491 Amundsen Br	-	-	-	-	-
	3	2163 Bonnie Brae Ave	\$2,640	\$660	\$330	2,085	\$1.27
	4	2159 Edinboro Ave	\$2,550	\$638	\$319	1,871	\$1.36
	5	1029 E Belmont Abbey Ln	-	-	-	-	-
	6	940 Fenn Ct	-	-	-	-	-
	7	369 Geneva Ave	-	-	-	-	-
	8	2590 King Way	-	-	-	-	-
	9	1037 Canton Cir	\$3,800	\$950	\$475	3,804	\$1.00
	10	440 Middlebury Ct	-	-	-	-	-
	11	810 N Towne Ave	\$2,500	\$625	\$313	1,347	\$1.86
	12	344 Notre Dame Rd	-	-	-	-	-
	13	351 S Villanova Dr	-	-	-	-	-
	14	1785 Ambrosia Ave	\$2,800	\$700	\$350	3,524	\$0.79
	15	761 Matthys Way	\$2,500	\$625	\$313	2,331	\$1.07
	16	745 N Laurel Ave	-	-	-	-	-
	17	1317 N Erin Ave	\$2,245	\$561	\$281	2,149	\$1.04
	18	2441 Bruin Pl	-	-	-	-	-
	19	1206 W 14th St	\$2,500	\$625	\$313	2,349	\$1.06
	20	2288 Coolcrest Ave	-	-	-	-	-
	21	1262 W Aster St	-	-	-	-	-
	22	1351 Malaga St	-	-	-	-	-
	23	1811 N San Antonio Ave	\$2,400	\$600	\$300	2,566	\$0.94
	24	1451 Newman St	-	-	-	-	-
	25	2257 Lobelia Ave	\$2,550	\$638	\$319	2,918	\$0.87

The Claremont Colleges
Off-Campus Market Analysis

Exhibit B7 - 4-Bedrooms

Type: Single Family Homes

	No	Name	Rent Per Unit	Rent Private Room	Rent Shared Room	Unit Size (SF)	Rent/SF
Single Family Homes	1	628 Blanchard Pl	-	-	-	-	-
	2	4491 Amundsen Br	\$6,800	\$1,360	\$680	5,629	\$1.21
	3	2163 Bonnie Brae Ave	-	-	-	-	-
	4	2159 Edinboro Ave	-	-	-	-	-
	5	1029 E Belmont Abbey Ln	\$8,500	\$1,700	\$850	7,499	\$1.13
	6	940 Fenn Ct	-	-	-	-	-
	7	369 Geneva Ave	-	-	-	-	-
	8	2590 King Way	-	-	-	-	-
	9	1037 Canton Cir	-	-	-	-	-
	10	440 Middlebury Ct	-	-	-	-	-
	11	810 N Towne Ave	-	-	-	-	-
	12	344 Notre Dame Rd	-	-	-	-	-
	13	351 S Villanova Dr	-	-	-	-	-
	14	1785 Ambrosia Ave	-	-	-	-	-
	15	761 Matthys Way	-	-	-	-	-
	16	745 N Laurel Ave	-	-	-	-	-
	17	1317 N Erin Ave	-	-	-	-	-
	18	2441 Bruin Pl	-	-	-	-	-
	19	1206 W 14th St	-	-	-	-	-
	20	2288 Coolcrest Ave	-	-	-	-	-
	21	1262 W Aster St	-	-	-	-	-
	22	1351 Malaga St	-	-	-	-	-
	23	1811 N San Antonio Ave	-	-	-	-	-
	24	1451 Newman St	-	-	-	-	-
	25	2257 Lobelia Ave	-	-	-	-	-

The Claremont Colleges
Off-Campus Market Analysis

Exhibit B8 - Utilities

Type: Apartments

	No.	Off Campus Housing Options	Trash	Water	Sewer	Electricity	Gas
Apartments	1	Plum Tree	-	-	-	-	-
	2	Claremont Villas	x	x	x	-	-
	3	Paseos at Montclair North	-	-	-	-	-
	4	Rancho Monte Vista Apartment I	-	-	-	-	-
	5	Park Central	-	-	-	-	-
	6	The Pines At Montclair	x	x	x	-	-
	7	Parc Claremont Apartments	-	-	-	-	-
	8	Dakota Creek Apartments	x	x	x	-	-
	9	Canyon Club	x	-	-	-	x
	10	North Upland Terrace Apartmer	-	-	-	-	-
	11	Drake Manor	x	x	x	-	-
	12	Terramonte Apartments	-	-	-	-	-
	13	Amber Ridge Apartments	x	-	-	-	x
	14	Foothill Ridge Apartments	-	-	-	-	x
	15	Mountain View Apartment Home	-	-	-	-	x
	16	Arbor Park	-	-	-	-	x
	17	La Verne Woods	-	-	-	-	-
	18	The Village	-	-	-	-	-
	19	Monte Vista Apartment Homes	-	-	-	-	-
	20	Delta Manor	-	-	-	-	-
	21	College Park Apartment Homes	-	-	-	-	-
	22	Amber Pines	x	x	x	-	-
	23	Shadow Mountain	-	-	-	-	x
	24	Sunset Ridge	-	-	-	-	x
	25	The Oaks	-	-	-	-	-
	26	Mountain Springs Apartment Ho	-	-	-	-	-
	27	Country Club Villas & Terrace	-	-	-	-	-
	28	Mission Suites Apartments	x	x	x	x	x
	29	San Dimas Canyon Apartments	-	-	-	-	-
	30	Enclave at Town Square	-	-	-	-	-

APPENDIX A: CLAREMONT COLLEGES OFF-CAMPUS HOUSING DATA

The Claremont Colleges
Off-Campus Market Analysis

Exhibit B9 - Fees

Type: Apartments

	No.	Off Campus Housing Options	Application Fee	Require Rent Insurance	Allow Pets	Pet Deposit	Pet Rent	Security Deposit
Apartments	1	Plum Tree	\$45	Yes	Yes	\$350	\$15	\$550
	2	Claremont Villas	\$35	Yes	Yes	\$200	\$35	\$600
	3	Paseos at Montclair North	\$44	Yes	Yes	\$600	\$35	\$500
	4	Rancho Monte Vista Apartment Homes	\$45	Yes	Yes	NP	NP	\$467
	5	Park Central	\$42	Yes	Yes	\$300	\$25	\$500
	6	The Pines At Montclair	\$44	Yes	Yes	\$250	\$40	\$500
	7	Parc Claremont Apartments	\$35	Yes	Yes	\$500	\$15	\$435
	8	Dakota Creek Apartments	\$40	No	Yes	\$500	\$35	\$500
	9	Canyon Club	\$45	No	Yes	\$300	\$30	\$500
	10	North Upland Terrace Apartments	\$35	Yes	Yes	\$600	\$40	\$533
	11	Drake Manor	\$25	No	Yes	\$300	\$0	\$500
	12	Terramonte Apartments	\$41	Yes	Yes	\$250	\$35	\$100
	13	Amber Ridge Apartments	\$30	Yes	Yes	\$300	\$0	\$488
	14	Foothill Ridge Apartments	\$35	Yes	Yes	\$500	35	\$450
	15	Mountain View Apartment Homes	\$45	Yes	Yes	\$500	50	\$350
	16	Arbor Park	\$35	Yes	Yes	\$300	\$25	\$450
	17	La Verne Woods	\$25	No	Yes	\$250	\$0	\$950
	18	The Village	\$35	No	Yes	\$250	\$0	\$525
	19	Monte Vista Apartment Homes	\$45	Yes	Yes	\$300	\$25	\$450
	20	Delta Manor	NP	NP	Yes	NP	NP	\$500
	21	College Park Apartment Homes	\$45	Yes	Yes	\$400	\$25	\$500
	22	Amber Pines	\$35	No	No	NA	NA	\$600
	23	Shadow Mountain	\$40	No	Yes	\$300	\$50	\$500
	24	Sunset Ridge	\$35	No	Yes	\$250	\$0	\$525
	25	The Oaks	\$30	No	Yes	\$500	\$30	\$400
	26	Mountain Springs Apartment Homes	\$45	Yes	Yes	\$500	\$50	\$350
	27	Country Club Villas & Terrace	\$30	No	Yes	\$500	\$0	\$500
	28	Mission Suites Apartments	\$35	No	No	NA	NA	\$100
	29	San Dimas Canyon Apartments	\$25	No	No	NA	NA	\$750
	30	Enclave at Town Square	\$35	Yes	Yes	\$250	\$35	\$450

The Claremont Colleges
Off-Campus Market Analysis

Exhibit B10 - Building Amenities

Type: Apartments

	No.	Off Campus Housing Options	On-Site Laundry	Gym	Extra Storage	Pool	Assigned Parking	Covered Parking	Club House	Business Center	Total
Apartments	1	Plum Tree	x	x	-	x	x	x	x	x	7
	2	Claremont Villas	x	-	x	-	x	x	-	-	4
	3	Paseos at Montclair North	x	x	-	x	x	x	-	x	6
	4	Rancho Monte Vista Apartme	-	x	-	x	x	x	x	x	6
	5	Park Central	x	x	-	x	x	x	x	x	7
	6	The Pines At Montclair	x	-	-	x	x	x	x	-	5
	7	Parc Claremont Apartments	x	-	-	x	x	x	-	-	4
	8	Dakota Creek Apartments	x	-	x	x	x	x	-	-	5
	9	Canyon Club	x	x	x	x	x	x	x	-	7
	10	North Upland Terrace Apartn	x	-	x	x	x	x	-	-	5
	11	Drake Manor	x	x	-	x	x	x	x	-	6
	12	Terramonte Apartments	x	x	x	x	x	x	-	x	7
	13	Amber Ridge Apartments	x	x	x	x	x	x	x	x	8
	14	Foothill Ridge Apartments	x	x	-	x	x	x	-	x	6
	15	Mountain View Apartment Ho	x	x	x	x	x	x	-	-	6
	16	Arbor Park	x	x	-	x	x	x	x	-	6
	17	La Verne Woods	x	-	-	x	x	x	x	-	5
	18	The Village	x	-	-	-	x	x	-	-	3
	19	Monte Vista Apartment Home	x	x	x	x	x	x	-	-	6
	20	Delta Manor	x	-	-	x	x	x	-	-	4
	21	College Park Apartment Horr	x	x	x	x	x	x	x	x	8
	22	Amber Pines	x	-	-	x	x	x	-	-	4
	23	Shadow Mountain	x	x	-	-	x	x	x	-	5
	24	Sunset Ridge	x	-	-	x	x	x	x	-	5
	25	The Oaks	x	x	x	x	x	x	-	-	6
	26	Mountain Springs Apartment	x	x	x	x	x	x	x	x	8
	27	Country Club Villas & Terrace	x	x	x	x	x	x	-	-	6
	28	Mission Suites Apartments	x	-	-	x	x	x	-	-	4
	29	San Dimas Canyon Apartmen	x	-	-	x	x	x	-	-	4
	30	Enclave at Town Square	x	x	-	x	x	x	x	-	6

APPENDIX A: CLAREMONT COLLEGES OFF-CAMPUS HOUSING DATA

The Claremont Colleges
Off-Campus Market Analysis

Exhibit B11 - Unit Amenities

Type: Apartments

	No.	Off Campus Housing Options	A/C	Cable/Internet Ready	In-Unit Laundry	Furnished	Refrigerator	Microwave	Stove	Dishwasher	Walk-in Closet	Balcony/Patio	Total
Apartments	1	Plum Tree	x	x	x	-	x	x	x	x	-	x	8
	2	Claremont Villas	x	x	-	-	-	-	x	x	-	x	5
	3	Paseos at Montclair North	x	x	x	-	x	x	x	x	x	x	9
	4	Rancho Monte Vista Apartment Homes	x	x	x	x	x	x	-	x	-	x	8
	5	Park Central	x	x	x	-	x	x	x	x	x	x	9
	6	The Pines At Montclair	x	x	-	-	-	x	x	x	x	x	7
	7	Parc Claremont Apartments	x	x	x	-	x	-	x	x	-	x	7
	8	Dakota Creek Apartments	x	x	-	-	-	-	x	x	-	x	5
	9	Canyon Club	x	x	x	-	-	-	x	x	x	x	7
	10	North Upland Terrace Apartments	x	x	-	-	x	-	x	x	-	x	6
	11	Drake Manor	x	x	-	-	x	x	x	-	-	x	6
	12	Terramonte Apartments	x	x	x	-	-	-	x	x	-	x	6
	13	Amber Ridge Apartments	x	x	x	-	-	x	x	x	-	x	7
	14	Foothill Ridge Apartments	x	x	-	-	-	x	x	x	-	x	6
	15	Mountain View Apartment Homes	x	x	-	-	x	x	x	x	-	x	7
	16	Arbor Park	x	x	-	-	-	-	-	x	-	x	4
	17	La Verne Woods	x	x	-	-	x	x	x	x	-	-	6
	18	The Village	x	x	-	-	-	-	x	-	-	-	3
	19	Monte Vista Apartment Homes	x	x	-	-	-	x	-	x	-	x	5
	20	Delta Manor	x	x	-	-	-	-	-	-	-	-	2
	21	College Park Apartment Homes	x	x	x	x	x	x	x	x	-	x	9
	22	Amber Pines	x	x	x	-	-	-	x	x	-	x	6
	23	Shadow Mountain	x	x	-	-	-	x	x	x	-	-	5
	24	Sunset Ridge	x	x	-	-	-	-	-	x	x	x	5
	25	The Oaks	x	x	-	-	x	x	x	x	x	x	8
	26	Mountain Springs Apartment Homes	x	x	-	x	x	x	x	x	-	x	8
	27	Country Club Villas & Terrace	x	x	x	-	x	x	x	x	-	x	8
	28	Mission Suites Apartments	x	x	-	-	x	x	x	x	-	-	6
	29	San Dimas Canyon Apartments	x	x	-	-	-	x	x	x	x	x	7
	30	Enclave at Town Square	x	x	-	x	-	x	x	x	x	x	8

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B. Survey Results (Graduate)

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CLAREMONT COLLEGE'S SURVEY RESULTS (GRADUATE)

Q1. What is your current status at The Claremont Colleges?

Count	Percent	
246	100.00%	Graduate/professional student
0	0.00%	Faculty
0	0.00%	Staff
246		Respondents

Q2. Which campus/organization do you spend the most time at?

Count	Percent	
6	2.44%	Claremont McKenna College
0	0.00%	Harvey Mudd College
0	0.00%	Pitzer College
1	0.41%	Pomona College
1	0.41%	Scripps College
139	56.50%	Claremont Graduate University
98	39.84%	Keck Graduate Institute
1	0.41%	Claremont University Consortium
246		Respondents

Q3. Which campus/organization are you enrolled in/assigned to by Human Resources?

Count	Percent	
6	2.47%	Claremont McKenna College
0	0.00%	Harvey Mudd College
1	0.41%	Pitzer College
1	0.41%	Pomona College
1	0.41%	Scripps College
135	55.56%	Claremont Graduate University
98	40.33%	Keck Graduate Institute
1	0.41%	Claremont University Consortium
243		Respondents

Q42. Do you currently live in on-campus student housing?

Count	Percent	
48	19.92%	Yes
193	80.08%	No
241		Respondents

Q43. What is your personal level of interest in a College-sponsored student housing program?

Count	Percent	
81	33.47%	Very interested
93	38.43%	Interested
40	16.53%	Neither uninterested nor interested
13	5.37%	Uninterested

Q43. What is your personal level of interest in a College-sponsored student housing program?

Count	Percent	
15	6.20%	Very uninterested
242		Respondents

Q44. If on campus housing was available to you throughout your time as a student, which year(s) would you choose to live on campus? SELECT ALL THAT APPLY, INCLUDING PARTIAL YEARS.

Count	Respondent %	Response %	
34	14.05%	8.65%	None
173	71.49%	44.02%	1st year
138	57.02%	35.11%	2nd year
48	19.83%	12.21%	Other (please specify)
Count	Percent		
1	2.08%	2nd yr but cost consideration	
1	2.08%	2nd year first semester.	
2	4.17%	3rd and 4th	
1	2.08%	3rd through completion of PhD	
1	2.08%	4	
1	2.08%	4th or 5th	
2	4.17%	all	
3	6.25%	All	
1	2.08%	ALL	
1	2.08%	All during my PhD	
1	2.08%	all if it worked	
1	2.08%	all if more affordable	
1	2.08%	All the time	
1	2.08%	all years	
3	6.25%	All years	
1	2.08%	All years if affordable	
1	2.08%	all years, if price is affordable	
1	2.08%	All, but only if pets are allowed	
1	2.08%	As long as I could!	
1	2.08%	as long as it were appropriate for cohabitating couples, too	
1	2.08%	as many years as possible	
1	2.08%	commute from Rancho	
1	2.08%	Depends on the price.	
1	2.08%	Dissertation boot camp time	
1	2.08%	During coursework	
1	2.08%	each year of attendance, if appropriate	
1	2.08%	For duration of program	
1	2.08%	Graduate Year	
1	2.08%	I would like to stay on campus throughout my tenure. It's safer and also easier to work on group projects and assignments. Staying on campus helps you meet people and develop your interpersonal skills. Also you are able to use all the college services more effectively.	
1	2.08%	I would probably live there permanently	
1	2.08%	It would depend on the quality of the room and cost.	
1	2.08%	my entire duration as a student (4 years)	
1	2.08%	part time	
1	2.08%	PhD students are here more than 2 years...	
1	2.08%	Through my PhD program	
1	2.08%	throughout	
1	2.08%	throughout my entire graduate school experience	
1	2.08%	Till the end of PhD	
1	2.08%	Up until graduation	

APPENDIX B: CLAREMONT COLLEGE'S SURVEY RESULTS (GRADUATE)

Q44. If on campus housing was available to you throughout your time as a student, which year(s) would you choose to live on campus? SELECT ALL THAT APPLY, INCLUDING PARTIAL YEARS.

Count	Respondent %	Response %
	1	2.08%
242	Respondents	Years 1-3 (until completion of coursework)
393	Responses	

Q45. If currently living on campus in student housing, in which location do you reside?

Count	Percent	
44	93.62%	On-campus apartments
3	6.38%	Other (please specify)
Count	Percent	
2	66.67%	CGU Housing
1	33.33%	CGU Housing next to the Botanical Gardens
47	Respondents	

Q46. How important was the availability of on-campus housing in your decision to attend CGU or KGI?

Count	Percent	
20	41.67%	Very important
17	35.42%	Important
10	20.83%	Unimportant
1	2.08%	Very unimportant
48	Respondents	

Q47. Which years have you lived on campus in student housing? SELECT ALL THAT APPLY, INCLUDING PARTIAL YEARS

Count	Respondent %	Response %	
0	0.00%	0.00%	None
42	87.50%	54.55%	1st year
24	50.00%	31.17%	2nd year
0	0.00%	0.00%	There are no on-campus housing provided at the institution I'm attending.
11	22.92%	14.29%	Other (please specify)
Count	Percent		
1	9.09%	1 month	
1	9.09%	3rd year	
1	9.09%	3rd year (and 4th coming)	
2	18.18%	4	
1	9.09%	All	
1	9.09%	All my years so far	
1	9.09%	all years	
1	9.09%	All years	
1	9.09%	Contuning to live while finishing Ph.D	
1	9.09%	years 1-5	
48	Respondents		
77	Responses		

Q48. How satisfied are you with the following aspects of your current housing situation? SELECT ONE RESPONSE FOR EACH FACTOR - How satisfied are you with your current residence?

Count	Percent	
79	33.62%	Very satisfied
130	55.32%	Satisfied
22	9.36%	Unsatisfied
4	1.70%	Very unsatisfied
235		Respondents

Q49. How satisfied are you with the following aspects of your current housing situation? SELECT ONE RESPONSE FOR EACH FACTOR - How satisfied are you with the physical condition of your current residence?

Count	Percent	
79	33.47%	Very satisfied
125	52.97%	Satisfied
25	10.59%	Unsatisfied
7	2.97%	Very unsatisfied
236		Respondents

Q50. How satisfied are you with the following aspects of your current housing situation? SELECT ONE RESPONSE FOR EACH FACTOR - How satisfied are you with the size of your current residence?

Count	Percent	
89	38.03%	Very satisfied
109	46.58%	Satisfied
29	12.39%	Unsatisfied
7	2.99%	Very unsatisfied
234		Respondents

Q51. How satisfied are you with the following aspects of your current housing situation? SELECT ONE RESPONSE FOR EACH FACTOR - How satisfied are you with the amenities and services offered at your current residence?

Count	Percent	
81	34.91%	Very satisfied
110	47.41%	Satisfied
34	14.66%	Unsatisfied
7	3.02%	Very unsatisfied
232		Respondents

Q52. How satisfied are you with the following aspects of your current housing situation? SELECT ONE RESPONSE FOR EACH FACTOR - How satisfied are you with the housing rate you are paying for your current residence?

Count	Percent	
67	28.63%	Very satisfied
91	38.89%	Satisfied
58	24.79%	Unsatisfied
18	7.69%	Very unsatisfied
234		Respondents

Q53. How convenient to your academic interests (e.g., classes, library, labs) do you consider your current living situation?

Count	Percent	
60	25.32%	Very convenient
104	43.88%	Convenient

Q53. How convenient to your academic interests (e.g., classes, library, labs) do you consider your current living situation?

Count	Percent	
51	21.52%	Inconvenient
22	9.28%	Very inconvenient
237		Respondents

Q54. How convenient to your non-academic, on-campus interests (job, recreation, activities, etc.) do you consider your current living situation?

Count	Percent	
53	22.36%	Very convenient
104	43.88%	Convenient
60	25.32%	Inconvenient
20	8.44%	Very inconvenient
237		Respondents

Q55. What were the FIVE MOST important factors in your decision on where to live this year? SELECT UP TO FIVE RESPONSES

Count	Respondent %	Response %	
182	79.48%	16.50%	Total cost of rent and utilities
53	23.14%	4.81%	Ability to choose my own roommate(s)
131	57.21%	11.88%	Proximity to classes
22	9.61%	1.99%	Proximity to other students
32	13.97%	2.90%	Proximity to, or availability of, convenient parking or public transportation
41	17.90%	3.72%	Proximity to my work
32	13.97%	2.90%	Proximity to shopping, entertainment, or restaurants
71	31.00%	6.44%	Availability of high-speed Internet
23	10.04%	2.09%	Reliability of maintenance and custodial services
49	21.40%	4.44%	Flexible lease/rental terms
27	11.79%	2.45%	Availability of a good building manager or landlord
20	8.73%	1.81%	Less restrictive rules and supervision
32	13.97%	2.90%	Ability to stay during breaks
46	20.09%	4.17%	Availability of a quiet place to study
27	11.79%	2.45%	Access to campus resources (computer labs, student services, administrative offices, etc.)
50	21.83%	4.53%	Safety and security features
73	31.88%	6.62%	Availability of a private (single) bedroom
60	26.20%	5.44%	Availability of a private bathroom
17	7.42%	1.54%	Availability of additional living space outside my bedroom but within my unit
72	31.44%	6.53%	Availability of a kitchen
39	17.03%	3.54%	Availability of convenient laundry facilities
4	1.75%	0.36%	Access to campus dining
229			Respondents
1103			Responses

Q56. Who made the decision regarding where you lived this year?

Count	Percent	
145	63.04%	I did solely
1	0.43%	My parent(s)/guardian(s) solely
35	15.22%	My parent(s)/guardian(s) and I jointly
44	19.13%	My spouse/partner and I jointly
5	2.17%	Other (please specify)

Q56. Who made the decision regarding where you lived this year?

Count	Percent	
Count	Percent	
1	20.00%	Circumstances a cost factors
1	20.00%	My parents, my spouse, and I jointly
1	20.00%	My roommates and I did jointly.
1	20.00%	Situational
1	20.00%	Spouse only
230	Respondents	

Q57. Where do you plan to live next year while attending CGU or KGI?

Count	Percent	
24	10.43%	On campus
90	39.13%	Off campus
51	22.17%	Undecided on where to live
65	28.26%	Not applicable; I will not be attending The Claremont Colleges next year.
230	Respondents	

Q58. If considering living OFF CAMPUS next year, why would you prefer to do so? SELECT UP TO FIVE RESPONSES

Count	Respondent %	Response %	
5	5.62%	1.33%	I may not be attending The Claremont Colleges next year
6	6.74%	1.59%	I am ineligible to live in on-campus student housing
11	12.36%	2.92%	The Claremont Colleges was unable to provide housing for me on campus
23	25.84%	6.10%	To live in a quieter environment
9	10.11%	2.39%	To satisfy my parent's/family's wishes
20	22.47%	5.31%	Fewer rules and regulations
12	13.48%	3.18%	More convenient location
4	4.49%	1.06%	More convenient parking or public transportation
49	55.06%	13.00%	More cost effective
9	10.11%	2.39%	My preferred on-campus living accommodation may not be available
6	6.74%	1.59%	Better Internet access
16	17.98%	4.24%	Better living unit amenities
6	6.74%	1.59%	Better security/safety
9	10.11%	2.39%	Ability to live with or near friends
35	39.33%	9.28%	Ability to live with or near family or partner
38	42.70%	10.08%	More privacy
29	32.58%	7.69%	More living space
10	11.24%	2.65%	No meal plan requirement
23	25.84%	6.10%	Access to my own kitchen
14	15.73%	3.71%	More convenient laundry facilities
4	4.49%	1.06%	Better physical condition of the building
0	0.00%	0.00%	Better building management and staffing
2	2.25%	0.53%	Better maintenance and housekeeping services
0	0.00%	0.00%	Better accessibility for persons with disabilities
8	8.99%	2.12%	To live away from other students
19	21.35%	5.04%	To have a pet
10	11.24%	2.65%	Other (please specify)
	Count	Percent	
	1	10.00%	Already living off campus
	1	10.00%	because i have a 2 year old son
	1	10.00%	Close to my job
	1	10.00%	I currently have a pet

APPENDIX B: CLAREMONT COLLEGE'S SURVEY RESULTS (GRADUATE)

Q58. If considering living OFF CAMPUS next year, why would you prefer to do so? SELECT UP TO FIVE RESPONSES

Count	Respondent %	Response %	
	1	10.00%	I'm a graduate student with a family. I don't need to live around other undergrads/non-married students (graduate students or not). I moved where I did because it was a good place for my family. My spouse has potential friends there.
	1	10.00%	Married
	1	10.00%	My son's school district
	1	10.00%	N/A I have no options to live on campus, therefore I have to live off campus. Therefore this question for me is biased.
	1	10.00%	Near work
	1	10.00%	unsure if i can live in a tent on campus
89	Respondents		
377	Responses		

Q59. In which area are you currently living? SELECT ALL THAT APPLY

Count	Respondent %	Response %	
53	29.61%	28.96%	Claremont
30	16.76%	16.39%	Upland
8	4.47%	4.37%	La Verne
16	8.94%	8.74%	Pomona
4	2.23%	2.19%	Montclair
72	40.22%	39.34%	Other (please specify)
Count	Percent		
2	2.78%		Alhambra
1	1.39%		Alta Loma
1	1.39%		Arcadia
1	1.39%		Castro valley
1	1.39%		chino hills
1	1.39%		Chino Hills
1	1.39%		Corona
1	1.39%		Covina
3	4.17%		Diamond Bar
1	1.39%		Duarte
1	1.39%		Eagle Rock
1	1.39%		East Hollywood
1	1.39%		Fullerton
1	1.39%		Garden Grove
1	1.39%		Glendale
1	1.39%		Glendale, CA
1	1.39%		Glendora
1	1.39%		Irvine
1	1.39%		LA habra (orange county)
1	1.39%		Lakewood
1	1.39%		Long beach
1	1.39%		Los angeles
4	5.56%		Los Angeles
1	1.39%		Los Angeles, Miracle Mile
1	1.39%		Montebello
1	1.39%		Mt Baldy
1	1.39%		North Hollywood
5	6.94%		Ontario
1	1.39%		Orange
3	4.17%		Orange County

Q59. In which area are you currently living? SELECT ALL THAT APPLY

Count	Respondent %	Response %	
	1	1.39%	Oxnard
	5	6.94%	Pasadena
	1	1.39%	Rancho
	4	5.56%	Rancho Cucamonga
	2	2.78%	Redlands
	3	4.17%	Riverside
	2	2.78%	San Bernardino
	1	1.39%	San Diego
	1	1.39%	san dimas
	1	1.39%	San dimas
	1	1.39%	San Dimas
	1	1.39%	San Gabriel
	1	1.39%	Santa Clarita
	1	1.39%	Temple City
	1	1.39%	the exact border of claremont and pomona
	1	1.39%	Tustin
	2	2.78%	West Covina
	1	1.39%	Yorba linda
179	Respondents		
183	Responses		

Q60. What is your primary mode of transportation between the campus and your primary residence during the school year?

Count	Percent	
133	73.89%	Car, drive alone
11	6.11%	Carpool (with at least one other person)
4	2.22%	Public transportation/bus
16	8.89%	Bicycle
1	0.56%	Motorcycle
14	7.78%	Walk
1	0.56%	Other
180	Respondents	

Q61. What is your typical one-way time in minutes from your residence to the campus?

Count	Percent	
22	12.22%	Less than 5 minutes
73	40.56%	5 - 15 minutes
22	12.22%	16 - 25 minutes
21	11.67%	26 - 35 minutes
21	11.67%	36 - 45 minutes
8	4.44%	46 - 55 minutes
6	3.33%	56 minutes - 1 hour 5 minutes
3	1.67%	1 hour 6 minutes - 1 hour 15 minutes
0	0.00%	1 hour 16 minutes - 1 hour 30 minutes
4	2.22%	1 hour 31 minutes or more
180	Respondents	

APPENDIX B: CLAREMONT COLLEGE'S SURVEY RESULTS (GRADUATE)

Q62. Once enrolled for the first time at The Claremont Colleges, how easy was it for you to find a place to live on or near campus?

Count	Percent	
25	14.53%	Very easy
68	39.53%	Easy
65	37.79%	Difficult
14	8.14%	Very difficult
172		Respondents

Q63. With whom do you currently live?

Count	Percent	
29	16.20%	I live alone
40	22.35%	With other Claremont Colleges roommate(s)
28	15.64%	With roommate(s) who are not students at The Claremont Colleges
23	12.85%	With my parent(s) or other relative(s)
31	17.32%	With my spouse/partner
2	1.12%	With my child(ren)
15	8.38%	With my spouse/partner and/or child(ren)
11	6.15%	Other (please specify)
Count	Percent	
1	9.09%	A family
1	9.09%	Both Cgu and non Claremont colleges friends
1	9.09%	Mix of KGI student and other non-claremont college students
1	9.09%	Partner and roommates
1	9.09%	Renter, her daughter and KGI roommate
1	9.09%	With another KGI student and our landlady
1	9.09%	With another Scripps alum
1	9.09%	With my spouse AND with other Claremont college students
1	9.09%	with my spouse who is a CGU student
1	9.09%	With spouse and other non-claremont college roommates
179		Respondents

Q64. Do you currently rent or own?

Count	Percent	
151	83.89%	Rent
18	10.00%	Own
11	6.11%	Other (please specify)
Count	Percent	
1	9.09%	Home
1	9.09%	I don't pay rent
1	9.09%	Live with extended family.
1	9.09%	live with parents
1	9.09%	Neither
1	9.09%	Neither, staying with family
1	9.09%	parents
1	9.09%	Parents
1	9.09%	Parents house
1	9.09%	Parents'
180		Respondents

Q65. What type of unit do you live in off campus?

Count	Percent	
82	46.07%	Apartment/condo
75	42.13%	Single family home
6	3.37%	Townhouse
7	3.93%	Duplex/Tri-plex/Four-plex
8	4.49%	Other (please specify)
Count	Percent	
1	12.50%	Backhouse
1	12.50%	Bedroom in a home
1	12.50%	Family home
1	12.50%	Guest house
1	12.50%	guesthouse
1	12.50%	House
1	12.50%	Renting a room at a house
1	12.50%	room
178	Respondents	

Q66. How many bedrooms are in your current housing unit?

Count	Percent	
35	19.44%	1 bedroom
58	32.22%	2 bedrooms
44	24.44%	3 bedrooms
31	17.22%	4 bedrooms
12	6.67%	5 or more bedrooms
180	Respondents	

Q67. Do you share a bedroom?

Count	Percent	
123	68.33%	No
53	29.44%	Yes, with one other person
4	2.22%	Yes, with two or more other people
180	Respondents	

Q68. What is your *personal* share of monthly rent/housing costs *excluding utilities*?

Count	Percent	
12	8.05%	Less than \$400
14	9.40%	\$400 - \$499
29	19.46%	\$500 - \$599
23	15.44%	\$600 - \$699
6	4.03%	\$700 - \$799
17	11.41%	\$800 - \$899
10	6.71%	\$900 - \$999
6	4.03%	\$1,000 or more
4	2.68%	\$1,100 \$1,199
7	4.70%	\$1,200 \$1,299
3	2.01%	\$1,300 \$1,399
2	1.34%	\$1,400 \$1,499
10	6.71%	\$1,500 or more
4	2.68%	I don't know
2	1.34%	I don't pay rent
149	Respondents	

Q69. In addition to your rent, for which of the following utilities do you currently pay? SELECT ALL THAT APPLY

Count	Respondent %	Response %	
32	21.48%	6.02%	Not applicable; I do not pay for any utilities
39	26.17%	7.33%	Cable/satellite television
64	42.95%	12.03%	Heat
104	69.80%	19.55%	Internet
106	71.14%	19.92%	Electric
68	45.64%	12.78%	Water
39	26.17%	7.33%	Sewer
34	22.82%	6.39%	Telephone
46	30.87%	8.65%	Trash
149	Respondents		
532	Responses		

Q70. How much is your individual monthly cost for all the utilities selected in the previous question?

Count	Percent	
5	4.31%	Less than \$25
19	16.38%	\$25 - \$49
35	30.17%	\$50 - \$99
30	25.86%	\$100 - \$149
10	8.62%	\$150 - \$199
14	12.07%	\$200 or more
3	2.59%	Don't know
116	Respondents	

Q71. How long is your current lease?

Count	Percent	
29	19.59%	Not applicable; I have no lease
9	6.08%	More than 12 months
57	38.51%	12 months
18	12.16%	Academic year (approximately 9 months)
0	0.00%	Academic term (e.g., semester)
32	21.62%	Monthly
3	2.03%	Other (please specify)
	Count	Percent
	1	33.33% 24 months
	1	33.33% 8 months
	1	33.33% At least 6 months.
148	Respondents	

Q72. What was your personal share of the security deposit required for your current lease?

Count	Percent	
20	13.51%	No deposit required
3	2.03%	Less than \$100
5	3.38%	\$100 - \$199
16	10.81%	\$200 - \$299
11	7.43%	\$300 - \$399
11	7.43%	\$400 - \$499
19	12.84%	\$500 - \$599

Q72. What was your personal share of the security deposit required for your current lease?

Count	Percent	
11	7.43%	\$600 - \$699
4	2.70%	\$700 - \$799
10	6.76%	\$800 - \$899
4	2.70%	\$900 - \$999
25	16.89%	\$1,000 or more
9	6.08%	Don't know
148		Respondents

Q73. If all of the unit types described above were available on The Claremont Colleges' campuses at the rents outlined above, what would have been your living preference for this academic year (2014-2015)?

Count	Percent	
20	8.85%	Unit A: Single occupancy (private) bedroom in a studio apartment for \$1,145/month/person
18	7.96%	Unit B: Single occupancy (private) bedroom in a one-bedroom for approximately \$1,400/month/person
20	8.85%	Unit C: Double occupancy (shared) bedroom in a one-bedroom for approximately \$775/month/person
39	17.26%	Unit D: Single occupancy (private) bedroom in a two-bedroom apartment for approximately \$950/month/person
24	10.62%	Unit E: Double occupancy (shared) bedroom in a two-bedroom apartment for approximately \$650/month/person
95	42.04%	I would prefer to live off campus
10	4.42%	I would prefer to live in housing currently available on campus
226		Respondents

Q75. If you prefer to live in housing currently available on campus, which location would you prefer?

Count	Percent	
9	90.00%	On-campus apartments
1	10.00%	Other (please specify)
10		Respondents

Q76. How many occupants would you prefer within your bedroom?

Count	Percent	
173	77.58%	Single occupancy
37	16.59%	Double occupancy
13	5.83%	I don't have a preference
223		Respondents

Q77. How long would you be interested in living in a College-sponsored rental/lease housing unit?

Count	Percent	
45	20.36%	Less than 1 year
138	62.44%	1 - 2 years
30	13.57%	3 - 4 years
5	2.26%	5 - 6 years
2	0.90%	More than 6 years
1	0.45%	Through retirement
221		Respondents

Q78. If the Claremont Colleges built new housing, which five amenities would be the most attractive to you? SELECT UP TO FIVE

Count	Respondent %	Response %	
105	47.51%	9.78%	Pool
24	10.86%	2.23%	Outdoor Seating
78	35.29%	7.26%	Private patios/balconies
69	31.22%	6.42%	Nearby caf��
24	10.86%	2.23%	Secure bike storage
175	79.19%	16.29%	On-site laundry
148	66.97%	13.78%	Fitness Center
46	20.81%	4.28%	Extra Storage
13	5.88%	1.21%	Business Center
115	52.04%	10.71%	Assigned Parking
33	14.93%	3.07%	Computer Center
24	10.86%	2.23%	Barbeque grills
55	24.89%	5.12%	Card-controlled access
58	26.24%	5.40%	Shuttle to campus center
107	48.42%	9.96%	Wi-Fi hotspots
221	Respondents		
1074	Responses		

Q79. What is your current enrollment status?

Count	Percent	
205	92.34%	Full time
17	7.66%	Part time
222	Respondents	

Q80. What is your age?

Count	Percent	
1	0.45%	Under 18
84	37.50%	18 - 24
92	41.07%	25 - 30
22	9.82%	31 to 35
25	11.16%	36 or over
224	Respondents	

Q81. What is your gender?

Count	Percent	
92	41.26%	Male
130	58.30%	Female
0	0.00%	Other
1	0.45%	Prefer not to answer
223	Respondents	

Q82. What is your race/ethnic background?

Count	Percent	
0	0.00%	American Indian or Alaska Native
80	35.87%	Asian
8	3.59%	Black or African American
18	8.07%	Hispanic or Latino

Q82. What is your race/ethnic background?

Count	Percent	
0	0.00%	Native Hawaiian or Other Pacific Islander
94	42.15%	White
14	6.28%	Two or more races
1	0.45%	Race/ethnicity unknown
8	3.59%	Other (please specify)
Count	Percent	
1	12.50%	Arab
1	12.50%	Decline
1	12.50%	None of your business
1	12.50%	prefer not to answer
1	12.50%	Prefer not to answer
1	12.50%	refuse to answer
1	12.50%	White/Middle Eastern
1	12.50%	Why does this make a difference?
223	Respondents	

Q83. What is your current residency status?

Count	Percent	
141	62.95%	In state (California permanent resident)
44	19.64%	Out of state (U.S. citizen or permanent resident outside of California)
39	17.41%	International student
224	Respondents	

Q84. Please let us know if you have any other comments regarding The Claremont Colleges' Graduate Housing program:

Count	Percent
78	100.00%
78	Respondents

C. Survey Results (Faculty)

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CLAREMONT COLLEGE'S SURVEY RESULTS (FACULTY)

Q1. What is your current status at The Claremont Colleges?

Count	Percent	
0	0.00%	Graduate/professional student
150	100.00%	Faculty
0	0.00%	Staff
150		Respondents

Q2. Which campus/organization do you spend the most time at?

Count	Percent	
5	3.36%	Claremont McKenna College
40	26.85%	Harvey Mudd College
13	8.72%	Pitzer College
28	18.79%	Pomona College
16	10.74%	Scripps College
22	14.77%	Claremont Graduate University
21	14.09%	Keck Graduate Institute
4	2.68%	Claremont University Consortium
149		Respondents

Q3. Which campus/organization are you enrolled in/assigned to by Human Resources?

Count	Percent	
12	8.05%	Claremont McKenna College
40	26.85%	Harvey Mudd College
10	6.71%	Pitzer College
29	19.46%	Pomona College
12	8.05%	Scripps College
22	14.77%	Claremont Graduate University
20	13.42%	Keck Graduate Institute
4	2.68%	Claremont University Consortium
149		Respondents

Q4. Are you a part-time or full-time employee at The Claremont Colleges?

Count	Percent	
137	93.84%	Full time
9	6.16%	Part time
146		Respondents

Q5. How long have you been employed at The Claremont Colleges?

Count	Percent	
19	12.93%	Less than 1 year
22	14.97%	1 - 3 years
8	5.44%	4 - 5 years
32	21.77%	6 - 10 years

Q5. How long have you been employed at The Claremont Colleges?

Count	Percent	
21	14.29%	11 - 15 years
12	8.16%	16 - 20 years
13	8.84%	21 - 25 years
20	13.61%	More than 25 years
147		Respondents

Q6. What is your age?

Count	Percent	
5	3.40%	Under 30
42	28.57%	30 - 39
44	29.93%	40 - 49
25	17.01%	50 - 59
17	11.56%	60 - 69
11	7.48%	70 or older
3	2.04%	Prefer not to answer
147		Respondents

Q7. Are you:

Count	Percent	
75	52.45%	Male
65	45.45%	Female
3	2.10%	Prefer not to answer
143		Respondents

Q8. Marital status:

Count	Percent	
111	77.08%	Married or domestic partner
28	19.44%	Single
5	3.47%	Prefer not to answer
144		Respondents

Q9. Which of the following best characterizes your household income attributes (i.e., income for yourself, your spouse or resident partner, and any children, but not including roommate income)?

Count	Percent	
28	19.05%	Single income without a spouse/partner
35	23.81%	Single income with a spouse/partner
82	55.78%	Dual income with a spouse/partner
2	1.36%	Other (please specify)

Count	Percent	
1	50.00%	Prefer not to indicate marital/partner status
147		Respondents

Q10. Are you considering moving to a new/different residence?

Count	Percent	
48	32.65%	Yes
99	67.35%	No
147		Respondents

Q11. When are you considering moving to a new/different residence?

Count	Percent	
17	36.17%	Within 1 year
20	42.55%	1 - 2 years
5	10.64%	3 - 5 years
0	0.00%	More than 5 years from now
5	10.64%	Don't know
47		Respondents

Q12. Are you considering purchasing or renting your next residence?

Count	Percent	
25	54.35%	Purchasing
21	45.65%	Renting
46		Respondents

Q13. What is your personal level of interest in College-sponsored/developed rental housing?

Count	Percent	
19	40.43%	Very interested
13	27.66%	Interested
6	12.77%	Neither uninterested nor interested
4	8.51%	Uninterested
5	10.64%	Very uninterested
47		Respondents

Q14. What is your primary mode of transportation between the campus and your primary residence?

Count	Percent	
80	59.26%	Car, drive alone
13	9.63%	Carpool (with at least one other person)
2	1.48%	Public transportation/bus
21	15.56%	Bicycle
3	2.22%	Motorcycle
15	11.11%	Walk
1	0.74%	Other
135		Respondents

Q15. What is your typical one-way commute time from your residence to the campus?

Count	Percent	
21	15.67%	Less than 5 minutes
64	47.76%	5 - 15 minutes
8	5.97%	16 - 25 minutes
12	8.96%	26 - 35 minutes
11	8.21%	36 - 45 minutes
8	5.97%	46 - 55 minutes
7	5.22%	56 minutes - 1 hour 5 minutes
0	0.00%	1 hour 6 minutes - 1 hour 15 minutes
1	0.75%	1 hour 16 minutes - 1 hour 30 minutes
2	1.49%	1 hour 31 minutes or more
134		Respondents

Q16. Which of the following best describes your current housing status?

Count	Percent	
36	26.67%	Rent
95	70.37%	Own
4	2.96%	Other (please specify)
Count	Percent	
1	25.00%	Can I really say I own when the bank controls so much? hah!
1	25.00%	faculty housing
1	25.00%	live on campus
1	25.00%	living at home
135	Respondents	

Q17. In which type of housing do you live?

Count	Percent	
13	9.56%	Apartment
7	5.15%	Condominium
1	0.74%	Duplex/Triplex/Fourplex
6	4.41%	Attached Townhouse
105	77.21%	Single Family Detached Home
4	2.94%	Other (please specify)
Count	Percent	
1	25.00%	cabin
1	25.00%	campus home on campus
1	25.00%	detached in-law suite
1	25.00%	studio cottage
136	Respondents	

Q18. How many bedrooms are there in your current residence?

Count	Percent	
2	1.47%	Studio
9	6.62%	1
24	17.65%	2
53	38.97%	3
40	29.41%	4
8	5.88%	5 or more
136	Respondents	

Q19. What is the total number of adults (18 or over, including yourself), living in your current residence?

Count	Percent	
23	17.16%	1
99	73.88%	2
8	5.97%	3
4	2.99%	4
0	0.00%	5 or more
134	Respondents	

APPENDIX C: CLAREMONT COLLEGE'S SURVEY RESULTS (FACULTY)

Q20. Do you have children (18 and under) living with you?

Count	Percent	
64	47.41%	Yes (please specify number of children)
Count	Percent	
1	1.56%	4
6	9.38%	3
28	43.75%	2
29	45.31%	1
71	52.59%	No, I have no children living with me
135		Respondents

**Q21. What is the approximate monthly rent/mortgage payment for your entire household?
(Does not include other costs such as utilities, property taxes, insurance or association dues)**

Count	Percent	
9	7.03%	Less than \$1,000
12	9.38%	\$1,000 - \$1,249
21	16.41%	\$1,250 - \$1,499
18	14.06%	\$1,500 - \$1,749
14	10.94%	\$1,750 - \$1,999
11	8.59%	\$2,000 - \$2,249
8	6.25%	\$2,250 - \$2,499
5	3.91%	\$2,500 - \$2,749
3	2.34%	\$2,750 - \$2,999
7	5.47%	\$3,000 - \$3,249
2	1.56%	\$3,250 - \$3,499
2	1.56%	\$3,500 - \$3,749
1	0.78%	\$3,750 - \$3,999
3	2.34%	\$4,000 - \$4,249
0	0.00%	\$4,250 - \$4,499
0	0.00%	\$4,500 - \$4,749
0	0.00%	\$4,750 - \$4,999
0	0.00%	More than \$5,000
12	9.38%	I do not pay for monthly rent/mortgage
128		Respondents

Q22. What is your entire household's approximate average monthly cost for utilities? (Water, Gas, Electric, Sewer and Trash)?

Count	Percent	
8	6.15%	Less than \$50
13	10.00%	\$51 - \$100
17	13.08%	\$101 - \$150
15	11.54%	\$151 - \$200
15	11.54%	\$201 - \$250
15	11.54%	\$251 - \$300
12	9.23%	\$301 - \$350
7	5.38%	\$351 - \$400
13	10.00%	More than \$400
3	2.31%	I do not pay for monthly utilities
12	9.23%	I do not know the household monthly utility amount
130		Respondents

Q23. What is your approximate amount of other monthly housing costs? (Costs would include property taxes, property insurance or association dues)?

Count	Percent	
16	12.50%	Less than \$250
22	17.19%	\$250 - \$499
22	17.19%	\$500 - \$749
11	8.59%	\$750 - \$999
3	2.34%	\$1,000 - \$1,249
5	3.91%	\$1,250 - \$1,499
2	1.56%	\$1,500 - \$1,749
3	2.34%	\$1,750 - \$1,999
5	3.91%	More than \$2,000
19	14.84%	I do not pay for other monthly housing costs
20	15.63%	I do not know the other monthly housing costs for my household
128		Respondents

Q24. What is the zip code at your current residence?

Count	Percent	
125	100.00%	
Count	Percent	
1	0.80%	90027
1	0.80%	90035
1	0.80%	90063
1	0.80%	90065
1	0.80%	90068
1	0.80%	90731
3	2.40%	91001
1	0.80%	91011
1	0.80%	91030
1	0.80%	91101
1	0.80%	91103
2	1.60%	91106
1	0.80%	91108
1	0.80%	91204
1	0.80%	91206
2	1.60%	91214
1	0.80%	91604
1	0.80%	91701
1	0.80%	91709
68	54.40%	91711
3	2.40%	91737
1	0.80%	91739
1	0.80%	91759
1	0.80%	91764
3	2.40%	91767
1	0.80%	91773
9	7.20%	91784
7	5.60%	91786
1	0.80%	92054
1	0.80%	92130
1	0.80%	92346
1	0.80%	92373
1	0.80%	92377
1	0.80%	92399

Q24. What is the zip code at your current residence?

Count	Percent	
1	0.80%	92649
1	0.80%	92656
125	Respondents	

Q25. How important was the cost of housing in the Claremont area in your decision to work at The Claremont Colleges?

Count	Percent	
23	17.69%	Very important
32	24.62%	Somewhat important
33	25.38%	Neutral
13	10.00%	Somewhat unimportant
29	22.31%	Very unimportant
130	Respondents	

Q26. How satisfied are you with the following aspects of your current housing situation? SELECT ONE RESPONSE FOR EACH FACTOR - Total cost of rent/mortgage and utilities

Count	Percent	
47	36.72%	Very satisfied
37	28.91%	Somewhat satisfied
19	14.84%	Neutral
21	16.41%	Somewhat dissatisfied
4	3.13%	Very dissatisfied
128	Respondents	

Q27. How satisfied are you with the following aspects of your current housing situation? SELECT ONE RESPONSE FOR EACH FACTOR - Type of housing

Count	Percent	
76	59.38%	Very satisfied
29	22.66%	Somewhat satisfied
9	7.03%	Neutral
14	10.94%	Somewhat dissatisfied
0	0.00%	Very dissatisfied
128	Respondents	

Q28. How satisfied are you with the following aspects of your current housing situation? SELECT ONE RESPONSE FOR EACH FACTOR - Size of housing

Count	Percent	
75	58.59%	Very satisfied
27	21.09%	Somewhat satisfied
16	12.50%	Neutral
9	7.03%	Somewhat dissatisfied
1	0.78%	Very dissatisfied
128	Respondents	

Q29. How satisfied are you with the following aspects of your current housing situation? SELECT ONE RESPONSE FOR EACH FACTOR - Quality of housing

Count	Percent	
67	51.94%	Very satisfied

Q29. How satisfied are you with the following aspects of your current housing situation? SELECT ONE RESPONSE FOR EACH FACTOR - Quality of housing

Count	Percent	
38	29.46%	Somewhat satisfied
11	8.53%	Neutral
12	9.30%	Somewhat dissatisfied
1	0.78%	Very dissatisfied
129		Respondents

Q30. How satisfied are you with the following aspects of your current housing situation? SELECT ONE RESPONSE FOR EACH FACTOR - Location within certain school districts

Count	Percent	
57	45.24%	Very satisfied
19	15.08%	Somewhat satisfied
39	30.95%	Neutral
4	3.17%	Somewhat dissatisfied
7	5.56%	Very dissatisfied
126		Respondents

Q31. How satisfied are you with the following aspects of your current housing situation? SELECT ONE RESPONSE FOR EACH FACTOR - Travel time to campus

Count	Percent	
73	56.59%	Very satisfied
17	13.18%	Somewhat satisfied
15	11.63%	Neutral
17	13.18%	Somewhat dissatisfied
7	5.43%	Very dissatisfied
129		Respondents

Q32. How satisfied are you with the following aspects of your current housing situation? SELECT ONE RESPONSE FOR EACH FACTOR - Proximity to/availability of resources such as restaurants, retail, recreation, etc.

Count	Percent	
66	51.16%	Very satisfied
38	29.46%	Somewhat satisfied
12	9.30%	Neutral
11	8.53%	Somewhat dissatisfied
2	1.55%	Very dissatisfied
129		Respondents

Q33. How interested would you be in renting or subletting an apartment to offset your commute?

Count	Percent	
4	22.22%	Very interested
4	22.22%	Somewhat interested
4	22.22%	Neither uninterested nor interested
2	11.11%	Uninterested
4	22.22%	Very uninterested
18		Respondents

Q34. If College-sponsored housing were provided in the cities/places listed below, which of the places would you consider living? SELECT ALL THAT APPLY

Count	Respondent %	Response %	
87	71.31%	39.91%	Claremont
39	31.97%	17.89%	Upland
32	26.23%	14.68%	La Verne
12	9.84%	5.50%	Pomona
15	12.30%	6.88%	Montclair
2	1.64%	0.92%	Other (please specify)
Count	Percent		
1	50.00%		Pasadena
1	50.00%		San Dimas
31	25.41%	14.22%	I would not consider College-sponsored housing off campus or outside the City of Claremont
122	Respondents		
218	Responses		

Q35. How important are each of the following factors to you in your decision of where to live? SELECT ONE RESPONSE FOR EACH FACTOR - Total cost of rent/mortgage and utilities

Count	Percent	
76	61.29%	Very important
39	31.45%	Somewhat important
8	6.45%	Neutral
1	0.81%	Somewhat unimportant
0	0.00%	Very unimportant
124	Respondents	

Q36. How important are each of the following factors to you in your decision of where to live? SELECT ONE RESPONSE FOR EACH FACTOR - Type of housing

Count	Percent	
75	60.98%	Very important
40	32.52%	Somewhat important
6	4.88%	Neutral
0	0.00%	Somewhat unimportant
2	1.63%	Very unimportant
123	Respondents	

Q37. How important are each of the following factors to you in your decision of where to live? SELECT ONE RESPONSE FOR EACH FACTOR - Size of housing

Count	Percent	
54	43.90%	Very important
53	43.09%	Somewhat important
10	8.13%	Neutral
4	3.25%	Somewhat unimportant
2	1.63%	Very unimportant
123	Respondents	

Q38. How important are each of the following factors to you in your decision of where to live? SELECT ONE RESPONSE FOR EACH FACTOR - Quality of housing

Count	Percent	
85	70.25%	Very important
33	27.27%	Somewhat important
1	0.83%	Neutral
1	0.83%	Somewhat unimportant
1	0.83%	Very unimportant
121		Respondents

Q39. How important are each of the following factors to you in your decision of where to live? SELECT ONE RESPONSE FOR EACH FACTOR - Location within certain school districts

Count	Percent	
50	40.65%	Very important
18	14.63%	Somewhat important
20	16.26%	Neutral
6	4.88%	Somewhat unimportant
29	23.58%	Very unimportant
123		Respondents

Q40. How important are each of the following factors to you in your decision of where to live? SELECT ONE RESPONSE FOR EACH FACTOR - Travel time to campus

Count	Percent	
68	55.28%	Very important
42	34.15%	Somewhat important
13	10.57%	Neutral
0	0.00%	Somewhat unimportant
0	0.00%	Very unimportant
123		Respondents

Q41. How important are each of the following factors to you in your decision of where to live? SELECT ONE RESPONSE FOR EACH FACTOR - Proximity to/availability of resources such as restaurants, retail, recreation, etc.

Count	Percent	
54	43.55%	Very important
50	40.32%	Somewhat important
13	10.48%	Neutral
3	2.42%	Somewhat unimportant
4	3.23%	Very unimportant
124		Respondents

Q74. If all of the unit types described above were available on The Claremont Colleges' campuses at the rents outlined above, what would have been your living preference for this academic year (2014-2015)?

Count	Percent	
1	5.56%	Unit A: Single occupancy (private) bedroom in a studio apartment for \$1,100/month
5	27.78%	Unit B: Single occupancy (private) bedroom in a one-bedroom for approximately \$1,375/month
3	16.67%	Unit C: Single occupancy (private) bedroom in a two-bedroom apartment for approximately \$1,740/month
9	50.00%	I would prefer to live off campus
0	0.00%	I would prefer to live in housing currently available on campus
18		Respondents

Q76. How many occupants would you prefer within your bedroom?

Count	Percent	
11	64.71%	Single occupancy
5	29.41%	Double occupancy
1	5.88%	I don't have a preference
17		Respondents

Q77. How long would you be interested in living in a College-sponsored rental/lease housing unit?

Count	Percent	
1	5.56%	Less than 1 year
3	16.67%	1 - 2 years
8	44.44%	3 - 4 years
3	16.67%	5 - 6 years
2	11.11%	More than 6 years
1	5.56%	Through retirement
18		Respondents

Q78. If the Claremont Colleges built new housing, which five amenities would be the most attractive to you? SELECT UP TO FIVE

Count	Respondent %	Response %	
7	38.89%	7.95%	Pool
0	0.00%	0.00%	Outdoor Seating
10	55.56%	11.36%	Private patios/balconies
7	38.89%	7.95%	Nearby caf��
3	16.67%	3.41%	Secure bike storage
18	100.00%	20.45%	On-site laundry
5	27.78%	5.68%	Fitness Center
11	61.11%	12.50%	Extra Storage
0	0.00%	0.00%	Business Center
10	55.56%	11.36%	Assigned Parking
0	0.00%	0.00%	Computer Center
3	16.67%	3.41%	Barbeque grills
4	22.22%	4.55%	Card-controlled access
7	38.89%	7.95%	Shuttle to campus center
3	16.67%	3.41%	Wi-Fi hotspots
18			Respondents
88			Responses

Q85. Please let us know if you have any other comments regarding The Claremont Colleges' Employee Housing program:

Count	Percent
20	100.00%
20	Respondents

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D. Survey Results (Staff)

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CLAREMONT COLLEGE'S SURVEY RESULTS (STAFF)

Q1. What is your current status at The Claremont Colleges?

Count	Percent	
0	0.00%	Graduate/professional student
0	0.00%	Faculty
390	100.00%	Staff
390		Respondents

Q2. Which campus/organization do you spend the most time at?

Count	Percent	
2	0.51%	Claremont McKenna College
51	13.11%	Harvey Mudd College
23	5.91%	Pitzer College
110	28.28%	Pomona College
36	9.25%	Scripps College
60	15.42%	Claremont Graduate University
32	8.23%	Keck Graduate Institute
75	19.28%	Claremont University Consortium
389		Respondents

Q3. Which campus/organization are you enrolled in/assigned to by Human Resources?

Count	Percent	
3	0.77%	Claremont McKenna College
51	13.08%	Harvey Mudd College
23	5.90%	Pitzer College
109	27.95%	Pomona College
35	8.97%	Scripps College
60	15.38%	Claremont Graduate University
30	7.69%	Keck Graduate Institute
79	20.26%	Claremont University Consortium
390		Respondents

Q4. Are you a part-time or full-time employee at The Claremont Colleges?

Count	Percent	
347	89.90%	Full time
39	10.10%	Part time
386		Respondents

Q5. How long have you been employed at The Claremont Colleges?

Count	Percent	
48	12.40%	Less than 1 year
110	28.42%	1 - 3 years
42	10.85%	4 - 5 years

Q5. How long have you been employed at The Claremont Colleges?

Count	Percent	
89	23.00%	6 - 10 years
35	9.04%	11 - 15 years
27	6.98%	16 - 20 years
14	3.62%	21 - 25 years
22	5.68%	More than 25 years
387		Respondents

Q6. What is your age?

Count	Percent	
59	15.25%	Under 30
94	24.29%	30 - 39
82	21.19%	40 - 49
101	26.10%	50 - 59
36	9.30%	60 - 69
4	1.03%	70 or older
11	2.84%	Prefer not to answer
387		Respondents

Q7. Are you:

Count	Percent	
100	26.32%	Male
272	71.58%	Female
8	2.11%	Prefer not to answer
380		Respondents

Q8. Marital status:

Count	Percent	
235	61.04%	Married or domestic partner
136	35.32%	Single
14	3.64%	Prefer not to answer
385		Respondents

Q9. Which of the following best characterizes your household income attributes (i.e., income for yourself, your spouse or resident partner, and any children, but not including roommate income)?

Count	Percent	
127	32.99%	Single income without a spouse/partner
45	11.69%	Single income with a spouse/partner
205	53.25%	Dual income with a spouse/partner
8	2.08%	Other (please specify)
Count	Percent	
1	12.50%	Dual income but two households
1	12.50%	dual income without spouse
1	12.50%	Dual with sibling and parent
1	12.50%	gouged divorce
1	12.50%	Single income with a spouse, child, and another child due in December
1	12.50%	Single income with elderly parent
1	12.50%	two incomes/with retired parent
385		Respondents

Q10. Are you considering moving to a new/different residence?

Count	Percent	
200	51.81%	Yes
186	48.19%	No
386		Respondents

Q11. When are you considering moving to a new/different residence?

Count	Percent	
81	40.50%	Within 1 year
86	43.00%	1 - 2 years
20	10.00%	3 - 5 years
4	2.00%	More than 5 years from now
9	4.50%	Don't know
200		Respondents

Q12. Are you considering purchasing or renting your next residence?

Count	Percent	
61	30.81%	Purchasing
137	69.19%	Renting
198		Respondents

Q13. What is your personal level of interest in College-sponsored/developed rental housing?

Count	Percent	
95	47.50%	Very interested
68	34.00%	Interested
25	12.50%	Neither uninterested nor interested
8	4.00%	Uninterested
4	2.00%	Very uninterested
200		Respondents

Q14. What is your primary mode of transportation between the campus and your primary residence?

Count	Percent	
279	75.20%	Car, drive alone
44	11.86%	Carpool (with at least one other person)
6	1.62%	Public transportation/bus
17	4.58%	Bicycle
4	1.08%	Motorcycle
20	5.39%	Walk
1	0.27%	Other
371		Respondents

Q15. What is your typical one-way commute time from your residence to the campus?

Count	Percent	
40	10.78%	Less than 5 minutes
131	35.31%	5 - 15 minutes
78	21.02%	16 - 25 minutes
53	14.29%	26 - 35 minutes

Q15. What is your typical one-way commute time from your residence to the campus?

Count	Percent	
31	8.36%	36 - 45 minutes
20	5.39%	46 - 55 minutes
7	1.89%	56 minutes - 1 hour 5 minutes
2	0.54%	1 hour 6 minutes - 1 hour 15 minutes
7	1.89%	1 hour 16 minutes - 1 hour 30 minutes
2	0.54%	1 hour 31 minutes or more
371	Respondents	

Q16. Which of the following best describes your current housing status?

Count	Percent	
166	44.99%	Rent
188	50.95%	Own
15	4.07%	Other (please specify)
Count	Percent	
1	6.67%	Caretaking for mother
1	6.67%	Free Webb Campus Housing
1	6.67%	Grad Student Housing
1	6.67%	I have on-campus housing - part of compensation
1	6.67%	Live in the family house taking care of parent
1	6.67%	live with parents
1	6.67%	live-on; free housing
1	6.67%	own and rent
1	6.67%	own mobile home w/space rent
1	6.67%	Partner Owns
1	6.67%	rent but also own a rental home
1	6.67%	Shared home
369	Respondents	

Q17. In which type of housing do you live?

Count	Percent	
74	20.16%	Apartment
24	6.54%	Condominium
11	3.00%	Duplex/Triplex/Fourplex
23	6.27%	Attached Townhouse
224	61.04%	Single Family Detached Home
11	3.00%	Other (please specify)
Count	Percent	
1	9.09%	Guest House
1	9.09%	Back House
1	9.09%	Backhouse studio
1	9.09%	mobile home
1	9.09%	P.U.D.
1	9.09%	PUD
1	9.09%	rented room in a home
1	9.09%	Residence Hall Staff apartment
1	9.09%	residence hall suite
1	9.09%	Shared house with multiple roommates
367	Respondents	

APPENDIX D: CLAREMONT COLLEGE'S SURVEY RESULTS (STAFF)

Q18. How many bedrooms are there in your current residence?

Count	Percent
0	0.0%
1	1.0%
2	10.0%
3	10.0%
4	10.0%
5	10.0%
6	10.0%
7	10.0%
8	10.0%
9	10.0%
10	10.0%
11	10.0%
12	10.0%
13	10.0%
14	10.0%
15	10.0%
16	10.0%
17	10.0%
18	10.0%
19	10.0%
20	10.0%
21	10.0%
22	10.0%
23	10.0%
24	10.0%
25	10.0%
26	10.0%
27	10.0%
28	10.0%
29	10.0%
30	10.0%
31	10.0%
32	10.0%
33	10.0%
34	10.0%
35	10.0%
36	10.0%
37	10.0%
38	10.0%
39	10.0%
40	10.0%
41	10.0%
42	10.0%
43	10.0%
44	10.0%
45	10.0%
46	10.0%
47	10.0%
48	10.0%
49	10.0%
50	10.0%
51	10.0%
52	10.0%
53	10.0%
54	10.0%
55	10.0%
56	10.0%
57	10.0%
58	10.0%
59	10.0%
60	10.0%
61	10.0%
62	10.0%
63	10.0%
64	10.0%
65	10.0%
66	10.0%
67	10.0%
68	10.0%
69	10.0%
70	10.0%
71	10.0%
72	10.0%
73	10.0%
74	10.0%
75	10.0%
76	10.0%
77	10.0%
78	10.0%
79	10.0%
80	10.0%
81	10.0%
82	10.0%
83	10.0%
84	10.0%
85	10.0%
86	10.0%
87	10.0%
88	10.0%
89	10.0%
90	10.0%
91	10.0%
92	10.0%
93	10.0%
94	10.0%
95	10.0%
96	10.0%
97	10.0%
98	10.0%
99	10.0%
100	10.0%
101	10.0%
102	10.0%
103	10.0%
104	10.0%
105	10.0%
106	10.0%
107	10.0%
108	10.0%
109	10.0%
110	10.0%
111	10.0%
112	10.0%
113	10.0%
114	10.0%
115	10.0%
116	10.0%
117	10.0%
118	10.0%
119	10.0%
120	10.0%
121	10.0%
122	10.0%
123	10.0%
124	10.0%
125	10.0%
126	10.0%
127	10.0%
128	10.0%
129	10.0%
130	10.0%
131	10.0%
132	10.0%
133	10.0%
134	10.0%
135	10.0%
136	10.0%
137	10.0%
138	10.0%
139	10.0%
140	10.0%
141	10.0%
142	10.0%
143	10.0%
144	10.0%
145	10.0%
146	10.0%
147	10.0%
148	10.0%
149	10.0%
150	10.0%
151	10.0%
152	10.0%
153	10.0%
154	10.0%
155	10.0%
156	10.0%
157	10.0%
158	10.0%
159	

9	2.46%	Studio
33	9.02%	1
91	24.86%	2
139	37.98%	3
77	21.04%	4
17	4.64%	5 or more
366	Respondents	

Q19. What is the total number of adults (18 or over, including yourself), living in your current residence?

Count	Percent
1	1.0%
2	1.0%
3	1.0%
4	1.0%
5	1.0%
6	1.0%
7	1.0%
8	1.0%
9	1.0%
10	1.0%
11	1.0%
12	1.0%
13	1.0%
14	1.0%
15	1.0%
16	1.0%
17	1.0%
18	1.0%
19	1.0%
20	1.0%
21	1.0%
22	1.0%
23	1.0%
24	1.0%
25	1.0%
26	1.0%
27	1.0%
28	1.0%
29	1.0%
30	1.0%
31	1.0%
32	1.0%
33	1.0%
34	1.0%
35	1.0%
36	1.0%
37	1.0%
38	1.0%
39	1.0%
40	1.0%
41	1.0%
42	1.0%
43	1.0%
44	1.0%
45	1.0%
46	1.0%
47	1.0%
48	1.0%
49	1.0%
50	1.0%
51	1.0%
52	1.0%
53	1.0%
54	1.0%
55	1.0%
56	1.0%
57	1.0%
58	1.0%
59	1.0%
60	1.0%
61	1.0%
62	1.0%
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64	1.0%
65	1.0%
66	1.0%
67	1.0%
68	1.0%
69	1.0%
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72	1.0%
73	1.0%
74	1.0%
75	1.0%
76	1.0%
77	1.0%
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79	1.0%
80	1.0%
81	1.0%
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84	1.0%
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102	1.0%
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148	1.0%
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153	1.0%
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155	1.0%
156	1.0%
157	1.0%
158	1.0%
159	1.0%
160	1.0%
161	1.0%
162	1.0%
163	1.0%
164	1.0%
165	1.0%
16	

67	18.21%	1
207	56.25%	2
59	16.03%	3
23	6.25%	4
12	3.26%	5 or more
368	Respondents	

Q20. Do you have children (18 and under) living with you?	
Count	Percent
1	100%

nt	Percent	
130	35.42%	Yes (please specify number of children)

	Count	Percent	
	6	4.62%	4
	15	11.54%	3
	51	39.23%	2
	58	44.62%	1

237	64.58%	No, I have no children living with me
367		Respondents

Q21. What is the approximate monthly rent/mortgage payment for your entire household?
(Does not include other costs such as utilities, property taxes, insurance or association dues)

Count	Percent	
46	12.78%	Less than \$1,000
48	13.33%	\$1,000 - \$1,249
54	15.00%	\$1,250 - \$1,499
52	14.44%	\$1,500 - \$1,749
39	10.83%	\$1,750 - \$1,999
31	8.61%	\$2,000 - \$2,249
23	6.39%	\$2,250 - \$2,499
18	5.00%	\$2,500 - \$2,749
4	1.11%	\$2,750 - \$2,999
5	1.39%	\$3,000 - \$3,249
4	1.11%	\$3,250 - \$3,499
1	0.28%	\$3,500 - \$3,749
2	0.56%	\$3,750 - \$3,999
2	0.56%	\$4,000 - \$4,249
0	0.00%	\$4,250 - \$4,499
0	0.00%	\$4,500 - \$4,749
0	0.00%	\$4,750 - \$4,999
1	0.28%	More than \$5,000

Q21. What is the approximate monthly rent/mortgage payment for your entire household?
(Does not include other costs such as utilities, property taxes, insurance or association dues)

Count	Percent	
30	8.33%	I do not pay for monthly rent/mortgage
360		Respondents

Q22. What is your entire household's approximate average monthly cost for utilities? (Water, Gas, Electric, Sewer and Trash)?

Count	Percent	
11	3.06%	Less than \$50
48	13.33%	\$51 - \$100
44	12.22%	\$101 - \$150
58	16.11%	\$151 - \$200
48	13.33%	\$201 - \$250
42	11.67%	\$251 - \$300
25	6.94%	\$301 - \$350
17	4.72%	\$351 - \$400
28	7.78%	More than \$400
17	4.72%	I do not pay for monthly utilities
22	6.11%	I do not know the household monthly utility amount
360		Respondents

Q23. What is your approximate amount of other monthly housing costs? (Costs would include property taxes, property insurance or association dues)?

Count	Percent	
100	28.25%	Less than \$250
68	19.21%	\$250 - \$499
35	9.89%	\$500 - \$749
11	3.11%	\$750 - \$999
11	3.11%	\$1,000 - \$1,249
7	1.98%	\$1,250 - \$1,499
5	1.41%	\$1,500 - \$1,749
5	1.41%	\$1,750 - \$1,999
11	3.11%	More than \$2,000
71	20.06%	I do not pay for other monthly housing costs
30	8.47%	I do not know the other monthly housing costs for my household
354		Respondents

Q24. What is the zip code at your current residence?

Count	Percent	
341	100.00%	
Count	Percent	
1	0.29%	01739
1	0.29%	90013
1	0.29%	90025
2	0.59%	90026
1	0.29%	90033
1	0.29%	90042
1	0.29%	90057
1	0.29%	90201
1	0.29%	90262
1	0.29%	90631

APPENDIX D: CLAREMONT COLLEGE'S SURVEY RESULTS (STAFF)

Q24. What is the zip code at your current residence?

Count	Percent	
1	0.29%	90713
1	0.29%	91001
2	0.59%	91006
1	0.29%	91007
1	0.29%	91016
1	0.29%	91024
1	0.29%	91030
1	0.29%	91101
1	0.29%	91105
1	0.29%	91106
2	0.59%	91107
1	0.29%	91214
1	0.29%	91423
1	0.29%	91607
6	1.76%	91701
1	0.29%	91702
1	0.29%	91706
1	0.29%	91708
4	1.17%	91709
5	1.47%	91710
89	26.10%	91711
3	0.88%	91722
1	0.29%	91723
1	0.29%	91724
23	6.74%	91730
1	0.29%	91732
1	0.29%	91733
6	1.76%	91737
2	0.59%	91739
5	1.47%	91741
1	0.29%	91744
9	2.64%	91750
1	0.29%	91752
1	0.29%	91754
3	0.88%	91761
4	1.17%	91762
8	2.35%	91763
10	2.93%	91764
1	0.29%	91765
2	0.59%	91766
11	3.23%	91767
5	1.47%	91768
1	0.29%	91770
2	0.59%	91773
1	0.29%	91775
2	0.59%	91780
17	4.99%	91784
32	9.38%	91786
1	0.29%	91789
3	0.88%	91790
1	0.29%	91791
2	0.59%	91792
2	0.59%	92223

Q24. What is the zip code at your current residence?

Count	Percent	
1	0.29%	92307
1	0.29%	92313
1	0.29%	92324
1	0.29%	92335
8	2.35%	92336
1	0.29%	92337
2	0.59%	92345
1	0.29%	92346
2	0.59%	92373
1	0.29%	92374
4	1.17%	92376
2	0.59%	92377
1	0.29%	92505
1	0.29%	92508
1	0.29%	92571
1	0.29%	92606
1	0.29%	92620
1	0.29%	92704
1	0.29%	92807
1	0.29%	92808
1	0.29%	92821
2	0.59%	92831
1	0.29%	92835
2	0.59%	92860
1	0.29%	92867
1	0.29%	92870
1	0.29%	92880
1	0.29%	92882
1	0.29%	92883
341	Respondents	

Q25. How important was the cost of housing in the Claremont area in your decision to work at The Claremont Colleges?

Count	Percent	
77	21.63%	Very important
64	17.98%	Somewhat important
112	31.46%	Neutral
30	8.43%	Somewhat unimportant
73	20.51%	Very unimportant
356	Respondents	

Q26. How satisfied are you with the following aspects of your current housing situation? SELECT ONE RESPONSE FOR EACH FACTOR - Total cost of rent/mortgage and utilities

Count	Percent	
130	36.52%	Very satisfied
122	34.27%	Somewhat satisfied
46	12.92%	Neutral
41	11.52%	Somewhat dissatisfied
17	4.78%	Very dissatisfied
356	Respondents	

Q27. How satisfied are you with the following aspects of your current housing situation? SELECT ONE RESPONSE FOR EACH FACTOR - Type of housing

Count	Percent	
172	48.45%	Very satisfied
105	29.58%	Somewhat satisfied
36	10.14%	Neutral
31	8.73%	Somewhat dissatisfied
11	3.10%	Very dissatisfied
355		Respondents

Q28. How satisfied are you with the following aspects of your current housing situation? SELECT ONE RESPONSE FOR EACH FACTOR - Size of housing

Count	Percent	
148	41.81%	Very satisfied
107	30.23%	Somewhat satisfied
44	12.43%	Neutral
37	10.45%	Somewhat dissatisfied
18	5.08%	Very dissatisfied
354		Respondents

Q29. How satisfied are you with the following aspects of your current housing situation? SELECT ONE RESPONSE FOR EACH FACTOR - Quality of housing

Count	Percent	
155	43.79%	Very satisfied
103	29.10%	Somewhat satisfied
44	12.43%	Neutral
42	11.86%	Somewhat dissatisfied
10	2.82%	Very dissatisfied
354		Respondents

Q30. How satisfied are you with the following aspects of your current housing situation? SELECT ONE RESPONSE FOR EACH FACTOR - Location within certain school districts

Count	Percent	
134	38.18%	Very satisfied
58	16.52%	Somewhat satisfied
121	34.47%	Neutral
30	8.55%	Somewhat dissatisfied
8	2.28%	Very dissatisfied
351		Respondents

Q31. How satisfied are you with the following aspects of your current housing situation? SELECT ONE RESPONSE FOR EACH FACTOR - Travel time to campus

Count	Percent	
177	50.14%	Very satisfied
69	19.55%	Somewhat satisfied
36	10.20%	Neutral
40	11.33%	Somewhat dissatisfied
31	8.78%	Very dissatisfied
353		Respondents

Q32. How satisfied are you with the following aspects of your current housing situation? SELECT ONE RESPONSE FOR EACH FACTOR - Proximity to/availability of resources such as restaurants, retail, recreation, etc.

Count	Percent	
181	50.99%	Very satisfied
98	27.61%	Somewhat satisfied
38	10.70%	Neutral
33	9.30%	Somewhat dissatisfied
5	1.41%	Very dissatisfied
355		Respondents

Q33. How interested would you be in renting or subletting an apartment to offset your commute?

Count	Percent	
16	45.71%	Very interested
9	25.71%	Somewhat interested
1	2.86%	Neither uninterested nor interested
7	20.00%	Uninterested
2	5.71%	Very uninterested
35		Respondents

Q34. If College-sponsored housing were provided in the cities/places listed below, which of the places would you consider living? SELECT ALL THAT APPLY

Cou nt	Respondent %	Respo nse %	
287	81.07%	33.84 %	Claremont
183	51.69%	21.58 %	Upland
178	50.28%	20.99 %	La Verne
51	14.41%	6.01%	Pomona
69	19.49%	8.14%	Montclair
29	8.19%	3.42%	Other (please specify)
Count	Percent		
1	3.45%		Alta Loma
1	3.45%		anywhere close to the colleges if decent
1	3.45%		Anywhere within 25 minute radius
1	3.45%		big bear
1	3.45%		Covina/West Covina
1	3.45%		depends, can't generalize
1	3.45%		Glendora
2	6.90%		N/A
1	3.45%		Ontario North
1	3.45%		own my home
9	31.03%		Rancho Cucamonga
1	3.45%		Rancho Cucamonga, Alta Loma
1	3.45%		Rancho Cucamonga, Ontario
1	3.45%		san dimas
3	10.34%		San Dimas
1	3.45%		san gabriel valley
1	3.45%		walkable to train
51	14.41%	6.01%	I would not consider College-sponsored housing off campus or outside the City of Claremont
354			Respondents
848			Responses

Q35. How important are each of the following factors to you in your decision of where to live? SELECT ONE RESPONSE FOR EACH FACTOR - Total cost of rent/mortgage and utilities

Count	Percent	
287	81.53%	Very important
58	16.48%	Somewhat important
5	1.42%	Neutral
1	0.28%	Somewhat unimportant
1	0.28%	Very unimportant
352		Respondents

Q36. How important are each of the following factors to you in your decision of where to live? SELECT ONE RESPONSE FOR EACH FACTOR - Type of housing

Count	Percent	
205	58.07%	Very important
126	35.69%	Somewhat important
19	5.38%	Neutral
3	0.85%	Somewhat unimportant
0	0.00%	Very unimportant
353		Respondents

Q37. How important are each of the following factors to you in your decision of where to live? SELECT ONE RESPONSE FOR EACH FACTOR - Size of housing

Count	Percent	
178	50.57%	Very important
136	38.64%	Somewhat important
31	8.81%	Neutral
6	1.70%	Somewhat unimportant
1	0.28%	Very unimportant
352		Respondents

Q38. How important are each of the following factors to you in your decision of where to live? SELECT ONE RESPONSE FOR EACH FACTOR - Quality of housing

Count	Percent	
239	67.90%	Very important
102	28.98%	Somewhat important
10	2.84%	Neutral
1	0.28%	Somewhat unimportant
0	0.00%	Very unimportant
352		Respondents

Q39. How important are each of the following factors to you in your decision of where to live? SELECT ONE RESPONSE FOR EACH FACTOR - Location within certain school districts

Count	Percent	
116	33.05%	Very important
42	11.97%	Somewhat important
99	28.21%	Neutral
24	6.84%	Somewhat unimportant
70	19.94%	Very unimportant
351		Respondents

Q40. How important are each of the following factors to you in your decision of where to live? SELECT ONE RESPONSE FOR EACH FACTOR - Travel time to campus

Count	Percent	
194	54.96%	Very important
135	38.24%	Somewhat important
17	4.82%	Neutral
6	1.70%	Somewhat unimportant
1	0.28%	Very unimportant
353		Respondents

Q41. How important are each of the following factors to you in your decision of where to live? SELECT ONE RESPONSE FOR EACH FACTOR - Proximity to/availability of resources such as restaurants, retail, recreation, etc.

Count	Percent	
156	44.07%	Very important
148	41.81%	Somewhat important
43	12.15%	Neutral
7	1.98%	Somewhat unimportant
0	0.00%	Very unimportant
354		Respondents

0 Respondent

Q74. If all of the unit types described above were available on The Claremont Colleges' campuses at the rents outlined above, what would have been your living preference for this academic year (2014-2015)?

Count	Percent	
10	7.75%	Unit A: Single occupancy (private) bedroom in a studio apartment for \$1,100/month
22	17.05%	Unit B: Single occupancy (private) bedroom in a one-bedroom for approximately \$1,375/month
26	20.16%	Unit C: Single occupancy (private) bedroom in a two-bedroom apartment for approximately \$1,740/month
63	48.84%	I would prefer to live off campus
8	6.20%	I would prefer to live in housing currently available on campus
129		Respondents

Q76. How many occupants would you prefer within your bedroom?

Count	Percent	
82	64.06%	Single occupancy
40	31.25%	Double occupancy
6	4.69%	I don't have a preference
128		Respondents

Q77. How long would you be interested in living in a College-sponsored rental/lease housing unit?

Count	Percent	
2	1.59%	Less than 1 year
39	30.95%	1 - 2 years
40	31.75%	3 - 4 years
11	8.73%	5 - 6 years
13	10.32%	More than 6 years
21	16.67%	Through retirement
126		Respondents

Q78. If the Claremont Colleges built new housing, which five amenities would be the most attractive to you? SELECT UP TO FIVE

Count	Respondent %	Response %	
46	35.94%	7.47%	Pool
15	11.72%	2.44%	Outdoor Seating
93	72.66%	15.10%	Private patios/balconies
18	14.06%	2.92%	Nearby caf��
13	10.16%	2.11%	Secure bike storage
109	85.16%	17.69%	On-site laundry
53	41.41%	8.60%	Fitness Center
56	43.75%	9.09%	Extra Storage
1	0.78%	0.16%	Business Center
92	71.88%	14.94%	Assigned Parking
1	0.78%	0.16%	Computer Center
18	14.06%	2.92%	Barbeque grills
37	28.91%	6.01%	Card-controlled access
27	21.09%	4.38%	Shuttle to campus center
37	28.91%	6.01%	Wi-Fi hotspots
128	Respondents		
616	Responses		

Q85. Please let us know if you have any other comments regarding The Claremont Colleges' Employee Housing program:

Count	Percent
98	100.00%
98	Respondents

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E. Survey Comments (Graduate)

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CLAREMONT COLLEGE'S SURVEY COMMENTS (GRADUATE)

- ◆ Living on campus is too expensive. Also, what options exist for married couples?
- ◆ #1 consideration is the quality of my relationships with the other people living in the house - not that I know them already, as I have many close friends that I would definitely not live with - but that we all want the same things in a house environment, and pleasantly abide by the agreements we make, even if we don't hang out socially
- ◆ >\$900 per person is too much; I'd rather find cheaper housing and provide for my own food/laundry
- ◆ A dining hall would be nice on KGI campus. However, I understand that it is expensive and a great undertaking especially for such a small population. It would be nice, but not necessary and could take a big toll on KGI if there was one.
- ◆ Air Conditioning sucks at the CGU apartments because it's centrally controlled
- ◆ Air conditioning that can be regulated by each person in the unit (as opposed to a shared or master regulated format) is very important. Fitness/pool center is very important. The atmosphere (less formal/flexible and friendly staff & RAs) is very important. Flexible lease periods are very important as well as the cleanliness of the common areas & grounds. The cost for the units proposed in this is too high for graduate students like me. The proposed cost systematically excludes low income and many first generation students; thereby lacking diversity and failing to serve the most vulnerable student groups who would benefit the most from graduate housing programs. The cost should definitely be revisited and ways for the campus to sponsor low income and first generation students should be explored. Thank you.
- ◆ Assignment of parking would be very convenient, but also the allowing of pets. For those in a studio life gets lonely. But more importantly, the access to cafeterias on all the 5 C's. It is ridiculous that while attending the Graduate University we do not have an actual cafeteria and we do not have access to a meal plan. There are plenty of options, broaden the horizon for the Grad students that do live on campus.
- ◆ CGU Housing is less affordable (smaller in size but with rents similar larger apartments that are in the nearby apartment complexes). The only two extra advantages of being at CGU housing are the wireless internet and the proximity to school. There is no pool or fitness center; No living rooms in most of the shared CGU housing; No regular-sized refrigerators and ovens in the studio apartments. Proximity to school is the biggest reason students, especially those without cars, choose to live at CGU housing. It is unfair to charge students a premium on account of proximity to school alone. I hope that the new housing will be provided at competitive rates and apartment sizes, when compared with the local market's apartments and associated amenities. I hope that

reasons such as free wireless internet will not be cited for charging high rents (the long-run added cost of providing wireless internet is not that high for a university to merit inflated rents.)

- ◆ cost of living should be more affordable...the cost of tuition at the Claremont colleges is exorbitant and a one bedroom apartment for \$1,400 is ridiculous... shame on you
- ◆ Decrease the prices to be more comparable to apartments. IE: two bedroom apartment would be \$1200 divided by two people.
- ◆ Expensive
- ◆ Feasibility would be prime concern.
- ◆ Housing should be more affordable to students. Offered prices are not competitive.
- ◆ How soon???
- ◆ I currently stay at Claremont Graduate Housing. The rates for housing determined for every category is almost \$200 more. Please do reconsider the same.
- ◆ I hope the new resident hall would be closer to the 5Cs and have sound-proof windows.
- ◆ I lived in on campus housing my first year at CGU, but the two bedroom with a living room was small, with no pool. My roommate and I found a better pricing with a pool. Additionally, having a study room and a SEPARATE rec room/place to interact would have been preferred. The community room was too loud to work in, but I needed another space besides my apartment to work.
- ◆ I lived in the current housing structure my first full year of schooling with major complaints being: floor plan layout (lived in a two bedroom shared living room/bathroom) not providing a large enough common area, costs are higher than most off-campus housing, and lack of outside amenities (seating, study areas with Wi-Fi) Pros: close to campus and grocery, hosted campus activities and events
- ◆ I think it is a great idea.
- ◆ I think students can find more value for their dollar through the local housing market. In addition, Western University appears to have a surplus of units considering they were trying to offer KGI students housing in their complex. Demand for on-campus housing seems low and the price tag too high.
- ◆ I think the price for the studio and 1 bedroom are high.
- ◆ I think there should be an offer of unfurnished housing for with lower rent because then many students would have to sell their belongings or get a storage unit.
- ◆ I tried very hard to live on campus this year with my spouse, however the one-bedroom apartments were in very high demand. I was told that I was the first to get my application in, but they did not have room for us until "after the start of the semester." I was forced to get an apartment off campus.
- ◆ I would be great to have a housing unit complex be built right within walking distance to KGI.
- ◆ I would be interested in graduate housing that was actually homes. As a graduate student (particularly a married one), I am interested in more of a home with features like in-home laundry, etc.
- ◆ I would like to find rental close to campus for reasonable cost.

- ◆ I would love to see married student housing with small pets allowed, for about \$2000 per month for 2 bedrooms. Would also be nice if there was a rent break if both partners were students.
- ◆ I'd also need to be able to control the temperature.
- ◆ If building a fitness room, would be great to have some free weights and not just weight machines as well for students who can't afford or have space to house their own free weights. Also, having cameras that actually work on the premises.
- ◆ if the office can send me an email every month to remind me to pay monthly bill that would be better
- ◆ If the pricing of the rooms can be lower than the listed price.
- ◆ If you ever let cats live in the buildings, I'd consider it!
- ◆ it should be called the CGU housing program, because there is none for KGI
- ◆ It would be nice if a bed is provided.
- ◆ It would be nice if there was a shuttle that ran through the entire campus.... (not just from the housing to CGU, but through all 5 C's.
- ◆ It would be nice to offer more townhome/ single family units instead of just apartment type of living spaces. Also, I would like to live in on campus but pets from before acceptance make it not an option.
- ◆ It's too expensive. For the same price, I can get a much larger and nicer unit off campus with far more amenities.
- ◆ Look forward to it!
- ◆ Make it less dorm-like.
- ◆ My biggest reason for not living on campus is the ability to live with my spouse.
- ◆ On Campus Housing for International Students at KGI
- ◆ Please have a pet policy and allow renters living in single bedroom apartments to pay a pet deposit.
- ◆ Pricing and location will be the biggest issue. Being a student at KGI, I would prefer to have on-campus housing so we can walk from housing to class easily. Also, pricing for the complexes could be cheaper than what is being offered.
- ◆ Student centered activities are a big reason why I stay in CGU apartments. Even weekly movie nights in the community room are a simple but nice break offered by the housing office.
- ◆ Thank you
- ◆ Thank you for all that you do for us!
- ◆ The cost of graduate student housing is absolutely ridiculous. I pay half the amount of a single occupancy school apartment to live in the master bedroom of a house with in-house laundry and a dishwasher. It shouldn't cost more to live in Claremont in sponsored student housing than it does in downtown LA. That is absurd.
- ◆ The housing should have a bus to send students to the colleges
- ◆ The lower rent is more preferable
- ◆ The new housing studio plan sounds nice, except that the rents are at least \$200 more than the price of my current studio. The one thing I don't like about my CGU single studio is that it doesn't

have an oven. I think I should be paying a bit less rent than \$925 if I'm not getting an oven and have to wash all my dishes by hand too.

- ◆ The options provided are all more expensive than what I currently have or can afford. Although I would really like a single occupancy studio or one-bedroom, the options provided are beyond my budget. The shared option you have mentioned is also more expensive than my current shared living situation.
- ◆ The options suggested were not super attractive for anyone living with a partner, family, and/or pets.
- ◆ The price is expensive
- ◆ The price of housing list on this survey is so expensive.
- ◆ The prices for CGU housing are too high as compared to the space provided. Also, there should be care around housing.
- ◆ The prices in the examples for this survey were higher than I'd be willing to pay, especially considering how school costs ALWAYS increase every year!
- ◆ The prices of the new rooms that were listed seem very expensive in comparison to what is offered currently. I liked the single room plan, but it is way pricier than what I am currently paying. Also, on a completely different note, the hallways of CGU Housing do not get swept. It gives an appearance of untidiness. It would be nice if at least twice a month something was done about the condition of the hallways.
- ◆ The projected prices for both the studio and one-bedroom units are outlandish and far exceed local cost for similar (I have never paid over \$850 for a studio or over \$1,100 for a one-bedroom in Claremont). Student housing needs to be a VIABLE alternative for those who do not want roommates.
- ◆ The proximity to campus is the ultimate advantage for me; the closer facility to the center of 7C campus (not just to CGU/KGI), the higher rent I would tolerate.
- ◆ The reason I didn't pick any of the potential places was that I pay for an apartment currently. I don't pay for a living space/person. I have a family.
- ◆ The Rent per person should be around 350 to 400 dollars. If this is the rent decided than I am sure all the students would prefer staying on campus. But if the rent is more than there are lots of nearby apartments where students can stay.
- ◆ There are not very many options for family housing. This is the reason that I rented off campus. I have a family and needed a place that would accommodate us.
- ◆ There wasn't an option for this in the previous question regarding floor plans but I wouldn't live in any of those plans because of the price. None of the options offered are a good deal at all.
- ◆ This is a great idea. It is really hard to find housing
- ◆ This seems primarily aimed toward the typical student and there is NOTHING that the claremont colleges offer to families (not really). It would only be moderately cheaper to live on campus rather than off, which would come at the sacrifice of not having any sort of "play" area and would consist of cramming everyone into a small amount of space. It just isn't worth it, which is too bad

considering that students with their own families are the people who need affordable housing the most as financial aid offers the same amount to an individual as it does to someone with a family.

- ◆ Unfortunately due to work I live 50 miles from campus and very close to work. I wish I did live closer to campus to participate in more activities during the week. However, due to lack of funding by CGU I must remain employed full time and school full time.
- ◆ When you build, try to make it sound proof. It's ridiculous to pay the sort of money that CGU charges for GRAD students, and they can't keep it quiet for STUDY!!
- ◆ Will not take the rooms mentioned because it is too expensive. I pay \$500/month, will not pay more. Being them the same money, I will go.
- ◆ Would it be possible to have a laundry unit built in also? In addition, would pets be allowed?
- ◆ Would like a full kitchen/oven available in studio

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F. Survey Comments (Faculty)

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CLAREMONT COLLEGE'S SURVEY COMMENTS (FACULTY)

- ◆ At this point it is not something I would consider, but it could have been helpful when first moving here as a temporary solution before buying.
- ◆ Faculty have an easier time than staff in terms of living in, or close to, Claremont. Housing costs are quite challenging in our area; they are without doubt an important factor in recruitment for faculty and staff positions.
- ◆ Housing provided by Pomona College for new faculty was a significant part of my decision to accept a position here. I think such housing provides both community and great economic value to young faculty.
- ◆ I don't know anything about it.
- ◆ I found the last section not very applicable to staff - as the unit choices were for sharing a unit. I am faculty with a wife and 2 year old - we would want our own 2 bedroom apartment (preferably with TWO bathrooms). If you are seriously exploring for staff/faculty, a situation for family living is a must of course. I know that many campuses have family housing separate from singles. Thank you
- ◆ I knew nothing about it when I first moved to work here. My transition to living and working in California would have been so much better, had a working housing program existed.
- ◆ I think this would be a wonderful program for junior faculty who are trying to learn the area and save up for a home.
- ◆ I would like to rent a small condo or apartment to stay over several times a week or when I have to be on campus at night and then again the next morning.
- ◆ It would be wonderful if there was short-term housing available for visiting scholars. I have recently hosted three different international visitors for stays of 3 wks, 2 months and 6 months. It was very difficult to find decent, cheap housing within walking distance of campus for the shorter-term visitors.
- ◆ It would be good if the Claremont Colleges created incentives for faculty to live closer to campus (rather than 45 minutes away in LA).
- ◆ none
- ◆ Often partner commute is a very important part of housing considerations.
- ◆ Thanks for thinking about these things!
- ◆ The housing program was very important for me when I was first hired in 1985. It made it possible for me to save for my own house in Claremont. My home is very near the Keck campus. I host international students who attend the Keck and they often speak about the need for college housing near that campus.

- ◆ The thing that would be of high interest to me is a location to have colleagues stay when visiting for month-semester time frames. Furnished choices would be of high value.
- ◆ There should be an employee housing program. I moved here not realizing how expensive the cost of housing would be and CGU gives a second mortgage up to \$40k which is basically useless because banks still won't loan above 80%. So there is no housing program as far as I can make out. Other Colleges, eg, CMC, have housing on offer to faculty who move here.
- ◆ This is an excellent idea for all of us. Thanks you
- ◆ We have been here a long time, and bought our Claremont home at a time when it was within a professor's salary to do so. If we were just starting out, something like what KGI describes would have been very attractive. Making it possible for even some junior faculty to live near the Claremont Colleges would enhance their educational quality, and making it possible for staff to live nearby would be a major help for these relatively low-paid people who make college life possible.
- ◆ Will not pay a premium — if it's more expensive than Craigs List, then I'm not interested.
- ◆ Would small pets be allowed?

G. Survey Comments (Staff)

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CLAREMONT COLLEGE'S SURVEY COMMENTS (STAFF)

- ◆ Affordable housing for young working professionals would be ideal. Keeping in mind that our salaries are not quite the same as professors or high level supervisors. Affordable housing in the area is difficult for young families just starting out.
- ◆ Although I am very interested in this housing option, I pay approximately \$675 less (in Claremont) per month the most similar space described in this survey.
- ◆ Although I doubt I would use employee housing myself, I think a housing program could be very valuable in recruiting staff to Claremont. I have managed many staff searches over the years, and housing is always an issue when speaking with candidates from outside the area.
- ◆ Although I'd be very interested in this housing, the suggested rental fees are beyond what my salary can support.
- ◆ An affordable housing option would be a great service to provide for faculty/staff members of the Colleges, especially considering the cost of living in the Claremont area. Also, an affordable housing option would allow young professional staff, or those families with small children, to be able to save money while working to purchase a home in the area. A lot of dual-income families are living paycheck-to-paycheck with housing and daycare costs and aren't able to save any money to purchase a home in the area. Plus the Claremont School District is more of an attractive option than any nearby school districts.
- ◆ An unfurnished option would make it workable for my family and help with our needs. A 3 bedroom option would also make it workable. Without those two options, we would not be interested. Also, proximity to a Metrolink station is important.
- ◆ Are we only talking about apartments? If so, then I wouldn't be interested
- ◆ As a graduate student at CGU (then CGS), I lived in their graduate housing and appreciated the convenience, cost, and location very much. I think there should be more on-campus housing for graduate students.
- ◆ As a new, younger staff member, this would have been a very appealing option to me (I moved to California from out of state for my job at Claremont). However, now I live in Pasadena, and feel a little established there (I am also closer to friends and family who live on the west side of LA). However, had this option been available during my initial move to Claremont I likely would have lived at employee housing for at least a year or two while getting to know the area, especially if rent was affordable.
- ◆ As someone who doesn't make significant money in a part time job here, I would like to be slightly cheaper. If it were to be \$1100 a month for a studio I would expect utilities to be included.
- ◆ Good idea for new/young faculty.
- ◆ Good luck!

- ◆ Great idea!
- ◆ Having a group of employees/ grad students living together seems like an appealing idea to me overall. If it were to happen, I think that childcare services should be considered as well. It seems like a great opportunity to establish reduced/group rates somewhere.
- ◆ I am looking to move from my current apartment in 1-2 years. What I'm looking to move into is an apartment/condo/townhome/house, etc that has a minimum of 2 bedrooms, 2 bathrooms, 1000 square feet, with a private patio or balcony, a dishwasher and in-unit laundry hookups/machines for myself, my husband, my daughter and future child to occupy. If these criteria were met, I would consider moving into the housing complex you are planning to build.
- ◆ I am not so much interested for myself, but as program coordinator for our CGU graduate students and other visiting researchers, I am often challenged to help them find housing that is affordable and in safe neighborhoods. The KGI option would be a nice resource.
- ◆ I am so thankful to hear about this opportunity. I've been looking for places to sublet in Claremont. Thank you!!
- ◆ I am totally for it.
- ◆ I believe the housing should just be for students but the use of other facilities such as fitness/gym, meeting rooms, and food courts should be available to all staff/faculty.
- ◆ I currently live in a house operated by Pomona College and actually waited about 3 weeks to see if it became available. It was by far the best option (cost, proximity, quality) compared to everything else I looked at in the area. Based on other colleagues comments regarding the college sponsored housing they have, I would say it is an incredibly valuable incentive which only further adds to the quality of work experience which the Claremont Colleges' provide.
- ◆ I do not know about this program.
- ◆ I feel the rents presented are too high. My colleague is renting in Claremont north of Baseline & Mills 4 bedroom home w 2 1/2 bath, family room, fully renovated with a Big park like backyard. Water & Trash & Gardner paid for 1900.00 yearly lease
- ◆ I honestly think this is a fantastic idea for staff. I would argue that this type of benefit would contribute to new talent seeking employment at the Colleges.
- ◆ I lived in Claremont when I first started working here, and figured out that I didn't want to live in Claremont unless I was in the Village. No inventory there, so I ended up moving to LA. The suburban tract home lifestyle isn't for everybody. If the colleges could get their hands on some nice Craftsman homes in the village, that might be lovely, but I don't know that I would want the colleges spending their funds on that. I'd rather see a housing subsidy payment, given academic salaries.
- ◆ I lived in CMC housing for my first year here. It was a wonderful benefit and allowed us to save up to purchase a house in Claremont. Thank you!!!
- ◆ I moved across the country to come to Claremont, and finding housing was not easy (and the CUC housing office was unhelpful). I would certainly have strongly considered living in campus employee housing, especially if it was in Claremont and priced equivalently to other housing options.

- ◆ I think it could be a really good idea, but the prices are a bit higher than if I rent a home nearby. Unless it also includes the cost of electric and water. But I do like the idea. Also, what about current pets?
- ◆ I think it is a great idea.
- ◆ I think it is very necessary
- ◆ I think it would be a great idea, and very attractive, although currently we are paying about the same for a larger 2bd/2bath apt as what is proposed for the Claremont Colleges Employees Housing program. If it is to be successful in my opinion it should at least equal what is offered around the area.
- ◆ I think it would be a wonderful idea, it would also take away a lot of the stress of trying to find affordable housing in California.
- ◆ I think it's a great idea!
- ◆ I think it's a great idea, but the proposed rental prices seem steep. I am not sure about the square footage, but it seems to me that it would cost as much as a mortgage. If I had the money to afford this, I would prefer to own my own place.
- ◆ I think it's a wonderful selling point for potential employees; I own my own home and am not looking to move any time soon. I think it's also a wonderful resource for graduate students who may have a hard time finding affordable, close housing to the Colleges.
- ◆ I think this is a great idea. But the monthly costs associated with the sample options provided is far too expensive. I pay \$800 for a studio in Claremont. It's terrible quality but I couldn't afford \$400-\$600 more a month to live in a place of the same size through your program. I'm all for this idea but the pricing is unfeasible to most of those interested in this kind of program aside from well-off students.
- ◆ I wish there was actually a program for staff. I know that Pomona faculty get a lot of support, but I got pretty much no support when I moved her from the Bay Area. It was stressful!
- ◆ I wish this would have been available when I was first hired. I am unlikely to move now, but if it had been an option when first offered a position at TCC, it would have made the offer that much more attractive. If the cost were lower than similar housing available to the general public, I would have used it.
- ◆ I would be interested in the two bedroom model. \$1700.00 dollars seems to be a little high. \$1500.00 dollars is a more attractive amount to spend on that unit.
- ◆ I would consider if the program offer good discounted price and rate.
- ◆ I would consider this Employee Housing program as an option but it all comes down to the noise factor and conveniences. I have a full washer and dryer in my unit which has become a standard amenity in my daily life. My other fear is that if I am mixed in with students living there, it may get too loud on some nights. Another thing to consider is space. Your floor plans did not provide an estimate of the size of each unit. Currently, I live in a 2bd/2ba unit that is 1,151 sf. I would not consider less than 950 sf.
- ◆ I would like to see options for families. 3-4 bedrooms

- ◆ I would love to have the option of employee housing as housing in general is so expensive in Claremont. However, I would not be likely to move into an apartment style housing unit, because with a family of 4, it is great to have a detached house with backyard.
- ◆ I would need the monthly rent to be lower than \$1,000.00
- ◆ I would only be interested in housing that offered 3+ bedrooms
- ◆ I would prefer wired Internet access (Cable or Fios type) within my apartment instead of WiFi, where I provide my own WiFi for myself because I'm already a techie person. On the amenities and room layout questions for a 2BR apartment, it might be nice to have an option for either the 2nd BR as an office with or without a "Murphy" bed setup for guest visitors, or even an "unfurnished" option to the apartments.
- ◆ I wouldn't take advantage now, but might have when I joined 5 years ago from another state
- ◆ I'm for this effort. If the price is reasonable, then I love to move in
- ◆ If larger condos were available in a mixed housing environment (faculty, staff, graduate students), I would find that very attractive.
- ◆ Interesting idea. I look forward to hearing more about it.
- ◆ It sounds like a cool idea, that students and staff/faculty would be living together. Best of luck!
- ◆ It would be great if families of 4 or more were accommodated.
- ◆ It would be great if housing allowed small pets.
- ◆ It would be nice to have a two bedroom, two bath available.
- ◆ It would be wonderful if the KGI housing complex could provide temporary housing to visitors associated with The Claremont Colleges. That was a great benefit of the old CUC faculty house which we used several times before it closed. Not just for the semester, but for shorter visits of a week or so. Thanks!
- ◆ It would have been very helpful to have had more housing options when I was earlier in my career and renting a home. The rental prices and quality in Claremont are high, and the options in neighboring cities are not as desirable even if they are less expensive.
- ◆ Living close to my place of employment has certainly been a blessing, especially in this day and time where there seems to be more traffic congestion than has ever been. I think the Employee Housing program is a great idea for those who have a long commute.
- ◆ Medical, Dental, and Physical Therapy access plus transportation to and from those facilities if seniors are being considered for this housing. Many are unable to drive or move unassisted.
- ◆ Most private rental housing in Claremont requires tenants to have +\$200,000 renters insurance policy. This extra expense makes housing difficult in Claremont with the high rents in the area. I can move one city over and cut costs by \$300-500 a month which an important expense to avoid.
- ◆ My current apartment is just over 1150 square feet. I would love to move to a housing program here, but only if the square footage could meet/exceed my current place. I have a 2 Bed, 2 Bath unit with Verizon Fios access (As a network admin top-tier internet is a priority) for 1500/month
- ◆ My husband and I plan on having kids, would the Claremont College's Employee Housing program be suitable for infants, babies, and children? Will there also be 24 hour maintenance available for emergencies and security on the grounds to maintain the peace?

- ◆ My husband is the primary wage earner in our family and we are happy home owners in Rancho Cucamonga. I know housing is expensive in the area and appreciate you trying to assist employees in finding reasonable housing.
- ◆ My wife teaches at the Webb Schools and we get free housing from that so sorry that my results may skew your data but I just wanted to answer honestly. Thanks!
- ◆ Please consider unfurnished options :) Cool idea! I'd be interested.
- ◆ Rent to own or down payment assistance highly considered for a first time buyer
- ◆ Since only faculty benefit from the program, there is not much to say.....
- ◆ Sounds like a great idea. I have observed over time how difficult it is for new employees to find housing close to the colleges.
- ◆ Sounds like a terrific idea if you find there is a desire/need.
- ◆ space availability
- ◆ Thank you for allowing us to participate and provide input! It makes a huge difference!
- ◆ Thank you for looking into this issue. It is very much needed!
- ◆ The Claremont College do not pay staff enough money to affordably live in Claremont.
- ◆ The main issue with most rental housing in the area is the lack of in unit laundry facilities. (That and high rents + shoddy materials.) I won't live in a place without my own washer/dryer. I've lived in a lot of cities around the country and this place has been the hardest to find in unit laundry. I guess people in California don't wash their clothes too often.
- ◆ The price for the square feet of the housing is very expensive. Our current rent for a single bedroom is just less than \$1 per square foot. Those pictures looked at least 30% smaller than our current apartment and cost about 30% more.
- ◆ The rents are WAY too high to be of interest!
- ◆ This is a great idea! When I first moved here, I didn't know anyone, and I had a hard time finding quality, affordable housing near the colleges. Providing an easier way for staff and faculty to find housing along with building community would be a huge benefit to new employees.
- ◆ this is a great idea. make the units as appealing to adults as possible, such as laundry facilities in the units and not shared, covered parking, and security.
- ◆ This sort of program would be particularly important for incoming faculty and for administrative (clerical) staff. At the current salaries, there is no way our admin staff can afford to live near the College. We are underpaying the support staff we rely on every day to do our work. We either need to increase their pay significantly or we need to provide subsidized housing. One or the other.
- ◆ This sounds like a great idea. If affordable single family housing would be available, I would consider it.
- ◆ This would be such an amazing benefit to Pomona Employees. I know it would make a great impact on my situation.
- ◆ Three bedrooms need to be offered to meet the needs of families. I would totally rent if there were a three bedroom available but that floorplan was not listed. It needs to be!!!!!!

- ◆ To add to the previous question - I would not live in a unit without washer/dryer hookups for my own machines.
- ◆ to make it as affordable as possible.
- ◆ WALKABLE TO TRAIN
- ◆ Washer dryer hookups at the least! NO ONE has time to mess around with a laundry facility, or wait for a student to clear out 3 out of 5 washers so you can do laundry.
- ◆ What is it?
- ◆ When my spouse and I arrived in Claremont in the early 1990's we applied for college sponsored housing but were not given that opportunity. Every time we went to check our place on the wait list our name never seemed to be on the list at all. Things have changed quite a bit since then and I know many people have been happy with the college rental housing just South of the Pomona campus in the 'Faculty Hood'.
- ◆ While I would consider living in college-sponsored housing, I would only do so if I were to rent our current home. And this is not something I would be eager to do.
- ◆ Why not laundry inside each unit?
- ◆ You asked about my primary commute method. I answered "drive" because that is what I do. However, I would prefer to walk, bike, or take public transportation.
- ◆ You missed an option. I already lived in Claremont prior to working at the Claremont Colleges.



February 6, 2017

Robert Kim
Executive Managing Director
Hanover Pacific, LLC
2603 Main Street, Suite 1190
Irvine, CA 92614

RE: Summary of Key Market Changes

Dear Mr. Kim:

We are excited that Keck Graduate Institute ("KGI") is moving forward with the development of a 417 bed campus housing project (the "Project"). Brailsford & Dunlavey, Inc. ("B&D") completed our analysis in January 2015 indicating that there was demand for up to 564 beds from KGI students, Claremont Graduate University ("CGU") students, as well as faculty and staff from the Claremont Colleges. To remain conservative, B&D recommended a 1.20:1.0 occupancy coverage ratio to mitigate project risk creating a recommended maximum program of 471 beds. All of the demand projections in our previous analysis were based on populations anticipated for fall of 2016. Given that two years have passed since B&D completed the analysis, there are changes within the market which will impact the demand profile of the proposed project. This letter identifies three positive market changes which will benefit the Project.

ENROLLMENT GROWTH

During B&D's analysis, Keck Graduate Institute indicated plans to expand their student population by approximately 300 students over the following five years. KGI had grown by more than 59% between 2012 and 2014. While the demand analysis included a modest growth in enrollment based on plans, confirmed enrollment increases were not available. KGI has developed and implemented a long term enrollment plan that has already increased enrollment through additional cohorts, particularly within the School of Pharmacy. The current projected headcount stands at 723 by fall 2021 which B&D believes to be attainable. If this increase occurs, B&D would estimate an additional demand of approximately 60 beds by fall 2021.

LOCAL HOUSING SUPPLY

Overall, the housing supply within Southern California has been increasing, but still not able to meet the local demand. New housing starts in the local market do not reveal additional large scale multi-family developments that would be in direct competition with the Project. The biggest change within the local market is the elimination of the graduate student housing at Claremont Graduate University. CGU will be transitioning the project to focus on the undergraduate population of the Claremont Colleges. This supply reduction of approximately 240 beds will further increase the need for graduate focused housing for the Claremont Colleges. B&D's demand projections included interest from CGU students, although the existing housing was excluded. B&D would not anticipate the project recapturing all of the beds being taken off-line, but demand will likely increase.



OFF-CAMPUS HOUSING MARKET

B&D conducted an analysis of off-campus rental housing in the communities surrounding KGI during the fall of 2014. This analysis identified the average rental rates, excluding utilities, for a private (single-occupancy) studio, one-, two-, and three bedroom apartment of \$1,085, \$1,258, \$731, and \$657, respectively. When comparing to the projected rates of the Project, B&D estimated a 3% annual increase from 2014 to opening.

The local housing market has seen a sharp increase in average prices particularly from the fall 2015 to summer 2016 (figure 1). It is estimated that in the approximately 2 years since B&D completed the research, housing rates have increased 11.8%, or 5.9% annually. The higher annual market rate increase will reduce the premium between the Project and market average; thereby increasing interest in the Project and increasing demand.

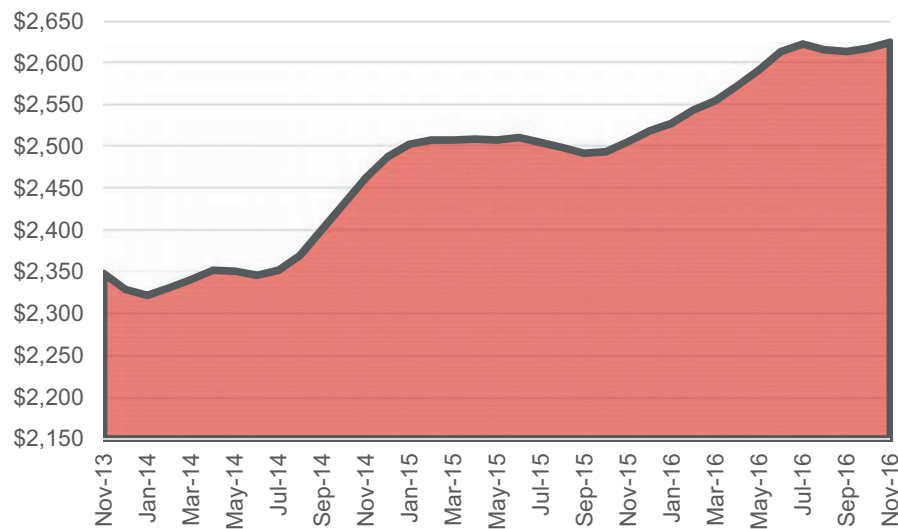


Figure 1: Average Housing Unit Rental Rate from Zillow Real Estate

DEMAND IMPLICATIONS FOR KGI HOUSING

After a preliminary review of the Project and current market considerations, B&D believes that the Project's market positioning is more favorable than in 2015. Few limiting or negative factors have been discovered. The combination of the three considerations discussed in this letter create a more compelling story for a unique opportunity to serve KGI students, faculty, and staff as well as those of other Claremont Colleges. All of these factors should reduce the occupancy, financing, and operating risk of the proposed Project.

Sincerely,

Matthew Bohannon
Regional Vice President

APPENDIX “C”

CASH FLOW PROJECTION

	For Annual Period Ending June 30				
	2019[†]	2020[†]	2021[†]	2022[†]	2023[†]
Revenue					
Gross Potential Rent	\$5,797,532	\$5,971,458	\$6,150,602	\$6,335,120	\$6,525,174
Facility Lease Revenue	240,000	247,200	254,616	262,254	270,122
Other Income	115,225	118,682	122,242	125,909	129,687
Investment Earnings		35,055	35,055	35,055	35,055
Vacancy	(405,827)	(418,002)	(430,542)	(443,458)	(456,762)
Net Revenue	\$5,746,930	\$5,954,393	\$6,131,973	\$6,314,880	\$6,503,275
Operating Expenses					
Payroll and Benefits	495,382	510,243	525,551	541,317	557,557
Utilities - Common Areas ^{††}	291,624	300,373	309,384	318,665	328,225
Common Area and Grounds	56,866	58,572	60,329	62,139	64,003
Turnover	75,420	77,683	80,013	82,413	84,886
Maintenance/Service Contracts	55,676	57,347	59,067	60,839	62,664
Operating Administrative Expenses	51,200	52,736	54,318	55,948	57,626
Marketing and Advertising	30,000	30,900	31,827	32,782	33,765
Property and Asset Management	212,743	219,125	225,699	232,470	239,444
Bad Debt	10,000	10,300	10,609	10,927	11,255
Tax/Insurance	411,000	420,530	430,289	440,285	450,522
Total Operating Expense	\$1,689,911	\$1,737,809	\$1,787,086	\$1,837,785	\$1,889,947
Deposit to Repair and Replacement Fund	80,000	82,400	84,872	87,418	90,041
Total Operating Expense & Reserves	\$1,769,911	\$1,820,209	\$1,871,958	\$1,925,203	\$1,979,988
Net Operating Income	\$3,977,019	\$4,134,184	\$4,260,015	\$4,389,677	\$4,523,286
Other Expenses					
Corporation's Membership Fee	\$ 45,000	\$ 46,350	\$ 47,741	\$ 49,173	\$ 50,648
Trustee, Authority, and Rating Agency	23,500	24,205	24,931	25,679	26,449
Total Other Expenses	\$ 68,500	\$ 70,555	\$ 72,672	\$ 74,852	\$ 77,097
Revenue Available for Fixed Charges	\$3,908,519	\$4,063,629	\$4,187,343	\$4,314,825	\$4,446,189
Fixed Charges					
Gross Fixed Charges	\$3,197,288	\$3,335,863	\$3,432,863	\$3,533,613	\$3,642,613
Fixed Charges Funded by CapI	(1,628,834)	0	0	0	0
Total Fixed Charges	\$1,568,453	\$3,335,863	\$3,432,863	\$3,533,613	\$3,642,613
Cash Flow after Fixed Charges	\$2,340,066	\$ 727,767	\$ 754,481	\$ 781,212	\$ 803,577
Fixed Charges Coverage Ratio	2.49	1.22	1.22	1.22	1.22
Operating Reserve Fund Deposit	\$1,200,000	0	0	0	0
Operating Reserve Fund Balance	0	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000
Fixed Charges Coverage Ratio With Operating Reserve	2.49	1.58	1.57	1.56	1.55
Net Cash Flow	\$1,140,066	\$ 727,767	\$ 754,481	\$ 781,212	\$ 803,577

[†] Totals do not foot due to rounding.

^{††} To be partially paid by KGI. See “THE FACILITY LEASE” herein.

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APPENDIX “D”

DEFINITIONS

Certain words and terms used in this Limited Offering Memorandum are defined herein. In addition to the words and terms defined elsewhere herein, the following words and terms are defined terms in this Limited Offering Memorandum.

[

“**2017 Special Account of the Construction Fund**” means the Account of the Construction Fund of that name created in the Indenture.

“**2017[A] Account of the Construction Fund**” means the Account of the Construction Fund of that name created in the Indenture.

]

“**2017A Account of the Issuance Cost Fund**” means the Account of the Issuance Cost Fund of that name created in the Indenture.

“**2017A Subaccount of the Capitalized Interest Account**” means the subaccount of the Capitalized Interest Account of that name created in the Indenture.

[

“**2017B Account of the Construction Fund**” means the Account of the Construction Fund of that name created in the Indenture.

]

“**2017B Account of the Issuance Cost Fund**” means the Account of the Issuance Cost Fund of that name created in the Indenture.

“**2017B Subaccount of the Capitalized Interest Account**” means the subaccount of the Capitalized Interest Account of that name created in the Indenture.

“**Accountant**” means an independent certified public accountant or firm of independent certified public accountants (that may be the accountant or firm of accountants retained by the Borrower).

“**Accounts**” means, collectively, all of the accounts within the Funds created pursuant to the Indenture (each, an “**Account**”).

“**Accredited Investor**” means an “accredited investor,” as defined in Rule 501 of Regulation D promulgated by the United States Securities and Exchange Commission under the Securities Act.

“**Act**” means the Joint Exercise of Powers Act, comprising Articles 1, 2, 3, and 4 of Chapter 5 of Division 7 of Title 1 (commencing with §6500) of the Government Code of the State of California, as amended to the date hereof and as the same may be from time to time additionally supplemented and amended.

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

“**Additional Notes**” means any promissory notes issued by the Borrower in connection with Additional Bonds.

“**Additional Loan Payments**” means the Loan Payments payable by the Borrower pursuant to the Loan Agreement that are described in APPENDIX “E” hereto, “SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS,” under the subheading “THE LOAN AGREEMENT - Loan Payments and Other Amounts Payable -- **Additional Loan Payments.**”

“**Additional Members**” means, collectively, all political subdivisions other than the Charter Members that have been designated in the past, or from time to time in the future is designated, as members of the Authority pursuant to the Joint Powers Agreement (each, an “**Additional Member**”).

“Additions or Alterations” means modifications, repairs, renewals, improvements, replacements, alterations, additions, enlargements, or expansions in, on, or to the Project, including any and all machinery, furnishings, and equipment therefor.

“Affiliate” means any Person (i) directly or indirectly controlling, controlled by, or under common control with the Borrower or (ii) a majority of the members of the Directing Body of which are members of the Directing Body of the Borrower. For purposes of this definition, control means with respect to: (a) a corporation having stock, the ownership, directly or indirectly, of more than fifty percent (50%) of the securities (as defined in §2(1) of the Securities Act) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the directors of such corporation; (b) a non-profit corporation not having stock, having the power to elect or appoint, directly or indirectly, a majority of the members of the Directing Body of such corporation; or (c) any other entity, the power to direct the management of such entity through the ownership of at least a majority of its voting securities or the right to designate or elect at least a majority of the members of its Directing Body, by contract or otherwise. For the purposes of this definition, ***“Directing Body”*** means with respect to: (x) a corporation having stock, such corporation’s board of directors and owners, directly or indirectly, of more than fifty percent (50%) of the securities (as defined in §2(1) of the Securities Act) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the directors of such corporation (both of which groups shall be considered a Directing Body); (y) a non-profit corporation not having stock, such corporation’s members if the members have complete discretion to elect the corporation’s directors, or the corporation’s directors if the corporation’s members do not have such discretion; or (z) any other entity, its governing body or board. For the purposes of this definition, all references to directors and members shall be deemed to include all entities performing the function of directors or members however denominated.

“Agreement Term” means the term of the Loan Agreement specified in the Loan Agreement, from its execution and delivery until July 1, 2047,[†] unless terminated prior thereto pursuant to the provisions of the Loan Agreement.

“Annual Budget” means the annual budget of the Borrower required by the Loan Agreement.

“Annual Debt Service” means the amount required to pay all principal of and interest on a Series of Bonds in any Bond Year. For purposes of calculating the Annual Debt Service on a Series of Bonds the interest rate borne by which is not fixed to the maturity thereof on any date, for any period during which a Qualified Exchange Agreement shall be in effect, the interest payable on such Series of Bonds shall be deemed to be equal to the fixed periodic sum payable by the Borrower under such Qualified Exchange Agreement plus any fees paid to any credit enhancer and/or remarketing agent in connection therewith and for any period during which such a Qualified Exchange Agreement shall not be in effect, such Series of Bonds shall be treated as if it bears interest at the 25 Revenue Bond Index as published by *The Bond Buyer* on the date of determination plus fifty-hundredths percent (0.50%) per annum.

“Annual Period” means the twelve (12) month period commencing on July 1 of each calendar year and ending on June 30 of the immediately succeeding calendar year.

“Arbitrage Bonds” means “arbitrage bonds,” within the meaning of §148 of the Code.

“Assignment of Construction Fund Proceeds,” with respect to the Series 2017 Bonds, means the Assignment of Construction Fund Proceeds dated as of _____ 1, 2017, by the Borrower in favor of the Developer and the General Contractor, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof and of the Indenture.

“Assignment of Contracts and Agreements,” with respect to the Series 2017 Bonds, means the Assignment of Contracts and Agreements dated as of _____ 1, 2017, by the Borrower in favor of the Trustee, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof and of the Indenture.

“Audit Report” means an audit report resulting from an audit conducted by an Accountant in conformity with generally accepted auditing standards prepared in accordance with GAAP.

[†] Preliminary, Subject to Change

“Authority” means the California Public Finance Authority, a joint powers agency organized and existing under the laws of the State that is separate and distinct from, and independent of, the State and its political subdivisions, and its successors and assigns.

“Authority Additional Payments” means, collectively:

(i) all taxes and assessments of any type or character charged to the Authority affecting the amount available to the Authority from payments to be received under the Loan Agreement or in any way arising due to the transactions contemplated by the Indenture or by the Loan Agreement (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments); provided, however, the Borrower shall have the rights to (A) protest any such taxes or assessments and to require the Authority, at the Borrower’s expense, to protest and contest any such taxes or assessments levied upon it and (B) to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest, or contest would adversely affect the rights or interests of the Authority;

(ii) the reasonable fees and expenses of such accountants, consultants, attorneys, rebate analysts, and other experts as may be engaged by the Authority to prepare audits, financial statements, reports, and/or opinions or to provide such other services required to be provided by the Authority under any of the Bond Documents, including, but not limited to, any audit or inquiry by the Internal Revenue Service or any other governmental body; and

(iii) the Authority Annual Fee and the reasonable fees and expenses of the Authority or any agent or attorney selected by the Authority to act on its behalf in connection with any of the Bond Documents or the Bonds, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale, and delivery of any Bonds or in connection with any litigation, investigation, inquiry, or other proceeding that may at any time be instituted involving any of the Authority Documents, the Bonds, or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the Borrower, its properties, assets, or operations or otherwise in connection with the administration hereof and of the Borrower Documents.

“Authority Annual Fee,” with respect to the Series 2017 Bonds, means the fee payable on each Interest Payment Date the amount of each of which shall be determined by multiplying the principal amount of the Series 2017 Bonds Outstanding on the last day of the calendar month immediately preceding the date of payment by 0.00015.

“Authority Closing Expenses” means, collectively, (i) the Authority Issuance Fee less, if applicable, any application fee heretofore paid by the Borrower to the Authority and (ii) attorneys’ fees incurred by the Authority in connection with the issuance of the Bonds.

“Authority Documents,” with respect to the Series 2017 Bonds, means, collectively, the Indenture, the Loan Agreement, the No Arbitrage Certificate, and the Bond Purchase Agreement.

“Authority Indemnified Parties” means, collectively, the Authority, the Members, and each and all of their respective past, present, and future directors, board members, governing members, trustees, commissioners, elected or appointed officials, officers, employees, Authorized Signatories, attorneys, agents, and advisers (including counsel and financial advisers), and each and all of their respective heirs, successors, and assigns (each, an **“Authority Indemnified Party”**).

“Authority Issuance Fee” means the amount set forth in the Authority’s published schedule for Qualified 501(c)(3) Bonds.

“Authorized Authority Representative” means any person at the time designated to act on behalf of the Authority by written certificate furnished to the Borrower and the Trustee containing the specimen signature of such person and signed on behalf of the Authority by an Authorized Signatory. Such certificate or any subsequent or supplemental certificate so executed may designate an alternate or alternates.

“Authorized Borrower Representative” means any person at the time designated to act on behalf of the Borrower by written certificate furnished to the Authority and the Trustee containing the specimen signature of such person and signed on behalf of the Borrower by its President. Such certificate or any subsequent or supplemental certificate so executed may designate an alternate or alternates.

“Authorized Denominations,” with respect to the Series 2017 Bonds, means denominations of One Hundred Thousand Dollars (\$100,000) and multiples of Five Thousand Dollars (\$5,000) in excess thereof; provided that upon the receipt by the Trustee and the Authority of an Investment Grade Notice, Authorized Denominations of the Series 2017 Bonds shall automatically be reduced to Five Thousand Dollars (\$5,000) or any multiple thereof (each, an ***“Authorized Denomination”***).

“Authorized Developer Representative” means any person at the time designated to act on behalf of the Developer by written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Developer by its president, chief executive officer, manager, or managing member. Such certificate or any subsequent or supplemental certificate so executed may designate an alternate or alternates.

“Authorized Signatory” means any member of the Board of Directors of the Authority and any other person as may be designated and authorized to sign on behalf of the Authority pursuant to a resolution adopted thereby (collectively, the ***“Authorized Signatories”***).

“Basic Loan Payments” means the Loan Payments payable by the Borrower to the Authority pursuant to the Loan Agreement that are described in APPENDIX “E” hereto, ***“SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS,”*** under the subheading ***“THE LOAN AGREEMENT - Loan Payments and Other Amounts Payable -- Basic Loan Payments.”***

“Beneficial Owners,” if the Bonds are not held under the Book-Entry System, means, collectively, the Owners and, if the Bonds are held under a Book-Entry System, means, collectively, the Persons in whose names Bonds are recorded as beneficial owners of such Bonds with the Securities Depository (and while DTC is the Securities Depository, in the name of its nominee, Cede & Co.) or a Participant or an Indirect Participant, as the case may be, as established in writing by letter of such persons or entities to the Trustee (each, a ***“Beneficial Owner”***).

“Bond Counsel” means Independent Counsel nationally recognized as experienced in matters relating to Tax-Exempt Bonds and reasonably acceptable to the Authority, the Borrower, and the Trustee.

“Bond Documents,” with respect to the Series 2017 Bonds, means, collectively, the Indenture, the Loan Agreement, the Series 2017 Notes, the Tax Certificate, the No Arbitrage Certificate, the Leasehold Deed of Trust, the Security Agreement, the Assignment of Contracts and Agreements, the Assignment of Construction Fund Proceeds, the Bond Purchase Agreement, the Indemnity Letters, the Ground Lease, the Facility Lease, the Development Agreement, the General Construction Contract, the Management Agreement, the Submanagement Agreement, the Cooperation Agreements, the Continuing Disclosure Agreement, and the Borrower Financing Statements.

“Bond Fund” means the Fund of that name created in the Indenture.

“Bond Payment Dates” means, collectively, the Interest Payment Dates and all dates on which Debt Service Payments shall be payable on or in respect of any of the Bonds according to their terms and the terms of the Indenture, including without limitation, scheduled mandatory sinking fund redemption dates, dates of acceleration of the Bonds pursuant to the Indenture, optional redemption dates, extraordinary optional redemption dates, and stated maturity dates, so long as any Bonds shall be Outstanding (each, a ***“Bond Payment Date”***).

“Bond Purchase Agreement,” with respect to the Series 2017 Bonds, means the Bond Purchase Agreement dated _____, 2017, among the Authority, the Borrower and the Corporation, and the Underwriter.

“Bondholder” or ***“Bondholders”*** means the Person or Persons in whose name(s) any of the Series 2017 Bonds is registered on the Bond Register.

“Bond Register” means the books for the registration of the Bonds and for the registration of the transfer of the Bonds kept and maintained by the Trustee as bond registrar.

“Bond Resolution,” with respect to the Series 2017 Bonds, means the resolution or resolutions adopted by the Authority authorizing the issuance and sale thereof, the security therefor, and the execution, delivery, and performance of the applicable Authority Documents.

“Bond Year” means the twelve (12) month period beginning on July 2 of each calendar year and ending on July 1 of the immediately succeeding calendar year.

“Bondholder” or **“Bondholders”** means the Person or Persons in whose name(s) any of the Bonds is registered on the Bond Register.

“Bonds” means, collectively, the Series 2017 Bonds and all Additional Bonds (each, a **“Bond”**).

“Book-Entry System” means the system of evidence and transfer of ownership of the Bonds maintained by the Securities Depository described in the Limited Offering Memorandum under the heading **“THE SERIES 2017 BONDS - Book-Entry System for the Series 2017 Bonds.”**

“Borrower” means NCCD - Claremont Properties LLC, a single member limited liability company organized and existing under the laws of the State, and its successors and assigns.

“Borrower Documents,” with respect to the Series 2017 Bonds, means the Loan Agreement, the Tax Certificate, the Series 2017 Notes, the Leasehold Deed of Trust, the Security Agreement, the Assignment of Contracts and Agreements, the Assignment of Construction Fund Proceeds, the Bond Purchase Agreement, the Borrower/Corporation Indemnity Letter, the Ground Lease, the Facility Lease, the Development Agreement, the Management Agreement, the Cooperation Agreements, the Continuing Disclosure Agreement, and the Borrower Financing Statements.

“Borrower Financing Statements,” with respect to the Series 2017 Bonds, means the UCC-1 Financing Statements filed under the Leasehold Deed of Trust, the Security Agreement, the Assignment of Contracts and Agreements, and the Assignment of Construction Fund Proceeds.

“Borrower/Corporation Indemnity Letter,” with respect to the Series 2017 Bonds, means the indemnity letter dated _____, 2017, from the Borrower and the Corporation to the Authority and the Underwriter.

“Building” means those certain buildings and all other facilities and improvements constituting part of the Project and not constituting part of the Equipment that are or will be located on the Property.

“Business Day” means any day other than a Saturday, a Sunday, or a day on which banking institutions in the State or in the state where the Office of the Trustee is located are authorized or obligated by law to close or a day on which the New York Stock Exchange is closed.

“Capitalized Interest” means amounts derived from the proceeds of Bonds deposited in the Capitalized Interest Account to pay interest on Bonds and interest earned on such amounts to the extent that such interest earned is required to be applied to pay interest on Bonds.

“Capitalized Interest Account” means the Account of the Bond Fund of that name created in the Indenture.

“CGU” means Claremont Graduate University, a nonprofit public benefit corporation organized and existing under the laws of the State, and its successors and assigns.

“CGU Cooperation Agreement” means the Cooperation Agreement dated as of _____ 1, 2017, between CGU and the Borrower, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof and of the Indenture.

“Chair” means the Chair of the Board of Directors of the Authority. The term shall include the Vice Chair or the Acting Chair of the Board of Directors of the Authority whenever, by reason of absence, illness, or other reason, the Chair of the Board of Directors of the Authority is unable to act.

“Charter Members” means Kings County, California, and the Housing Authority of Kings County, the initial signatories to the Joint Powers Agreement and the charter members of the Authority (each, a **“Charter Member”**).

“City” means the City of Claremont, California.

“City Indemnified Parties” means, collectively, the City and its past, present, and future mayors, council members, commissioners, elected or appointed officials, officers, employees, attorneys, agents, and advisers (including counsel and financial advisers), and each and all of their respective heirs, successors, and assigns (each, a **“City Indemnified Party”**).

“Claremont Consortium” means the Claremont University Consortium, a nonprofit public benefit corporation organized and existing under the laws of the State, and its successors and assigns.

“Closing Date,” with respect to a Series of Bonds, means the date of issuance and delivery thereof.

“Code” means the Internal Revenue Code of 1986, as amended. Reference herein to any specific provision of the Code shall be deemed to include a reference to any successor provision or provisions to such provision and to any Regulations issued or proposed under or with respect to such provision or under or with respect to any predecessor provision of the Internal Revenue Code of 1954, as amended, to the extent any of the foregoing is applicable to the Bonds.

“Computation Date” means each Installment Computation Date and the Final Computation Date.

“Condemnation Fund” means the Fund of that name created in the Indenture.

“Consortium” means The Claremont University Consortium, and its successors and assigns.

“Consortium Cooperation Agreement” means the Cooperation Agreement of even date herewith between the Consortium and the Borrower, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof and of the Indenture.

“Construction Contracts,” with respect to the Series 2017 Project, means the Development Agreement, the General Construction Contract, and the other contracts, if any, relating to the construction thereof between the Developer, the General Contractor, or the Borrower and construction professionals or suppliers of materials and Equipment.

“Construction Costs,” with respect to the Series 2017 Project, means all Costs of the Project that are properly payable to the appropriate contractors with respect thereto pursuant to the applicable Construction Contracts.

“Construction Fund” means the Fund of that name created in the Indenture.

“Construction Period,” with respect to the Series 2017 Project, means the period between the beginning of construction thereof or the date on which Series 2017 Bonds are first delivered to the Underwriter (whichever is earlier) and the Series 2017 Completion Date.

“Consulting Architect” means Architecture Design Collaborative or any other architect or architectural firm at the time employed by the Borrower and designated by written certificate furnished to the Trustee, containing the signature of such person or the signature of a partner or officer of such firm, and signed on behalf of the Borrower by the Authorized Borrower Representative. The Consulting Architect shall be registered and qualified to practice under the laws of the State and shall not be a full-time employee of the Authority, the Borrower, or KGI.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement dated as of _____, 2017, between the Borrower and the Dissemination Agent, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof and of the Indenture.

“Cooperation Agreements” means, collectively, the KGI Cooperation Agreement the CGU Cooperation Agreement, and the Consortium Cooperation Agreement (each, a **“Cooperation Agreement”**).

“Corporation” means National Campus and Community Development Corporation, a non-profit corporation duly organized and existing under the laws of the State of Texas, and its successors and assigns.

“Corporation Acquisition Fee” means the amount payable to the Corporation out of the proceeds of the Series 2017B Bonds in the amount of \$75,000 to compensate the Corporation for the responsibilities assigned to the Borrower under the applicable Bond Documents.

“Corporation Membership Fee,” means the amount payable to the Corporation pursuant to Section 31 of the Ground Lease for each Annual Period.

“Costs of the Project,” with respect to the Series 2017 Project, means those costs and expenses in connection with the acquisition, construction, furnishing, and equipping thereof permitted by the Act to be paid or reimbursed from the proceeds of the Series 2017 Bonds or any Additional Bonds including, but not limited to, the following:

(i) (a) the cost of the preparation of Plans and Specifications (including any preliminary study or planning thereof or any aspect thereof), (b) the cost of acquisition and construction thereof and all construction, acquisition, and installation expenses required to provide utility services or other facilities and all real or personal properties deemed necessary in connection therewith (including development, architectural, engineering, and supervisory services with respect to any of the foregoing), (c) interest on the Series 2017 Bonds during the applicable Construction Period and for such additional period as shall be permitted by applicable law and as the Borrower and the Underwriter shall reasonably agree to be necessary for placing the Series 2017 Project in operation, and (d) any other costs and expenses relating to the acquisition, construction, and placing in service thereof;

(ii) the purchase price of the Equipment in connection therewith, including all costs incident thereto, payment for labor, services, materials, and supplies used or furnished in site improvement and in the construction thereof, including all costs incident thereto, payment for the cost of the construction, acquisition, and installation of utility services or other facilities in connection therewith, payment for all real and personal property deemed necessary in connection therewith, payment of consulting and development fees in connection therewith, and payment for the miscellaneous expenses incidental to any of the foregoing items including the premium on any surety bond;

(iii) the fees or out-of-pocket expenses, if any, of those providing services with respect thereto, including, but not limited to, architectural, engineering, development, and supervisory services;

(iv) any other costs and expenses relating to the Project that constitute costs or expenses for which the Borrower may expend Bond proceeds under the Act, including, without limitation, during the Construction Period, any Authority Annual Fee, any Corporation Membership Fee (which shall be paid solely from proceeds of the Series 2017B Bonds), any Rating Agency fees and expenses, and any Trustee fees, but excluding Issuance Costs of the Series 2017 Bonds; and

(v) reimbursement to the Borrower for any costs described above paid by it, whether before or after the execution of the Loan Agreement; provided, however, that reimbursement for any expenditures made prior to the execution of the Loan Agreement from the 2017[A] Account of the Construction Fund or the Special Account of the Construction Fund shall only be permitted for expenditures meeting the requirements of the Regulations, including but not limited to, §1.150-2 of the Regulations.

“CPI Adjustment” shall have the meaning ascribed thereto in the provisions of the Loan Agreement described in APPENDIX “E” hereto, “SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS,” under the heading **“THE LOAN AGREEMENT – Destruction and Damage.”**

“Debt Service Payment” means, with respect to the Bonds or any Series or Subseries of Bonds on any Bond Payment Date, (i) the premium, if any, and interest payable on the Bonds or such Series or Subseries of Bonds on such Bond Payment Date, (ii) the principal payable in respect of the Bonds or such Series or Subseries of Bonds on such Bond Payment Date, and (iii) the Mandatory Sinking Fund Redemption Requirement, if any, relating to the Bonds or such Series or Subseries of Bonds on such Bond Payment Date (collectively, the **“Debt Service Payments”**).

“Debt Service Reserve Fund” means the Fund of that name created in the Indenture.

“Debt Service Reserve Requirement,” with respect to the Tax-Exempt Bonds, at the time of determination, means the least of (i) ten percent (10%) of the stated principal amount thereof (less original issue discount if more than two percent (2%) of the principal amount of such Issue of Tax-Exempt Bonds), (ii) one hundred twenty-five percent (125%) of the average Annual Debt Service thereon from the date of calculation to the final maturity thereof, (iii) the Maximum Annual Debt Service thereon, or (iv) such lesser sum as shall be required by the Code and the Regulations to ensure the exclusion of the interest thereon from the gross income of the Owners thereof for federal income tax purposes; provided, however, that the amount of principal due in any Bond Year shall be determined, in the case of Bonds subject to mandatory sinking fund redemption pursuant to the Indenture and similar provisions in any supplemental indenture, by the principal amount of Bonds to be redeemed by mandatory sinking fund redemption in such Bond Year. Calculation of the Debt Service Reserve Requirement shall be made with respect to each Issue of Bonds that are Tax-Exempt Bonds rather by Series.

“Deed of Trust Trustee” means First American Title Company and its successors and assigns as “Trustee” under the Leasehold Deed of Trust.

“Default Condition” means the occurrence of an event or the existence of a condition that, with the lapse of time or with the giving of notice or both, would become an Event of Default.

“Default Rate” means the prime rate charged corporate borrowers by the commercial lending department of the Trustee, if any, or in the absence of such commercial lending department or rate, the rate designated the “Prime Rate” as published each Business Day in *The Wall Street Journal*, plus two percent (2%) per annum.

“Defaulted Interest” means any interest on any Bond that is due and payable, but that is not punctually paid or duly provided for on any Interest Payment Date.

“Defeasance Obligations” means (i) cash deposits (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in item (ii) below), (ii) to the extent the same are non-callable and non-prepayable, Government Obligations, (iii) evidences of ownership of a proportionate interest in specified Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, and (iv) Defeased Municipal Obligations.

“Defeased Municipal Obligations” means obligations of state or local government municipal bond issuers that are rated in the highest rating category by S&P and Moody’s, respectively, provision for the payment of the principal of and interest on which shall have been made by deposit with a trustee or escrow agent of (i) noncallable Government Obligations or (ii) evidences of ownership of a proportionate interest in specified noncallable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, the maturing principal of and interest on such Government Obligations or evidences of ownership, when due and payable, shall provide sufficient money to pay the principal of, redemption premium, if any, and interest on such obligations of state or local government municipal bond issuers.

“Developer” means HP Real Estate Development, LLC, a limited liability company organized under the laws of the State, and its successors and assigns.

“Developer Indemnity Letter,” with respect to the Series 2017 Bonds, means the indemnity letter dated _____, 2017, from the Developer to the Authority, the Borrower, and the Underwriter.

“Development Agreement,” with respect to the Series 2017 Bonds, means the Development Agreement dated as of _____ 1, 2017, between the Borrower and the Developer, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof and of the Indenture.

“Discharged,” with respect to a Series or a Subseries of Bonds, means that all amounts due thereunder are actually and unconditionally due, if cash is available at the place of payment and no interest accrues thereafter with respect to such Series or Subseries of Bonds.

“Dissemination Agent” means Wilmington Trust, N.A., in its capacity as dissemination agent under the Continuing Disclosure Agreement and its successors and assigns, and the dissemination agent under any successor agreement.

“DTC” means The Depository Trust Company, New York, New York, or any successor Securities Depository.

“DTC Participant” means brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among such brokers, dealers, banks, trust companies, clearing corporations, and other organizations.

“Electronic Means” means telecopy, facsimile transmission, e-mail transmission, or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other method set forth in this definition.

“Eligible Claremont Colleges” means, collectively, KGI, CGU, and the Eligible Undergraduate Claremont Colleges (each, an **“Eligible Claremont College”**).

“Eligible Institutions” means institutions of higher learning in the Claremont vicinity with which KGI, CGU, or the Borrower has established an affiliation or other cooperative or coordination agreement or arrangement that (i) is and, and for so long as its student, faculty member, or staff member resides in the Housing Facility, remains an organization that is described in §511(a)(2)(B) or §§501(c)(3) and 170(b)(1)(A)(ii) of the Code, (ii) is not a private foundation within the meaning of §509 of the Code, and (iii) becomes a member of the Corporation and remains such a member for so long as its student, faculty member, or staff member resides in the Housing Facility (each, an **“Eligible Institution”**).

“Eligible Residents” means, in order of acceptance priority, (i) students registered in an academic program of KGI or CGU; (ii) students registered in an academic program of any Eligible Undergraduate Claremont College; (iii) regular full time faculty of KGI or CGU; (iv) regular full time faculty of any Eligible Undergraduate Claremont College; (v) visiting faculty serving at KGI or CGU on a temporary basis; (vi) visiting faculty serving at any Eligible Undergraduate Claremont College on a temporary basis; (vii) regular full-time staff of KGI or CGU that KGI or CGU, respectively, has pre-approved in writing; (viii) regular full-time staff of any Eligible Undergraduate Claremont College that the applicable Eligible Undergraduate Claremont College has pre-approved in writing; (ix) persons enrolled in continuing education programs of any of the Eligible Claremont Colleges; (x) groups participating in any activity, conference, or other program sponsored by any of the Eligible Claremont Colleges or that the applicable Eligible Claremont College has pre-approved in writing; (xi) students registered in an academic program of any other Eligible Institution that KGI has pre-approved in writing; and (xii) any member of the household that is a spouse or dependent of any of the foregoing (each, an **“Eligible Resident”**).

“Eligible Undergraduate Claremont Colleges” means, collectively, Undergraduate Claremont Colleges that are Eligible Institutions (each, an **“Eligible Undergraduate Claremont College”**).

“Equipment” means the machinery, equipment, furnishings, or other property at any time installed or located on the Property, and substitutions or replacements therefor, all machinery, equipment, or other property that under the terms of the Loan Agreement is to become the property of the Borrower or is to be subjected to the lien of the Security Agreement, and, without limiting the foregoing, all of the property of the Borrower at any time installed or located on the Property together with all machinery, apparatus, equipment, fittings, fixtures, whether actually or constructively attached to said property and including all trade, domestic, and ornamental fixtures and articles of

personal property of every kind and nature whatsoever now or hereafter located in, upon, or under said property or any part thereof and used or usable in connection with any present or future operations of said property, including, without limiting the generality of the foregoing, all heating, air-conditioning, freezing, lighting, laundry, incinerating, and power equipment, gas and electric fixtures, engines, machinery, pipes, pumps, tanks, motors, conduits, switchboards, plumbing, lifting, cleaning, fire prevention, fire extinguishing, refrigerating, ventilating, and communications apparatus, safety equipment, boilers, ranges, furnaces, oil burners, or units thereof, appliances, air-cooling and air-conditioning apparatus, washers, dryers, water heaters, mirrors, mantels, vacuum cleaning systems, elevators, escalators, shades, awnings, screens, storm doors, and windows, stoves, wall beds, refrigerating plants, refrigerators, attached cabinets, partitions, ducts, and compressors, rugs and carpets and other floor covering, draperies, furniture and furnishings, together with all building materials and equipment now or hereafter delivered to the property and intended to be installed therein, including but not limited to, lumber, plaster, cement, shingles, roofing, plumbing, fixtures, pipe, lath, wallboard, cabinets, nails, sinks, toilets, furnaces, heaters, brick, tile, water heaters, screens, window frames, glass, doors, flooring, paint, lighting fixtures and unattached refrigerating, and cooking, heating, and ventilating appliances and equipment, together with all additions and accessions thereto and replacements thereof.

“Event of Default” means, (i) with respect to the Indenture, the Loan Agreement, the Leasehold Deed of Trust, and the Security Agreement, each of the events specified therein as “Events of Default” and (ii) with respect to each of the other Bond Documents, the termination thereof by one party thereto as a result of the action or inaction of another or the other party thereto and the failure by the terminating party either to assume the obligations of the terminated party thereunder in writing or to enter into a substantially similar replacement agreement or contract within thirty (30) days of such termination.

“Event of Taxability,” with respect to any Series or Subseries of Tax-Exempt Bonds, means the existence or absence of any circumstances that causes the interest thereon or on any portion thereof to become includable in the gross income of the Owner thereof for federal income tax purposes.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Expenses,” with respect to the Project, means, for any period, the aggregate of all expenses and expenditures relating thereto, including, without limitation, expenses or expenditures relating to the performance of any obligation of the Borrower under the Bond Documents or to the enforcement of the obligations of other parties to documents executed in connection with the Bond Documents; the Corporation Membership Fee; fees required to be paid to the Manager under the Management Agreement; expenses incurred by the Borrower in connection with the inspection of the Project or the calculation, collection, and payment of the Rebate Amount relating to any Tax-Exempt Bonds as required by federal law; fees paid for accounting, audit, legal, and other professional services provided to or on behalf of the Borrower; bank fees relating to the Operating Account; travel expenses of Borrower’s officers relating to the Project; bonding expenses and insurance required to be carried by the Borrower by the provisions of any of the Bond Documents; taxes incurred in connection with Borrower’s ownership or lease of the Property or the Project; out-of-pocket expenses of the Borrower incurred in connection with compliance with the Bond Documents or that are directly attributable to the Project; deposits to the Debt Service Reserve Fund or the Repair and Replacement Fund; the repayment of the principal amount of any Indebtedness; and lease payments made to KGI under the Ground Lease, **but excluding** (i) any expense or expenditure paid with the proceeds of the Bonds or the Net Proceeds of insurance other than business or rental interruption insurance, (ii) interest on any Indebtedness to the extent that such interest is payable from the proceeds of such Indebtedness, (iii) any expenses resulting from forgiveness of or the establishment of reserves against Indebtedness of an Affiliate that do not constitute extraordinary expense, (iv) losses resulting from any reappraisal, revaluation, or write-down of assets, (v) any unrealized loss resulting from changes in the value of investment securities, and (vi) any expenses borne by KGI under the terms of the Ground Lease or the Facility Lease.

“Extraordinary Services of the Trustee” and **“Extraordinary Expenses of the Trustee”** mean all services rendered and all expenses incurred by the Trustee under the Indenture and under the other Bond Documents, including, without limitation, reasonable counsel fees and expenses, other than Ordinary Services of the Trustee and Ordinary Expenses of the Trustee.

“Facility Lease,” with respect to the Series 2017 Bonds, means the Facility Lease Agreement dated as of _____ 1, 2017, between the Borrower, as lessor, and KGI, as lessee, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof and of the Indenture.

“Favorable Opinion of Bond Counsel” means an opinion of Bond Counsel, addressed to the Authority, the Borrower, and the Trustee to the effect that the action proposed to be taken is authorized or permitted by the laws of the State, the Indenture, and the Loan Agreement and will not adversely affect any exclusion from gross income for federal income tax purposes or any exemption from State income taxes, of interest on any Tax-Exempt Bonds.

“Final Computation Date,” with respect to an Issue, means the date the last of the Issue is Discharged.

“Financial Consultant” means a firm of Accountants and/or professional management, marketing, or financial consultants having the skill and experience necessary to render the particular report required that is designated as such in writing by the Borrower. Such firm(s) shall not be, and no member, stockholder, director, officer, or employee of which shall be, an officer or employee of the Authority, the Borrower, or KGI. The reports of the Financial Consultant showing projected financial performances may be in the form of a projection of the management of the Borrower that is accompanied by a statement of a Financial Consultant to the effect that such Financial Consultant has reviewed the underlying assumptions and procedures used by management and that such assumptions provide a reasonable basis for the projection of management.

“Fitch” means Fitch Ratings, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, **“Fitch”** shall be deemed to refer to any other nationally recognized securities rating agency designated by the Borrower.

“Fixed Charges” means, for any period, the sum of all cash outflows related to the Project that the Borrower cannot avoid without violating long-term contractual or legal obligations (those obligations that extend for a period greater than one year), including, but not limited to, (i) interest on Indebtedness other than Short-Term Indebtedness and (ii) scheduled payments of principal on Indebtedness other than Short-Term Indebtedness (each, a **“Fixed Charge”**). **“Fixed Charges”** do not include lease payments made to KGI under the Ground Lease or any amounts payable in respect of any Indebtedness to the extent that such amounts are payable from the proceeds of such Indebtedness.

“Fixed Charges Coverage Ratio” means, for any period, the ratio of Revenue Available for Fixed Charges to Fixed Charges.

“Funds” means, collectively, all of the funds created pursuant to the Indenture (each, a **“Fund”**).

“GAAP” means those principles of accounting set forth in pronouncements of the Financial Accounting Standards Board and its predecessors or pronouncements of the American Institute of Certified Public Accountants or those principles of accounting that have other substantial authoritative support and are applicable in the circumstances as of the date of application, as such principles are from time to time supplemented and amended.

“General Construction Contract,” with respect to the Series 2017 Project, means the Standard Form of Agreement Between Owner and Contractor (AIA Document A102 - 2007) and the General Conditions of the Contract for Construction (AIA Document A201 - 2007) dated _____ 1, 2017, between the Developer, as owner, and the General Contractor, as contractor, pursuant to which the General Contractor has agreed to construct the Series 2017 Project.

“General Contractor” means American Multifamily, Inc., a corporation organized under the laws of the State, and its successors and assigns.

“Government Obligations” means direct obligations of, or obligations the payment of the principal of and interest on which when due are unconditionally guaranteed by the United States of America or any agency or instrumentality thereof and evidences of direct ownership interest in amounts payable upon any of the foregoing.

“Ground Lease,” with respect to the Series 2017 Bonds, means the Ground Lease Agreement dated as of _____ 1, 2017, between KGI, as ground lessor, and the Borrower, as ground lessee, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof and of the Indenture.

“Housing Facility” means the Series 2017 Housing Facility and any additional student, faculty, and/or staff housing facility acquired, constructed, furnished, and equipped with the proceeds of Additional Bonds.

“Indebtedness” means, but only to the extent incurred in connection with the Project or secured by a lien on the Project or the Pledged Revenues, (i) all indebtedness, whether or not represented by bonds, debentures, notes, or other securities, for the repayment of money borrowed, (ii) all deferred indebtedness for the payment of the purchase price of properties or assets purchased, (iii) all guaranties, endorsements (other than endorsements in the ordinary course of business), assumptions, and other contingent obligations in respect of, or to purchase or to otherwise acquire, indebtedness of others, (iv) all indebtedness secured by mortgage, pledge, security interest, or lien existing on property owned that is subject to such mortgage, pledge, security interest, or lien, whether or not the indebtedness secured thereby shall have been assumed, (v) swap or hedging obligations or other similar derivative or investment agreements that, under certain circumstances, require a payment upon termination, and (vi) all capitalized lease obligations; provided, however, that for the purpose of computing Indebtedness, there shall be excluded any particular Indebtedness if, upon or prior to the maturity thereof, there shall have been irrevocably deposited with the proper depository in trust the necessary funds (or direct, nonredeemable obligations of the United States of America) for the payment, redemption, or satisfaction of such Indebtedness, and thereafter such funds and such direct obligations of the United States of America so deposited shall not be included in any computation of the assets of the Borrower and the income derived from such funds and such direct obligations of the United States of America so deposited shall not be included in any computation of the income of the Borrower.

“Indemnity Letters,” with respect to the Series 2017 Bonds, means, collectively, the Borrower/Corporation Indemnity Letter, the Developer Indemnity Letter, and the Manager Indemnity Letter.

“Indenture” means the Trust Indenture dated as of _____ 1, 2017, between the Authority and the Trustee, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof.

“Independent Architect/Engineer” means any architect, engineer, or firm of architects or engineers (including the Consulting Architect) that is independent of the Authority and the Borrower and that is selected by the Borrower, at the expense of the Borrower, to report and be accountable solely to the Trustee for the benefit of the Bondholders for the purposes of, *inter alia*, producing monthly construction monitoring reports, passing on questions relating to the design and construction of any particular facility, reviewing repairs and replacements to the Project and the adequacy of the amounts deposited and required to be deposited into the Repair and Replacement Fund, and that has all licenses and certifications necessary for the performance of such services, and that has a favorable reputation for skill and experience in performing similar services in respect of facilities of a comparable size and nature.

“Independent Counsel” means an attorney or firm of attorneys duly admitted to practice law before the highest court of any state of the United States or the District of Columbia and not in the full-time employment of the Authority or the Borrower.

“Indirect Participants” means those broker-dealers, banks, and other financial institutions from time to time for which the Securities Depository holds Bonds as a securities depository through a Participant (each, an **“Indirect Participant”**).

“Installment Computation Date,” with respect to an Issue means any date; provided, however, the first Installment Computation Date must be not later than five (5) years after the Issue Date thereof and subsequent Installment Computation Dates must be not later than five (5) years after the previous Installment Computation Date for which a rebate payment was made.

“Insurance Consultant” means any Person that is not the Authority, the Borrower, or an Affiliate, appointed by the Borrower that is qualified to survey risks and to recommend insurance coverage for student housing facilities and organizations engaged in like operations as that of the Project in the State, and that has a favorable reputation for skill and experience in such surveys and such recommendations and who may be a broker or agent with whom the Authority or the Borrower transacts business.

“Insurance Fund” means the Fund of that name created in the Indenture.

“Interest Payment Dates” means January 1 and July 1 of each year, commencing January 1, 2018, in the case of Series 2017 Bonds, and the dates on which interest is scheduled to be paid, in the case of Additional Bonds (each, an ***“Interest Payment Date”***).

“Inventory” means all of the inventory now or hereafter located at the Project in all of its forms, including without limitation all goods, materials, supplies, stores of food, drugs, and linens now or hereafter held for sale and use or consumption, whether by the Borrower, at the Project, together with all documents, documents of title, dock warrants, dock receipts, warehouse receipts, bills of lading, or orders for the delivery of all or any portion of the foregoing, all goods in which the Borrower has an interest in mass or a joint or other interest or right of any kind, all goods which are returned to or repossessed by the Borrower and all accessions thereto and products thereof.

“Investment Grade” means a rating of the Series 2017 Bonds of (i) “BBB-” or higher by S&P or Fitch or (ii) “Baa3” or higher by Moody’s.

“Investment Grade Notice” means any official notice released by a Rating Agency that the Series 2017 Bonds have been rated Investment Grade.

“Irrevocable Deposit” means the irrevocable deposit with the Trustee in trust of Defeasance Obligations in accordance with the provisions of the Indenture. The Trustee shall have possession of any such Defeasance Obligations (other than book-entry securities).

“IRS” means the United States Internal Revenue Service or any successor agency or department.

“Issuance Cost Fund” means the Fund of that name created in the Indenture.

“Issuance Costs,” with respect to the Series 2017 Bonds, means:

(i) the initial or acceptance fee of the Trustee (which includes the administration fee for the first year), the fees and taxes for recording and filing the Leasehold Deed of Trust, the Security Agreement, the Assignment of Contracts and Agreements, the Assignment of Construction Fund Proceeds, the Borrower Financing Statements, and any curative documents that either the Trustee or Independent Counsel may reasonably deem desirable to file for record in order to perfect or protect the interest of the Borrower in the Series 2017 Project or the lien or security interest created or granted by the Leasehold Deed of Trust, the Security Agreement, the Assignment of Contracts and Agreements, or the Assignment of Construction Fund Proceeds and the reasonable fees and expenses in connection with any actions or proceedings that either the Trustee or Independent Counsel may reasonably deem desirable to bring in order to perfect or protect the lien or security interest created or granted by the Leasehold Deed of Trust, the Security Agreement, the Assignment of Contracts and Agreements, or the Assignment of Construction Fund Proceeds in connection with the issuance thereof;

(ii) legal fees and expenses, underwriters’ spread, underwriting fees, financing costs, Authority’s fees and expenses, financial advisor’s fees, accounting fees and expenses, consulting fees, Trustee’s fees, paying agent and certifying and authenticating agent fees, dissemination agent fees, publication costs, title insurance premiums paid in respect of a lender’s or mortgagee’s title insurance policy if an owner’s policy is issued contemporaneously therewith, and printing and engraving costs incurred in connection with the authorization, sale, issuance, and carrying of the Series 2017 Bonds and the preparation of the applicable Bond Documents and all other documents in connection therewith; and

(iii) other costs in connection with the issuance of the Series 2017 Bonds permitted by the Act to be paid or reimbursed from proceeds of the Series 2017 Bonds.

“Issue” means obligations treated as part of the same issue pursuant to §1.150-1(c) of the Regulations.

“Issue Date” with respect to an Issue of Tax-Exempt Bonds means the date of the authentication and delivery of the initial Bonds of such Issue in exchange for the purchase price therefor.

“Joint Powers Agreement” means the Joint Exercise of Powers Agreement, dated May 12, 2015, relating to the formation of the Authority, among the Charter Members and certain other cities and counties who have joined the Authority as Additional Members, including the City.

“KGI” means The Keck Graduate Institute of Applied Life Sciences, a nonprofit public benefit corporation organized and existing under the laws of the State, and its successors and assigns.

“KGI Cooperation Agreement” means the Cooperation Agreement dated as of _____ 1, 2017, between KGI and the Borrower, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof and of the Indenture.

“Leasehold Deed of Trust,” with respect to the Series 2017 Bonds, means the Construction Leasehold Deed of Trust, Assignment of Rents and Subleases, and Fixture Filing dated as of _____ 1, 2017, by the Borrower in favor of the Deed of Trust Trustee for the benefit of the Trustee, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof and of the Indenture.

“Letter of Representations” means the Blanket Letter of Representations dated February 22, 2017, executed by the Authority and delivered to DTC and any amendments thereto or any successor blanket agreement(s) between the Authority and any successor Securities Depository, relating to the Book-Entry System being maintained by the Securities Depository with respect to any Bonds issued by the Authority under the Indenture.

“Loan” means the loan by the Authority to the Borrower of the proceeds of the Bonds pursuant to Article III of the Loan Agreement and that is evidenced by the Notes.

“Loan Agreement,” with respect to the Series 2017 Bonds, means the Loan Agreement dated as of _____ 1, 2017, between the Authority and the Borrower, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof and of the Indenture.

“Loan Payments” means the Basic Loan Payments, the Additional Loan Payments, and the Reserve Loan Payments.

“Majority of the Bondholders” means the Owners of more than fifty percent (50%) in aggregate principal amount of the Bonds then Outstanding.

“Management Agreement,” with respect to the Series 2017 Bonds, means (i) the Management Agreement dated as of _____ 1, 2017, between the Borrower and the Manager, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof and of the Indenture and (ii) any management or similar agreement between the Borrower and any successor Manager relating to the management of the Housing Facility, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof and of the Indenture.

“Manager” means, initially, HP Campus Management, LLC, and thereafter, any other management company employed by the Borrower to manage the Housing Facility.

“Manager Indemnity Letter,” with respect to the Series 2017 Bonds, means the indemnity letter dated _____, 2017, from the Manager to the Authority, the Borrower, and the Underwriter.

“Mandatory Sinking Fund Redemption Requirement,” with respect to the Series 2017 Bonds, and on the date of calculation, means the principal portion of any the Series 2017 Bonds required by the provisions of the Indenture to be redeemed by the Authority on the immediately succeeding July 1.

“Maximum Annual Debt Service,” with respect to a Series of Bonds, means the maximum Annual Debt Service thereon in the then current Bond Year or in any future Bond Year, whether at maturity or subject to mandatory sinking fund redemption.

“Members” means, collectively, the Charter Members and the Additional Members (each, a **“Member”**).

“**Moody’s**” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, “**Moody’s**” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Borrower. Whenever rating categories of Moody’s are specified in the Indenture, such categories shall be irrespective of gradations within a category.

“**MSRB**” means the Municipal Securities Rulemaking Board and its lawful successors.

“**National Repository**” means the MSRB (through its Electronic Municipal Market Access (EMMA) System) or any other repository designated by the SEC as a central repository.

“**Net Proceeds**,” when used with respect to any insurance or condemnation award, with respect to the sale or other disposition of a portion of the Project, or with respect to any other recovery on a contractual claim or claim for damage to or for taking of property, means the gross proceeds from the insurance or condemnation award, sale, or other disposition, or recovery remaining after payment of all expenses (including attorneys’ fees and any Extraordinary Expenses of the Trustee) incurred in the collection of such gross proceeds.

“**No Arbitrage Certificate**,” with respect to the Series 2017 Bonds, means the No Arbitrage Certificate dated as of the Closing Date executed by the Authority.

“**Non-Construction Costs**” means all Costs of the Project other than the costs and fees that are properly payable to the appropriate contractors pursuant to the Construction Contracts.

“**Notes**” means the Series 2017 Notes and any Additional Notes.

“**Office of the Trustee**” means the corporate trust office of the Trustee in Birmingham, Alabama, currently located at 505 20th Street North, Suite 350, or such other location as may be designated by it to the Authority and the Borrower in writing, or the corporate trust office of, or such other location as may be designated to the Authority and the Borrower in writing by, any successor or temporary Trustee under the Indenture.

“**Operating Account**” means the checking account maintained by the Borrower from which the Borrower shall pay Expenses.

“**Operating Account Surplus**” means the amount, if any, by which the amounts paid to the Borrower by the Trustee for deposit into the Operating Account in an Annual Period pursuant to the Indenture exceed the amounts paid, incurred, or accrued in respect of operating expenses of the Project during such Annual Period, such amount to be determined with reference to, and simultaneously with the delivery of, the audited financial statements delivered to the Trustee in accordance with the provisions of the Loan Agreement, as such amount may be adjusted in accordance with the provisions of the Indenture. For purposes of calculating the Operating Account Surplus for any Annual Period, amounts remaining in the Operating Account at the end of such Annual Period representing reserves for Shortfall Periods shall be considered to be accrued in respect of operating expenses of the Project during such Annual Period.

“**Operating Reserve Fund**” means the Fund of that name created in the Indenture.

“**Operations Contingency Fund**” means the Fund of that name created in the Indenture.

“**Opinion of Counsel**” means an opinion in writing of Independent Counsel who or that is reasonably acceptable to all recipients thereof and who or that may be counsel to the Authority, the Trustee, or the Borrower.

“**Ordinary Services of the Trustee**” and “**Ordinary Expenses of the Trustee**” mean those reasonable services rendered and those reasonable expenses incurred by the Trustee in the performance of its duties under the Indenture and under the other Bond Documents of the type ordinarily performed by corporate trustees under like indentures, including, without limitation, reasonable counsel fees and expenses.

“**Outstanding Bonds**” or “**Bonds Outstanding**” means all Bonds that have been duly authenticated and delivered by the Trustee under the Indenture, except:

- (i) Bonds theretofore canceled or required to be canceled by the Trustee;
- (ii) Bonds that are deemed to have been paid in accordance with the Indenture; and
- (iii) Bonds in substitution for which other Bonds have been authenticated and delivered under the Indenture.

If the Indenture shall be discharged pursuant to the provisions of the Indenture, no Bonds shall be deemed to be Outstanding within the meaning of this definition.

“**Owner**” or “**Owners**” means the Person or Persons in whose name(s) any of the Bonds is registered on the Bond Register.

“**Participants**” means those broker-dealers, banks, and other financial institutions from time to time for which the Securities Depository holds Bonds as a securities depository (each, a “**Participant**”).

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

- (i) liens for *ad valorem* taxes, special assessments, and other charges not then delinquent or for taxes, assessments, and other charges being contested in accordance with the Loan Agreement;
- (ii) the Bond Documents;
- (iii) currently existing utility, access, and other easements and rights of way, restrictions, and exceptions described in the title policy required by the Loan Agreement;
- (iv) utility, access, and other easements and rights of way, restrictions, and exceptions that have been determined by the Trustee not to materially impair the use of the Project for its intended purpose or materially and adversely affect the value thereof;
- (v) rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, or permit, or provision of law, affecting the Project, to (a) terminate such right, power, franchise, grant, license or permit, provided that the exercise of such right has been determined by the Trustee not to materially impair the use of the Project for its intended purpose or materially and adversely affect the value thereof, or (b) purchase, condemn, appropriate, or recapture, or designate a purchaser of, the Project;
- (vi) rights reserved to or vested in any municipality or public authority to control or regulate the Project or to use the Project in any manner that have been determined by the Trustee not to materially impair the use of the Project for its intended purpose or materially and adversely affect the value thereof;
- (vii) inchoate mechanics’ and materialmen’s liens that arise by operation of law, but that have not been perfected by the required filing of record, for work done or materials delivered after the date of recording the Leasehold Deed of Trust in connection with Additions or Alterations;
- (viii) the mechanics’ and materialmen’s liens permitted by the Loan Agreement;
- (ix) liens incurred in the ordinary course of business in connection with workers’ compensation, unemployment insurance, or other forms of governmental insurance or benefits;
- (x) liens to secure the performance of letters of credit, bids, tenders, statutory obligations, leases, and contracts (other than for borrowed funds) entered into in the ordinary course of business to secure obligations on surety or appeal bonds;
- (xi) statutory restrictions imposed on the use of real property owned by or for the benefit of KGI;
- (xii) judgment liens against the Borrower so long as such judgment is being contested and execution thereon is stayed or while the period for responsive pleading has not lapsed; and

(xiii) liens arising by reason of an Irrevocable Deposit.

“**Permitted Investments**” means any one or more of the following investments, if and to the extent the same are then legal investments under the applicable laws of the State for moneys proposed to be invested under the Indenture:

(i) Government Obligations;

(ii) obligations of any federal agency that represent the full faith and credit of the United States of America, including, but not limited to:

(a) the Export-Import Bank,

(b) the U.S. Department of Agriculture - Rural Development (formerly the Farmers Home Administration),

(c) the U.S. Maritime Administration,

(d) the Small Business Administration,

(e) the U.S. Department of Housing & Urban Development (PHAs),

(f) the Federal Housing Administration, and

(g) the Federal Financing Bank;

(iii) Defeasance Obligations;

(iv) direct obligations of any of the following federal agencies that are not fully guaranteed by the full faith and credit of the United States of America:

(a) Senior debt obligations that are issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC) or any other federal government sponsored agencies,

(b) Obligations of the Resolution Funding Corporation (REFCORP), and

(c) Senior debt obligations of other federal government sponsored agencies;

(v) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks that are rated by Moody's and S&P in the single highest rating category assigned by such Rating Agencies and that mature not more than three hundred sixty (360) days after the date of purchase (it being understood that ratings on bank holding companies are not considered as the rating of the bank);

(vi) commercial paper that is rated at least P-1 by Moody's and at least A-1 by S&P and that matures not more than two hundred seventy (270) days after the date of purchase;

(vii) investments in a money market fund that is rated by S&P in the single highest rating category assigned by such Rating Agency;

(viii) obligations issued by states or political subdivisions or agencies of the states (and the District of Columbia) and their territories that are rated by at least two (2) Rating Agencies (one of which must be either S&P or Moody's) in any of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by such Rating Agencies;

(ix) certificates of deposit, time deposits or other direct, unsecured debt obligations of any bank (including without limitation the Trustee), trust company, or savings and loan association, if all of the direct, unsecured debt obligations of such institution are rated by a Rating Agency in one of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by such Rating Agency, or which certificates of deposit, time deposits, or obligations are fully secured by a security interest in obligations described in item (i) or (ii) of this definition; provided, however, that if such certificates of deposit, time deposits or obligations are so secured (a) the Trustee shall have a perfected first security interest in the obligations securing such certificates of deposit, time deposits, or obligations, (b) the Trustee shall hold or shall have the option to appoint an intermediary bank, trust company, or savings and loan association as its agent to hold the obligations securing such certificates of deposit or time deposits, and (c) the Trustee or its appointed agent shall hold such obligations free and clear of the liens or claims of third parties;

(x) certificates of deposit or time deposits of any bank (including the Trustee), trust company, or savings and loan association which certificates of deposit or time deposits are fully insured by a federally sponsored insurance corporation;

(xi) securities of the type described in item (i) or (ii) above purchased under agreements to resell such securities to any registered broker/dealer subject to the Securities Investors Protection Corporation jurisdiction or any commercial bank, if such broker/dealer's or bank's uninsured, unsecured, and unguaranteed obligations are rated by a Rating Agency in one of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by such Rating Agency, provided:

(a) a master repurchase agreement or specific written repurchase agreement governs the transaction;

(b) the repurchase agreement has a term of thirty (30) days or less, or the Trustee is required thereunder to value the collateral securities no less frequently than monthly and to liquidate or cause the custodian to liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two (2) Business Days of such valuation;

(c) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least one hundred percent (100%); and either:

(1) the securities are held by the Trustee free and clear of any lien or claims of a third party, or

(2) (A) the securities are held by an independent third party acting solely as agent for the Trustee free and clear of any lien or claims of a third party (other than as agent as hereinafter described), (B) such agent is a Federal Reserve Bank, or a bank that is a member of the Federal Deposit Insurance Corporation and which bank has combined capital, surplus and undivided profits of not less than Fifty Million Dollars (\$50,000,000), (C) the Trustee shall have received written confirmation from such agent that it holds such securities free and clear of any lien or claim, as agent for the Trustee, and (D) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 CFR 306.1 et. seq. or 31 CFR 350.0 et. seq. in such securities is created for the benefit of the Trustee; and

(xii) (a) investment agreements with a bank or broker-dealer that is rated by a Rating Agency in one of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by such Rating Agency or (b) investment agreements with a non-bank financial institution if (1) all of the unsecured, direct long-term debt of such non-bank financial institution is rated by a Rating Agency in one of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by such Rating Agency for obligations of that nature; or (2) such non-bank financial institution has no outstanding long-term debt that is rated, all of the short-term debt of which is rated by a Rating Agency in the highest rating

category (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned to short-term indebtedness by such Rating Agency all of which agreements referred to this item (xii) provide that if such banks' or nonbank financial institutions' debt no longer satisfies such rating criteria such banks or institutions will secure such agreements as soon as reasonably practicable to the extent and in the manner provided in (ix) or (xi) above and if not so secured, such investment agreement shall terminate.

References to particular ratings and rating categories in this definition are applicable only at the time of purchase of the Permitted Investments.

"Person" means natural persons, firms, joint ventures, associations, trusts, partnerships, corporations, limited liability companies, public bodies, and similar entities.

"Plans and Specifications," with respect to the Series 2017 Project, means the detailed plans and specifications for the construction thereof prepared by the Consulting Architect or by architects and engineers acceptable to the Consulting Architect, as amended from time to time by the Borrower with the consent of KGI, a copy of which is or will be on file with the Trustee.

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

"Premises" means, collectively, the Property and the Project.

"Project" means the Series 2017 Project and any additional project acquired, constructed, furnished, and equipped with the proceeds of Additional Bonds.

"Property" means the land described in the Loan Agreement.

"Qualified Exchange Agreement" means any agreement entered into between the Borrower and any Qualified Exchange Agreement Counterparty, which agreement provides that during the term thereof, the Borrower shall pay to the Qualified Exchange Agreement Counterparty an amount based on the interest accruing at a fixed rate per annum on an amount equal to the principal amount of such Bonds or portions thereof and that the Qualified Exchange Agreement Counterparty shall pay to the Borrower an amount based on the interest accruing on a principal amount equal to the same principal amount of such Bonds or portions thereof at a variable rate per annum, in each case computed according to a formula set forth in such agreement, or that one shall pay to the other any net amount or other upfront payment due under such agreement, or any of the following: a cap, floor, or collar agreement; forward rate agreement; future rate agreement; swap agreement; asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction or agreement; or other similar transaction (however designated), relating to an exchange of interest rates, cash flows or payments.

"Qualified Exchange Agreement Counterparty" means any financial institution entering into a Qualified Exchange Agreement with the Borrower that, at the time of the execution of such Qualified Exchange Agreement, (i) satisfies any applicable requirements of law and (ii) is rated, or whose debt is guaranteed, insured, or collateralized, or otherwise supported, by an entity whose financial strength or claims-paying ability is rated, "AA-" or higher by S&P and "Aa3" or higher by Moody's.

"Qualified Institutional Buyer" means a "qualified institutional buyer," as that term is defined under Rule 144A of the Securities Act.

“Qualified Management or Service Agreement” means a management contract or other service contract the terms of which will not cause interest on any Tax-Exempt Bonds to be includable in the gross income of the Owners thereof for federal income tax purposes.

“Rating Agency,” at any point in time, means any nationally recognized securities rating agency or service then rating a Series or Subseries of Bonds (collectively, the **“Rating Agencies”**). When used in the definition of “Permitted Investments,” the term Rating Agencies shall include any of Moody’s, S&P, or Fitch, whether or not any of them then rates a Series or Subseries of Bonds.

“Rebate Amount,” with respect to an Issue of Tax-Exempt Bonds as of any Computation Date, means the “rebate amount” with respect to such Issue of Tax-Exempt Bonds determined in accordance with §1.148-3 of the Regulations.

“Rebate Analyst” means any independent certified public accountant, financial analyst, or Bond Counsel, or any firm of the foregoing, or financial institution, experienced in making the arbitrage and rebate calculations required pursuant to §148(f) of the Code, selected and retained and compensated by the Borrower pursuant to the provisions of the Loan Agreement described in APPENDIX “E” hereto, **“SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS,”** under the heading **“THE LOAN AGREEMENT – Covenants With Respect to Arbitrage Rebate”** to make the computations and give the directions required under the Indenture.

“Rebate Fund” means the Fund of that name created in the Indenture.

“Redemption Fund” means the Fund of that name created in the Indenture.

“Redemption Price” means, with respect to Bonds or a portion thereof, the principal amount of such Bonds or portion thereof plus accrued interest, if any, plus the applicable premium, if any, payable on redemption thereof in the manner contemplated in accordance with its terms and the Indenture.

“Regular Record Date” means the fifteenth (15th) day of the month (whether or not such day is a Business Day) immediately preceding each Interest Payment Date.

“Regulations” means the applicable treasury regulations promulgated under the Code or under §103 of the Internal Revenue Code of 1954, as amended, whether at the time proposed, temporary, final, or otherwise. Reference herein to any specific provision of the Regulations shall be deemed to include a reference to any successor provision or provisions to such provision.

“Remittance Address” means, (i) for payment of the Authority’s Annual Fee by check, California Public Finance Authority, 2999 Oak Road, Suite 710, Walnut Creek, California 94597, or such other address designated by the Authority as such from time to time, and (ii) for payment of the Authority’s Annual Fee by wire transfer or ACH Transaction, U.S. Bank N.A. Minnesota, ABA# 091 000 022, DDA A/C# 104790895775, Reference: [6745041900 CalPFA – Annual Fees Invoice #] or such other instructions designated by the Authority from time to time.

“Repair and Replacement Fund” means the Fund of that name created in the Indenture.

“Requisite Number of Bondholders” means the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding.

“Reserve Loan Payments” means the Loan Payments payable by the Borrower to the Trustee pursuant to the Loan Agreement that are described in APPENDIX “E” hereto, **“SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS,”** under the subheading **“THE LOAN AGREEMENT - Loan Payments and Other Amounts Payable -- Reserve Loan Payments.”**

“Responsible Officer” means, when used with respect to the Trustee, any officer within the Corporate Trust Department (or any successor group of the Trustee) including, without limitation, any vice president, assistant vice president, assistant secretary, or any other officer or assistant officer of the Trustee designated by the Trustee (collectively, the **“Responsible Officers”**).

“Restoration Plans and Specifications” shall have the meaning ascribed thereto in the provisions of the Loan Agreement described in APPENDIX “E” hereto, **“SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS,”** under the heading **“THE LOAN AGREEMENT – Conditions Precedent to Repair, Restoration, or Replacement of the Project; Other Requirements.”**

“Restricted Account of the Surplus Fund” means the Account of the Surplus Fund of that name created in the Indenture.

“Revenue Available for Fixed Charges” means, for any period, the excess of Revenues over Expenses, plus, to the extent that the same shall have been included as an Expense, (i) expenses or expenditures made in respect of the Project that are capitalized, (ii) any extraordinary expenses (including without limitation losses on the sale of assets other than in the ordinary course of business and losses on the extinguishment of debt or termination of pension plans), (iii) the repayment of the principal amount of any Indebtedness, (iv) lease payments made to KGI under the Ground Lease, (v) interest on Indebtedness other than Short-Term Indebtedness, (vi) depreciation, (vii) amortization, (viii) Subordinated Management Fees paid to the Manager in accordance with the Indenture, and (ix) any other Expense to the extent that payment of such Expense shall have been specifically subordinated by written agreement to the payment of Annual Debt Service.

“Revenue Fund” means the Fund of that name created in the Indenture.

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

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

“S&P” means S&P Global Ratings, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Borrower. Whenever rating categories of S&P are specified in the Indenture, such categories shall be irrespective of gradations within a category.

“SEC” means the United States Securities and Exchange Commission and its lawful successors.

“Securities Act” means the Securities Act of 1933, as amended.

“Securities Depository,” with respect to the Series 2017 Bonds, means DTC or other recognized securities depository selected by the Authority at the request of the Borrower that maintains the Book-Entry System in respect of such Bonds and agrees to follow the procedures required to be followed under the Indenture by a securities depository and shall include any substitute for or successor to the securities depository initially acting as securities depository.

“Securities Depository Nominee” means, as to any Securities Depository, such Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the Bond Register the Bond certificates to be delivered to and immobilized at such Securities Depository during the continuation with such Securities Depository of participation in the Book-Entry System.

“Security” means any of the property subject to the operation of the granting clauses contained in the Security Documents.

“Security Agreement,” with respect to the Series 2017 Bonds, means the Pledge and Security Agreement dated as of _____ 1, 2017, by and between the Borrower and the Trustee, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof and of the Indenture.

“Security Documents” means, collectively, the Indenture, the Leasehold Deed of Trust, the Security Agreement, the Assignment of Contracts and Agreements, the Assignment of Construction Fund Proceeds, and the Loan Agreement (each, a ***“Security Document”***).

“**Series**,” with respect to the Bonds, means all Bonds issued pursuant to the same Bond Resolution. Two or more Subseries of Bonds may be part of the same Series of Bonds even though they may not be issued and delivered on the same day.

“**Series 2017 Bonds**” means, collectively, the Series 2017A Bonds and the Series 2017B Bonds.

“**Series 2017 Building**” means those certain buildings and all other facilities and improvements constituting part of the Series 2017 Project and not constituting part of the Series 2017 Equipment that are or will be located on the Property.

“**Series 2017 Completion Date**” means the date of substantial completion of the Series 2017 Project, as certified by the Borrower as provided in the Loan Agreement.

“**Series 2017 Equipment**” means the equipment, machinery, furnishings, and other personal property acquired with the proceeds of the Series 2017 Bonds and described in the Loan Agreement, and all replacements, substitutions, and additions thereto.

“**Series 2017 Loan**” means the loan by the Authority to the Borrower of the proceeds of the Series 2017 Bonds pursuant to the Loan Agreement and that is evidenced by the Series 2017 Notes.

“**Series 2017 Notes**” means, collectively, the Series 2017A Note and the Series 2017B Note.

“**Series 2017 Project**” means the approximately 419-bed student, faculty, and staff housing facility that will be acquired, constructed, furnished, and equipped on a site located in the City, consisting of the Series 2017 Building and the Series 2017 Equipment.

“**Series 2017A Bonds**” means the university housing revenue bonds designated “California Public Finance Authority University Housing Revenue Bonds (NCCD - Claremont Properties LLC - Claremont Colleges Project) Series 2017A” in the aggregate principal amount of \$54,250,000[†] issued pursuant to the Indenture.

“**Series 2017A Note**” means the Series 2017A Promissory Note of the Borrower dated as of _____ 1, 2017, in the original principal amount of \$54,250,000,[†] payable to the Authority, given to evidence the obligation of the Borrower to repay the portion of the Series 2017 Loan relating to the Series 2017A Bonds.

“**Series 2017B Bonds**” means the university housing revenue bonds designated “California Public Finance Authority Taxable University Housing Revenue Bonds (NCCD - Claremont Properties LLC - Claremont Colleges Project) Series 2017B” in the aggregate principal amount of \$250,000[†] issued pursuant to the Indenture.

“**Series 2017B Note**” means the Series 2017B Promissory Note of the Borrower dated as of _____ 1, 2017, in the original principal amount of \$250,000,[†] payable to the Authority, given to evidence the obligation of the Borrower to repay the portion of the Series 2017 Loan relating to the Series 2017B Bonds.

“**Short-Term Indebtedness**” means any Indebtedness maturing not more than three hundred sixty-five (365) days after it is incurred or that is payable on demand, except for any such Indebtedness that is renewable or extendable at the sole option of the debtor to a date more than three hundred sixty-five (365) days after it is incurred, or any such Indebtedness that, although payable within three hundred sixty-five (365) days, constitutes payments required to be made on account of Indebtedness expressed to mature more than three hundred sixty-five (365) days after it was incurred.

“**Shortfall Periods**” means certain periods of time (e.g. summer months) when the Revenues may be inadequate to pay all of the Expenses.

“**SID**” means any public or private repository or entity designated by the State as a state information depository for the purpose of the Rule and recognized as such by the SEC. As of the date hereof, there is no SID.

[†] Preliminary, Subject to Change

“Special Record Date,” for the payment of any Defaulted Interest, means the date fixed by the Trustee pursuant to the Indenture.

“State” means the State of California.

“Submanagement Agreement,” with respect to the Series 2017 Bonds, means (i) the Submanagement Agreement dated as of _____ 1, 2017, between the Manager and the Submanager, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof and of the Indenture and (ii) any submanagement or similar agreement between the Manager and any successor Submanager relating to the management of the Housing Facility, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof and of the Indenture.

“Submanager” means, initially, Capstone On-Campus Management, LLC, an Alabama limited liability company, and thereafter, any other submanagement company employed by the Manager to assist in the management of the Housing Facility.

“Subordinated Management Fee Surplus” shall have the meaning ascribed thereto in the provisions of the Loan Agreement described in APPENDIX “E” hereto, “SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS,” under the heading “THE LOAN AGREEMENT – Financial Statements.”

“Subordinated Management Fees” shall have the meaning ascribed thereto, if any, in the applicable Management Agreement.

“Subseries,” with respect to the Bonds, means all Bonds of a Series that have the same designation and date of issuance and delivery (but do not necessarily have the same maturity date or bear interest at the same rate). If a Series of Bonds has only one Subseries, such Subseries shall also constitute a Series.

“Super-Majority of the Bondholders” means the Owners of not less than two-thirds (2/3^{rds}) in aggregate principal amount of the Bonds then Outstanding.

“Surplus Fund” means the Fund of that name created in the Indenture.

“Tax Certificate,” with respect to the Series 2017A Bonds, means, collectively, the Certificate Concerning Tax-Exempt Status and Related Matters dated as of the Closing Date executed by the Borrower and the Corporation and the Certificate Concerning Tax-Exempt Status and Related Matters dated as of the Closing Date executed by KGI.

“Tax-Exempt Bonds” means any Bonds the interest on which is intended to be excluded from the gross income of the Owners thereof for federal income tax purposes, including the Series 2017A Bonds.

“Tax-Exempt Organization” means a Person organized under the laws of the United States of America or any state thereof (i) that is an organization described in §501(c)(3) of the Code, (ii) that is exempt from federal income taxes under §501(a) of the Code, and (iii) unless a Favorable Opinion of Bond Counsel shall be delivered to the Authority and the Trustee, that is not a “private foundation,” within the meaning of §509(a) of the Code.

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

(i) all the right, title, and interest of the Authority in and to (a) the Loan Agreement (except for Unassigned Rights) and any loan, financing, or similar agreement between the Authority and the Borrower relating to Additional Bonds and (b) the Series 2017 Notes and any other Notes, and all extensions and renewals of the terms thereof, if any, and all amounts encumbered thereby, including, but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive, and make receipt for payments and other sums of money payable, receivable, or to be held thereunder, to bring any actions and proceedings thereunder or for the enforcement thereof, and to do any and all other things that the Authority is or may become entitled to do under the foregoing;

(ii) all the right, title, and interest of the Authority in and to all cash proceeds and receipts arising out of or in connection with the sale of the Bonds and all moneys held by the Trustee in the Funds created under the Indenture (excluding the Rebate Fund), including the Revenue Fund, the Bond Fund, the Redemption Fund, the Issuance Cost Fund, the Construction Fund, the Debt Service Reserve Fund, the Repair and Replacement Fund, the Insurance Fund, the Condemnation Fund, the Operating Reserve Fund, the Operations Contingency Fund, and the Surplus Fund created under the Indenture, or held by the Trustee as special trust funds derived from insurance proceeds, condemnation awards, payments on contractors' performance or payment bonds or other surety bonds, or any other source;

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

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

"Trustee" means the trustee and any co-trustee at the time serving as such under the Indenture. Wilmington Trust, N.A., Birmingham, Alabama, is the initial Trustee.

"Unassigned Rights" means the rights of the Authority under the Loan Agreement and, to the extent not expressly provided in said Sections (or in any other Sections hereof) the Authority's rights thereunder to (i) inspect books and records; (ii) give or receive notices, approvals, consents, requests, and other communications; (iii) receive payment or reimbursement for expenses, including without limitation, Authority Additional Payments and the Authority Annual Fee; (iv) immunity from and limitation of liability; and (v) indemnification by the Borrower; and further, to enforce, it is own name and on its own behalf, those provisions hereof the Indenture, of the Loan Agreement, and of any other document, instrument, or agreement entered into with respect to the Bonds that provides generally for the foregoing enumerated rights or any similar rights of the Authority. For avoidance of doubt, the **"Unassigned Rights"** referenced in items (iv) and (v), above, shall be interpreted broadly to encompass (but not be limited to) the rights of the Authority Indemnified Parties to immunity from and limitation of liability and indemnification by the Borrower as provided in the Loan Agreement.

"Underwriter" means Raymond James & Associates, Inc., Nashville, Tennessee, and its successors and assigns.

"Unrestricted Contributions" means contributions to the Borrower that are not restricted in any way that would prevent their application to the payment of debt service on Indebtedness of the Borrower.

"Valuation Dates" means, collectively, the dates on which the Trustee shall be required to determine the Value of the cash and investments in the Debt Service Reserve Fund, which dates shall be (i) the date on which any portion of a Series or Subseries of Bonds shall be defeased in accordance with the provisions of the Indenture described in APPENDIX "E" hereto, **"SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS,"** under the heading **"THE INDENTURE – Discharge of Lien"** and (ii) prior to a determination that such Value is less than the Debt Service Reserve Requirement (a **"Deficiency Determination"**), June 30 of each year and, after a Deficiency Determination, the last day of each month until the Value of the cash and investments in the Debt Service Reserve Fund again equals or exceeds the Debt Service Reserve Requirement; provided, however, if any such day is not a Business Day the Trustee shall make such determination as of the immediately succeeding Business Day (each, a **"Valuation Date"**).

"Value," with respect to Permitted Investments, means (i) other than as described in items (ii) and (iii) of this definition, the value thereof as established by the pricing service engaged by the Trustee from time to time in the ordinary course of its business; (ii) with respect to certificates of deposit and bankers' acceptances, means the face amount thereof, plus accrued interest; and (iii) with respect to agreements described in items (xi) and (xii) of the definition of Permitted Investments that permit the Borrower to withdraw amounts invested thereunder at any time without penalty, the amount available to be withdrawn therefrom.

APPENDIX “E”

SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS

The following summaries of certain of the Bond Documents do not purport to be comprehensive or definitive statements of the provisions of such Bond Documents and prospective purchasers of the Series 2017 Bonds are referred to the complete texts of such documents, copies of which are available upon request from the Underwriter prior to the issuance and delivery of the Series 2017 Bonds and from the Trustee after the issuance and delivery of the Series 2017 Bonds.

THE LOAN AGREEMENT

Introduction

The Loan Agreement is an agreement that will provide for the loan of the proceeds of the Series 2017 Bonds by the Authority to the Borrower and for the repayment of and security for such loan by the Borrower.

Term of the Loan Agreement *(Section 5.01)*

The Loan Agreement will become effective upon its execution and delivery and will be in full force and effect until all obligations under the Indenture shall have been paid in full (or provision for such payment shall have been made in accordance with the Indenture); provided, however, that the covenants and obligations expressed in the Loan Agreement to so survive will survive the termination of the Loan Agreement.

Construction of the Series 2017 Project *(Section 4.01)*

The Borrower will be required to construct the Series 2017 Project in accordance with the Plans and Specifications and the Construction Contracts and to warrant that the construction of the Series 2017 Project in accordance with the Plans and Specifications will, when supplemented by the Equipment, result in a facility suitable for use by the Borrower as a student housing facility and related facilities and that all real and personal property provided for therein is necessary or appropriate in connection with the Series 2017 Project. The Borrower will be permitted to make changes in or additions to the Plans and Specifications for the Series 2017 Project; provided, however, changes in or additions to such Plans and Specifications that are material will be subject to the prior written approval of the Developer and KGI.

Loan Payments and Other Amounts Payable *(Section 5.02)*

(a) **Basic Loan Payments:** Until the Debt Service Payments on the Bonds shall have been paid in full or provision for the payment thereof shall have been made in accordance with the Indenture, the Borrower will be required to pay to the Trustee for the account of the Authority as Basic Loan Payments, in each case for deposit into the Bond Fund, amounts sufficient to pay the Debt Service Payments on the Bonds as and when the same shall become due and all other sums payable under the terms of the Bonds. The Borrower will be required to pay to the Trustee for the account of the Authority:

(i) on or before _____ 20, 2017, and on or before the twentieth (20th) day of each month thereafter to and including December 20, 2017, a sum equal to one-[_____] (1/[____]) of the amount payable on January 1, 2018, as interest on the Series 2017 Bonds, or such lesser amount that, together with amounts already on deposit in the Bond Fund and available therefor, will be sufficient to pay interest on the Series 2017 Bonds to become due on January 1, 2018, as provided in the Indenture;

(ii) on or before January 20, 2018, and on or before the twentieth (20th) day of each month thereafter, a sum equal to one-sixth (1/6th) of the amount payable on the immediately succeeding Interest Payment Date as interest on the Series 2017 Bonds, or such lesser amount that, together with amounts already on deposit in the Bond Fund and available therefor, will be sufficient to pay interest on the Series 2017 Bonds to become due on the immediately succeeding Interest Payment Date, as provided in the Indenture;

(iii) on the dates set forth in any amendment or amendments to the Loan Agreement executed in connection with the issuance of Additional Bonds, the amount(s) set forth therein to be paid by the Borrower in respect of interest on such Additional Bonds;

(iv) on or before September 20, 2018, and on or before the twentieth (20th) day of each month thereafter, to and including June 20, 2019, a sum equal to one-tenth (1/10th) of the principal due on July 1, 2019;

(v) on or before July 20, 2019, and on or before the twentieth (20th) day of each month thereafter, to and including June 20, 2047,[†] a sum equal to the sum of (1) one-twelfth (1/12th) of the principal due on the immediately succeeding July 1 that is a maturity date of the Series 2017 Bonds and (2) one-twelfth (1/12th) of the Mandatory Sinking Fund Redemption Requirement;

(vi) on the dates set forth in any amendment or amendments to the Loan Agreement executed in connection with the issuance of Additional Bonds, the amount(s) set forth therein to be paid by the Borrower in respect of the principal of such Additional Bonds (whether at maturity or under any mandatory sinking fund or other similar redemption requirements of any supplemental indenture or indentures executed in connection with the issuance of Additional Bonds);

(vii) on the Business Day immediately preceding any date on which the Series 2017 Bonds are to be redeemed pursuant to the mandatory redemption provisions of the Indenture (other than mandatory sinking fund redemption), an amount equal to the Redemption Price of the Series 2017 Bonds to be redeemed (taking into account amounts then on deposit in the Bond Fund and the Redemption Fund to be used for the payment of such Series 2017 Bonds to be redeemed); and

(viii) on the Business Day immediately preceding any date on which any Additional Bonds to be redeemed pursuant to any mandatory redemption provisions of any supplemental indenture or indentures executed in connection with the issuance of Additional Bonds (other than mandatory sinking fund or other similar redemption pursuant to such supplemental indenture or indentures), an amount equal to the Redemption Price of such Additional Bonds to be redeemed (taking into account amounts then on deposit in the Bond Fund and the Redemption Fund to be used for the payment of such Additional Bonds to be redeemed).

Each payment of Basic Loan Payments under clauses (a)(i), (ii), and (iii) above will be required in all events to be sufficient, after giving credit for funds held in the Bond Fund (including amounts held in the Capitalized Interest Account) and the Revenue Fund available for such purpose, to pay the total amount of interest payable on the Bonds on the immediately succeeding Interest Payment Date, each payment of Basic Loan Payments under clauses (a)(iv), (v), and (vi) above will be required in all events to be sufficient, after giving credit for funds held in the Bond Fund available for such purpose, to pay the total amount of principal payable in respect of the Bonds on the immediately succeeding July 1 (whether at maturity or by mandatory sinking fund redemption), and each payment of Basic Loan Payments under clauses (a)(vii) and (viii) above will be required in all events to be sufficient, after giving credit for funds held in the Redemption Fund available for such purpose, to pay the total Redemption Price of the Bonds on the applicable date of redemption. Any Basic Loan Payments will be reduced or need not be made to the extent that there are moneys on deposit in the Bond Fund and/or the Redemption Fund in excess of scheduled payments of Basic Loan Payments plus the amount required for the payment of Bonds theretofore matured or called for redemption, the amount required for the payment of interest for which checks or drafts have been mailed by the Trustee, and past due interest in all cases where Bonds have not been presented for payment. Further, if the amount held by the Trustee in the Bond Fund and the Redemption Fund shall be sufficient to pay at the times required the Debt Service Payments on the Bonds then remaining unpaid, the Borrower will not be obligated to make any further payments of Basic Loan Payments under the above-described provisions. There will also be a credit against remaining Basic Loan Payments for Bonds purchased, redeemed, or canceled, as provided in the Indenture or in any supplemental indenture or indentures executed in connection with the issuance of Additional Bonds as provided therein.

(b) **Additional Loan Payments:** The Borrower will be required to pay (i) to the Trustee until the Debt Service Payments on the Bonds shall have been paid in full (A) for deposit into the Rebate Fund any amount required to be deposited therein pursuant to the Loan Agreement, (B) promptly upon request, an amount equal to the

[†] Preliminary, Subject to Change

annual fee of the Trustee for the Ordinary Services of the Trustee rendered, and the Ordinary Expenses of the Trustee incurred, under the Indenture as and when the same shall become due, (C) promptly upon request, the reasonable fees and charges of the Trustee, as bond registrar and paying agent, and of any other paying agents on the Bonds for acting as paying agents as provided in the Indenture as and when the same shall become due, (D) promptly upon request, the reasonable fees and charges of the Trustee for the Extraordinary Services of the Trustee rendered by it, and the Extraordinary Expenses of the Trustee incurred by it, under the Indenture as and when the same shall become due; provided, that the Borrower may, without creating an Event of Default under the Loan Agreement, contest in good faith the reasonableness of any such Extraordinary Services of the Trustee and Extraordinary Expenses of the Trustee and the reasonableness of any such fees, charges, or expenses, (E) for deposit into the Repair and Replacement Fund, commencing on October 20, 2018, and on the twentieth (20th) day of each month thereafter to and including June, 2019, in equal monthly installments, one-ninth (1/9th) of the amount shown on a schedule attached to the Loan Agreement, which initially equals \$190 per /bed contained in the Project, and on the twentieth (20th) day of each month thereafter, in equal monthly installments, one-twelfth (1/12th) of the amount shown on such schedule, and any and all additional amounts required to be deposited therein by any amendment or amendments to the Loan Agreement executed in connection with the issuance of Additional Bonds on the dates set forth therein, and (F) for deposit into any Fund or Funds created under the Indenture or any supplemental indenture or indentures executed in connection with the issuance of Additional Bonds other than the Repair and Replacement Fund, the Operating Reserve Fund, the Operations Contingency Fund, and the Surplus Fund, any and all additional amounts required to be deposited into such Fund or Funds by any amendment or amendments to the Loan Agreement executed in connection with the issuance of Additional Bonds on the dates set forth therein, (ii) to the Authority, the Authority Additional Payments including, without limitation, the Authority Annual Fee (at the Remittance Address) on the due dates therefor, (iii) to the Independent Architect/Engineer and the Insurance Consultant all of their reasonable fees, charges, and expenses, and (iv) provided no Event of Default under the Loan Agreement shall have occurred and then be continuing, to the Manager, any unsubordinated management fees owed pursuant to the Management Agreement, which shall be evidenced by a written invoice approved by the Borrower and KGI.

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

In the event the Borrower shall fail to make any of the payments described required under this heading “**Loan Payments and Other Amounts Payable**,” the item or installment so in default will continue as an obligation of the Borrower until the amount in default shall have been paid in full and will bear interest at the highest rate of interest on the Bonds.

All amounts deposited in the Funds and Accounts created in the Indenture and available to be used to pay the amounts, fees, charges, and expenses described in the first paragraph under this subheading “**Additional Loan Payments**” in accordance with the terms of the Indenture will be credited against the Borrower’s obligation to make Additional Loan Payments to the extent such amounts are so used.

(c) **Reserve Loan Payments**: (i) The Debt Service Reserve Fund will be funded in an amount equal to the Debt Service Reserve Requirement, if any, for the purpose of paying Debt Service Payments on any Additional Bonds that are Tax-Exempt Bonds as the same shall become due in the event there shall be insufficient funds for said purpose in the Operating Reserve Fund, the Bond Fund, the Redemption Fund, the Surplus Fund (including the Restricted Account of the Surplus Fund), and the Operations Contingency Fund unless provision for their payment in full shall have been duly made, and for payment of the fees, charges, and expenses of the Trustee upon the occurrence of an Event of Default under the Indenture. In the event any funds from the Debt Service Reserve Fund shall be withdrawn or if there shall be a diminution in Value of the cash and investments held in the Debt Service Reserve Fund as of any Valuation Date or if any net losses result from the investment of amounts held in the Debt Service Reserve Fund that shall reduce the Value of the cash and investments held in the Debt Service Reserve Fund to less than the Debt Service Reserve Requirement as of any Valuation Date, the Borrower will be required, beginning on the twentieth (20th) day of the month following notice from the Trustee of such withdrawal, diminution in Value, or losses and on the twentieth (20th) day of each month thereafter, in addition to any other Loan Payments that may be due, to make twelve (12) consecutive monthly payments as Reserve Loan Payments

to the Trustee for deposit into the Debt Service Reserve Fund, each equal to one-twelfth (1/12th) of the amount of such withdrawal, diminution in Value, or losses.

(ii) If any funds shall be withdrawn from the Repair and Replacement Fund to pay Debt Service Payments on the Bonds in accordance with the Indenture, the Borrower will be required, beginning on the twentieth (20th) day of the month following any such withdrawal and continuing on the twentieth (20th) day of each month thereafter, to pay to the Trustee for deposit to the Repair and Replacement Fund the greater of (A) the lesser of (1) one-twelfth (1/12th) of the amount of such withdrawal or (2) such amount that is necessary to reimburse the Repair and Replacement Fund for all such withdrawals, or (B) such amount as shall be determined by the Borrower.

(d) **Credit for Transfers and Deposits Under the Indenture:** The Borrower will receive a credit against its obligation to make the Loan Payments under the provisions of the Loan Agreement described under this heading to the extent of all sums that are transferred to any Person or deposited to any Fund or Account in accordance with the provisions of the Indenture described below under the headings “**THE INDENTURE - Revenue Fund,**” “**- Operating Reserve Fund,**” “**- Operations Contingency Fund,**” and “**- Surplus Contingency Fund.**”

(e) **Authority Closing Expenses.** In addition to and without in any way limiting its obligations to pay and indemnify the Authority and the Authority Indemnified Persons against fees, costs, and charges arising out of or in connection with the Loan Agreement, the other Borrower Documents, the Bonds, or the Indenture, the Borrower will be required to pay, on the Closing Date, to the Authority or to the Authority’s attorneys, as applicable, the Authority Closing Expenses.

Payments Under the Series 2017 Notes (Section 3.01)

To evidence its obligation to make Basic Loan Payments, the Borrower will execute and deliver to the Authority the Series 2017 Notes pursuant to which the Borrower will be required to make payments sufficient to pay, when due, the Debt Service Payments on the Series 2017 Bonds. The Authority will endorse the Series 2017 Notes, without recourse, to the order of the Trustee.

Obligations of the Borrower Unconditional (Section 5.04)

The obligations of the Borrower to make the payments required pursuant to the Loan Agreement and to perform and observe any and all of the other covenants and agreements on its part contained in the Loan Agreement will be absolute and unconditional irrespective of any defense or any rights of setoff, recoupment, or counterclaim it may otherwise have against the Authority. The Borrower will agree that it will not (a) suspend, abate, reduce, abrogate, diminish, postpone, modify, or discontinue any payments described above under the heading “**Loan Payments and Other Amounts Payable,**” (b) fail to observe any of its other agreements contained in the Borrower Documents, or (c) except as described below under the headings “**General Options to Terminate the Loan Agreement,**” “**Option to Prepay the Series 2017 Loan Upon the Occurrence of Certain Extraordinary Events,**” and “**Option to Prepay Loan in Connection with Optional Redemption of the Bonds**” or in any amendment or amendments to the Loan Agreement executed in connection with the issuance of Additional Bonds, terminate its obligations under any of the Borrower Documents for any contingency, act of God, event, or cause whatsoever, including, without limiting the generality of the foregoing, failure of the Borrower to occupy or to use the Project as contemplated in the Loan Agreement or otherwise, any change or delay in the time of availability of the Project, any acts or circumstances that may impair or preclude the use or possession of the Project, any defect in the title, design, operation, merchantability, fitness, or condition of the Project or in the suitability of the Project for the Borrower’s purposes or needs, failure of consideration, any declaration or finding that any of the Bonds are unenforceable or invalid, the invalidity of any provision of the Loan Agreement or any of the other Bond Documents, any acts or circumstances that may constitute an eviction or constructive eviction, destruction of or damage to the Project, the taking by eminent domain of title to or the use of all or any part of the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision or agency of either or in the rules or regulations of any governmental authority, or any failure of the Authority to perform and observe any agreement, whether express or implied, or any duty, liability, or obligation arising out of or connected with the Loan Agreement. **The rights of the Authority to enforce the obligations of the Borrower will be limited as described in the Limited Offering Memorandum under the heading “NON-RECOURSE OBLIGATION OF THE BORROWER.”**

Nothing described in the immediately preceding paragraph will be construed to release the Authority from the performance of any of the agreements on its part contained in the Loan Agreement. In the event the Authority should fail to perform any such agreement on its part, the Borrower will be permitted to institute such action against the Authority as the Borrower may deem necessary to compel performance so long as such action does not abrogate the Borrower's obligations under the Loan Agreement.

Repair and Replacement Fund Certification *(Section 5.05)*

At least every five (5) years following the Series 2017 Completion Date, the Borrower will be required to file with the Trustee a certification accompanied by a written report of an Independent Architect/Engineer relating to the adequacy of the deposits in the Repair and Replacement Fund and the condition of the Project which shall state the Independent Architect/Engineer's recommendation as to the amount of any adjustment needed to the Repair and Replacement Fund. The amounts required to be deposited into the Repair and Replacement Fund will be subject to adjustment upward if so recommended by the Independent Architect/Engineer, and if so adjusted, the Borrower will be required to provide the Authority and the Trustee with revised exhibits reflecting such upward adjustment to the Loan Agreement and the Indenture which revised exhibits will, from and after the date of such recommendation, be deemed and treated as an amendment to the Loan Agreement and a supplement to the Indenture, respectively.

Maintenance and Operation of Project; Additions or Alterations *(Section 6.01)*

The Borrower will be required during the Agreement Term at its own expense to (a) keep the Project in as reasonably safe condition as its operations shall permit, (b) keep the Building and all other improvements forming a part of the Project in good repair and in good operating condition, making from time to time, subject to the requirements described below under the heading "**Removal of Equipment**," all necessary and proper repairs thereto and renewals and replacements thereof, including external and structural repairs, renewals, and replacements, and (c) use the Equipment in the regular course of its business only, within the normal capacity of the Equipment, without abuse, and in a manner contemplated by the manufacturer thereof, and cause the Equipment to be maintained in accordance with the manufacturer's then currently published standard maintenance contract and recommendations. The Borrower will be permitted, also at its own expense, from time to time to make any Additions or Alterations to the Project that it may deem desirable for its business purposes and that do not, in the opinion of an Independent Architect/Engineer filed with the Trustee, adversely affect the operation or value of the Project, provided, that the opinion of an Independent Architect/Engineer will only be required in the case any Addition or Alteration or contract having a cost of more than One Hundred Thousand Dollars (\$100,000). Additions or Alterations to the Project so made by the Borrower will be required to be on the Property, to become a part of the Project, and to become subject to the lien and security interest of the Leasehold Deed of Trust and the Security Agreement. Such Additions or Alterations that cost in excess of Five Hundred Thousand Dollars (\$500,000) will be required to be made only by contractors that furnish performance and labor and material payment bonds in the full amount of such contracts, made by the contractor thereunder as the principal and a surety company or companies reasonably acceptable to the Trustee as surety, and such bonds will be required to be in such forms as are reasonably acceptable to the Trustee. Such bonds will be required to name the Borrower, the Authority, KGI, and the Trustee as obligees, and all Net Proceeds received under such bonds will be required to be paid over to the Trustee and deposited into the Insurance Fund to be applied to the completion of the Additions or Alterations to the Project.

The Borrower will be required to execute a conditional assignment directing the architect who has prepared any Plans and Specifications for any "material" Additions or Alterations to make available to the Trustee a complete set of the Plans and Specifications, which assignment will be effective only upon the occurrence of an Event of Default under the Loan Agreement. All Construction Contracts executed by the Borrower for construction of any "material" Additions or Alterations will be required to contain a provision that, or by separate agreement such contractors shall agree that, upon the occurrence of an Event of Default under the Loan Agreement, said contracts with the contractors and/or sub-contractors will be deemed assigned to the Trustee should the Trustee so direct. The Borrower will covenant to include such conditional assignments in all material contracts and subcontracts executed for work to be performed on the Property. For purposes of this heading Section, the term "**material**" means any Addition or Alteration or contract having a cost of more than One Hundred Thousand Dollars (\$100,000).

The Borrower will further agree that at all times during the construction of Additions or Alterations that cost in excess of Five Hundred Thousand Dollars (\$500,000), it will maintain or cause to be maintained in full force and effect builder's risk - completed value form insurance to the full insurable value of such Additions or Alterations. The Borrower will not be permitted to permit any mechanics' or materialmen's or other statutory liens

to be perfected or remain against the Project for labor or materials furnished in connection with any Additions or Alterations so made by it, provided that it will not constitute an Event of Default under the Loan Agreement upon such lien's being filed if the Borrower shall promptly notify the Trustee of any such liens and the Borrower shall in good faith promptly contest such liens; in such event, the Borrower will be permitted to permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom provided the Borrower shall furnish the Trustee with a bond or cash deposit equal to at least the amount so contested, which, in the case of cash, will be required to be placed into an account with the Trustee, or with an Opinion of Counsel stating that by nonpayment of any such items, the lien and security interest of the Leasehold Deed of Trust and the Security Agreement will not be materially endangered and neither the Project nor any material part thereof will be subject to imminent loss or forfeiture. The proceeds of the bond or cash deposit may be used by the Trustee to satisfy the lien if action is taken to enforce the lien and such action is not stayed. The bond or cash deposit will be returned to the Borrower if the lien shall be successfully contested. If the Borrower shall be unable or shall otherwise fail to obtain such a bond or provide such a cash deposit or such an Opinion of Counsel, the Borrower will be required to cause to be satisfied and discharged promptly all such items by payment thereof. If the Borrower shall be unable or shall otherwise fail to obtain such a bond or provide such a cash deposit or such an Opinion of Counsel, or to satisfy and discharge the lien, the Authority or the Trustee will be permitted to, but will be under no obligation to, satisfy and discharge the lien by payment thereof or provide security that shall cause the claimant to release the lien against the Project, and all amounts so paid by the Authority or the Trustee will be treated as an advance to the Borrower repayable in accordance with the provisions of the Loan Agreement described below under the heading "**Advances by the Authority or the Trustee.**"

The Borrower will not be permitted to, or permit others under its control to, do any work in or about the Project or related to any repair, rebuilding, restoration, replacement, alteration of, or addition to the Project, or any part thereof, unless the Borrower shall have first procured and paid for all requisite municipal and other governmental permits and authorizations, including any permits or authorizations required by the Ground Lease. All such work will be required to be done in a good and workmanlike manner and in compliance with all applicable building, zoning, and other laws, ordinances, governmental regulations, and requirements and in accordance with the requirements, rules, and regulations of all insurers under the policies required to be carried under the provisions of the Loan Agreement described below under the heading "**Insurance.**"

Removal of Equipment (*Section 6.02*)

(a) If no Event of Default under the Loan Agreement shall have occurred and be continuing, in any instance where the Borrower in its discretion shall determine that any items of Equipment or any portion thereof shall have become inadequate, obsolete, worn out, unsuitable, undesirable, or unnecessary, the Borrower will be permitted to remove such items of Equipment or portion thereof from the Property and sell, trade-in, exchange, or otherwise dispose of them (as a whole or in part) without any responsibility or accountability to the Authority or the Trustee therefor, provided that the Borrower will be required either:

(i) to substitute and install anywhere in the Building or on the Property items of replacement equipment or related property having equal or greater value or utility (but not necessarily having the same function) in the operation of the Project for the purpose for which it is intended, provided such removal and substitution shall not impair the nature of the Project, all of which replacement equipment or related property will be required to be free of all liens, security interests, and encumbrances (other than Permitted Encumbrances), to become subject to the lien and security interest of the Leasehold Deed of Trust and the Security Agreement, and to be held by the Borrower on the same terms and conditions as the items originally constituting Equipment, or

(ii) not to make any such substitution and installation, unless in the case of: (A) the sale of any such Equipment, (B) the trade-in of such Equipment for other machinery, furnishings, equipment, or related property not to become part of the Equipment or to become subject to the lien and security interest of the Leasehold Deed of Trust and the Security Agreement, or (C) any other disposition thereof, the Borrower will be required to pay to the Trustee the proceeds of such sale or disposition or an amount equal to the credit received upon such trade-in for deposit into the Redemption Fund. In the case of the sale, trade-in, or other disposition of any such Equipment to an Affiliate of the Borrower, the Borrower will be required to pay to the Trustee an amount equal to the greater of the amounts and credits received therefor or the fair market value thereof at the time of such sale, trade-in, or other disposition for deposit into the Redemption Fund.

All amounts deposited into the Redemption Fund pursuant to the provisions of the Indenture described under this heading will be required to be used to redeem all or a portion of the Bonds issued to finance or refinance the acquisition of such inadequate, obsolete, worn out, unsuitable, undesirable, or unnecessary Equipment or, if such Bonds shall no longer be Outstanding, the redemption of such other Bonds as may be directed by the Borrower in accordance with the provisions of the Indenture. With respect to the Series 2017A Bonds, such amounts will be required to be used to redeem Series 2017 Bonds in accordance with the provisions of the Indenture described in the Limited Offering Memorandum under the subheading “**THE SERIES 2017 BONDS - Redemption -- Other Redemptions at Par**” or, if the Series 2017A Bonds shall no longer be Outstanding, to redeem such other Bonds as may be directed by the Borrower in accordance with the provisions of the Indenture. Except to the extent that amounts are deposited into the Redemption Fund, the removal from the Project of any portion of the Equipment pursuant to the provisions of the Loan Agreement described under this heading will not entitle the Borrower to any postponement, abatement, or diminution of the Basic Loan Payments.

(b) In the event that prior to such removal and disposition of items of Equipment from the Building and the Property, the Borrower shall have acquired and installed machinery, furnishings, equipment, or related property with its own funds that become part of the Equipment and subject to the lien and security interest of the Leasehold Deed of Trust and the Security Agreement and that have equal or greater utility (but not necessarily the same function) as the Equipment to be removed, the Borrower will be permitted to take credit to the extent of the amount so spent by it against the requirement that it either substitute and install other machinery and equipment having equal or greater value (but not necessarily the same function) or that it make payment to the Trustee for deposit into the Redemption Fund.

(c) The Borrower will be required to report promptly to the Trustee each such removal, substitution, sale, or other disposition and to pay to the Trustee such amounts as are required by the provisions of the Loan Agreement described in (a) above to be deposited into the Redemption Fund promptly after the sale, trade-in, or other disposition requiring such payment; provided, that no such report and payment will be required to be made until the amount to be deposited into the Redemption Fund on account of all such sales, trade-ins, or other dispositions not previously reported shall equal, in the aggregate, at least Fifty Thousand Dollars (\$50,000) in any Annual Period. All amounts deposited into the Redemption Fund pursuant to the provision of the Loan Agreement described under this heading as a result of the sale, trade-in, exchange, or other disposition of Equipment will be required to be applied to the redemption of all or a portion of the Bonds issued to finance or refinance the acquisition of such Equipment or, if such Bonds shall no longer be Outstanding, the redemption of such other Bonds as may be directed by the Borrower in accordance with the provisions of the Indenture. With respect to the Series 2017 Bonds, such amounts will be required to be used to redeem Series 2017A Bonds in accordance with the redemption provisions described in the Limited Offering Memorandum under the subheading “**THE SERIES 2017 BONDS - Redemption -- Optional Redemption**” on the first date that the Series 2017A Bonds may be redeemed at a Redemption Price equal to one hundred percent (100%) of the principal amount thereof being redeemed plus interest accrued to the redemption date or, if the Series 2017A Bonds shall no longer be Outstanding, to redeem such other Bonds as may be directed by the Borrower in accordance with the provisions of the Indenture. The Borrower will not be permitted to remove, or permit the removal of, any of the Equipment from the Building or the Property except in accordance with the provisions of the Loan Agreement described under this heading.

Taxes, Other Governmental Charges, and Utility Charges *(Section 6.03)*

The Borrower will be required to pay, as the same become due, (a) all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project that, if not paid, will become a lien on the Project prior to or on a parity with the lien and security interest of the Leasehold Deed of Trust and the Security Agreement or a charge on the Pledged Revenues prior to or on a parity with the charge and security interest thereon and the pledge or assignment thereof created and made in the Security Agreement and including all *ad valorem* taxes or payments in lieu of such taxes lawfully assessed upon the Project, (b) all utility and other charges incurred in the ownership, operation, maintenance, use, occupancy, and upkeep of the Project, and (c) all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Project; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Borrower will be obligated to pay only such installments as are required to be paid during the Agreement Term.

If the Borrower shall first notify the Trustee of its intention so to do, the Borrower will be permitted, at its own expense and in good faith, to contest any such taxes, assessments, or other charges and, in the event of any such contest, to permit the taxes, assessments, or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom, provided the Borrower shall furnish the Trustee with a bond or a cash deposit equal to at least the amount so contested plus any interest or penalties that might be payable as a result of any late payment, which, in the case of cash, will be required to be placed into an account with the Trustee and held for the purposes described under this heading, or an Opinion of Counsel stating that by nonpayment of any such items, the lien and security interest of the Leasehold Deed of Trust and the Security Agreement will not be materially endangered and neither the Project nor any material part thereof will be subject to imminent loss or forfeiture. The proceeds of such bond or cash deposit may be used by the Trustee to satisfy the lien if action shall be taken to enforce the lien and such action shall not be stayed. Such bond or cash deposit will be returned to the Borrower if the taxes, assessments, or other charges shall be successfully contested. If the Borrower shall be unable or shall otherwise fail to obtain such a bond or provide such a cash deposit or such Opinion of Counsel, such taxes, assessments, or charges will be required to be satisfied and discharged promptly by payment thereof.

Insurance (Sections 4.01, 6.04, 6.05, 6.06, and 6.07)

(a) The Borrower will agree that it will, at all times during the construction of the Series 2017 Project, obtain and maintain or cause the Developer and/or cause the Developer to cause the General Contractor to obtain and maintain in full force and effect builder's risk - completed value form insurance insuring all buildings, structures, boilers, equipment, facilities, fixtures, supplies, and other property constituting the Series 2017 Project on an "all risk of loss or damage basis," currently referred to as "special form," including coverage for soft costs (in an amount equal to or greater than the anticipated excess debt coverage anticipated for the first full year of operations) and lost rents (in an amount equal to or greater than the anticipated net rental revenue for the first full year of operations) due to damage and destruction prior to completion, including perils of theft, vandalism, malicious mischief, transit, materials stored off site, collapse, falsework, temporary buildings, debris removal, testing, and damage resulting from defective design, workmanship or material, fire, lightning, earth movement, (including, but not limited to earthquake, landslide, subsidence, and volcanic eruption), flood, windstorm (including tornados), collapse, boiler and machinery accidents, strikes, riot, civil commotion, sabotage, and all other risks covered by the extended coverage endorsement then in use in the State to the full replacement cost of the Series 2017 Project with a deductible provision not to exceed Twenty-Five Thousand Dollars (\$25,000.00) per occurrence, except in the event of a named windstorm, earthquake, or flood in which case the deductible shall not exceed three percent (3%) of the value at risk, but shall in any case be a minimum of One Hundred Thousand Dollars (\$100,000). Such policy or policies of insurance will be required to name the Authority, the Borrower, the Trustee, and KGI as insureds, as their respective interests may appear, and to name the Trustee as mortgagee/loss payee under a standard loss payable endorsement providing that no act or omission or any breach or violation by any of the named insureds or any other person of any warranties, declarations, or conditions contained in the insurance policy or policies, any action or inaction by any of the named insureds or any other person, or any foreclosure relating to the Project shall in any way prejudice the rights the Trustee thereunder, and all Net Proceeds received under such policy or policies by the Borrower or the Authority will be required to be required to be paid over to the Trustee and deposited into the Insurance Fund to be applied to the restoration and/or completion of the Series 2017 Project or to the redemption of Series 2017 Bonds in accordance with the provisions of the Loan Agreement described below under the heading **"Destruction and Damage."** In addition, the Borrower will be required to cause the Developer and/or the General Contractor at all times during the construction of the Series 2017 Project to maintain (i) general liability insurance in an amount not less than that required to be maintained by the Borrower as described below under this heading and (ii) workers' compensation insurance as required by law. Said insurance policy or policies will be required to contain a provision that such insurance may not be canceled by the Authority thereof without at least thirty (30) days' advance written notice to the Borrower which shall be required to forward any such notice of cancellation promptly to the Authority and the Trustee.

(b) The Borrower will further agree that it will cause the Developer to require the General Contractor to deliver to the Trustee performance and labor and material payment bonds with respect to the General Construction Contract covering faithful performance by the General Contractor of the General Construction Contract and payment of all obligations arising thereunder,, and in the full amount thereof, made by the General Contractor as principal and a surety company or companies, acceptable to the Underwriter and authorized to write bonds in the State, as surety; such bonds to be in such forms as are acceptable to the Underwriter. Said bonds will be required to name the Authority, the Borrower, the Developer, the Trustee, and KGI as the obligees, and all Net Proceeds received under said bonds will become a part of and be deposited into the Construction Fund, or, if received after the

Series 2017 Completion Date, will be used to pay any obligation then owed by the Borrower under the Loan Agreement, and if any Net Proceeds remain, will be deposited into the Revenue Fund. Any amounts recovered by way of penalties or damages, whether liquidated or actual, for delays in completion by a contractor will be deposited into the Revenue Fund. All such payment and labor and material payment bonds will be required to be delivered to the Trustee at or prior to the delivery of the applicable Series of Bonds.

(c) The Borrower will be required, throughout the Agreement Term, to keep the Project or cause the same to be kept continuously insured against such risks as are customarily insured against with respect to facilities of like size and type, as recommended by an Insurance Consultant, including, but not limited to, the following:

(i) commencing on the date on which the Borrower begins leasing the Series 2017 Project to proposed occupants thereof, insurance upon the repair or replacement basis in an amount of not less than one hundred percent (100%) of the then actual cost of replacement (excluding costs of replacing excavations and foundations, but without deduction for depreciation) of the Project (with deductible provisions not to exceed Twenty-Five Thousand Dollars (\$25,000) per occurrence) against loss or damage by fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircraft, vehicles, and smoke and such other risks as are now or hereafter included in the uniform standard extended coverage endorsement in common use for similar structures (including vandalism and malicious mischief);

(ii) commencing on the date on which the Borrower begins leasing the Series 2017 Project to proposed occupants thereof, business interruption insurance (also referred to as "business income" or "loss of rents" insurance) covering loss of revenues and other income by the Borrower by reason of total or partial suspension of, or interruption in, the operation of the Project caused by covered damage to or destruction of the Project in an amount not less than the Maximum Annual Debt Service on the Bonds plus twelve (12) months' budgeted operating expenses minus those operating expenses avoided as a result of and during the period of interruption;

(iii) comprehensive general liability insurance providing insurance (with deductible provisions not to exceed Twenty-Five Thousand Dollars (\$25,000) per occurrence) covering all claims for bodily injury and property damage, including not less than One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) in the aggregate, to include personal and advertising injury, general aggregate, products and completed operations aggregate insurance beginning at the completion of each Project component, and contract liability to cover all insurable obligations under the Ground Lease;

(iv) commencing on the date any vehicle is acquired or hired by the Borrower for use with respect to the Project, automobile liability insurance providing insurance (with deductible provisions not to exceed Twenty-Five Thousand Dollars (\$25,000) per occurrence) to the extent of not less than a combined single limit of One Million Dollars (\$1,000,000) per accident covering liability arising out of the use of any Borrower vehicle or such vehicles used in conjunction with the Project, whether owned, non-owned, or hired, and including personal injury protection and uninsured motorist protection in the minimum statutory limits where required by law;

(v) at all times, insurance under the Federal Flood Insurance Program within the minimum requirements and amounts required for federally financed or assisted loans under the Flood Disaster Protection Act of 1973, as amended, if the Project is eligible under such program;

(vi) commencing on the date the first employee of the Borrower is hired, workers' compensation coverage or other similar coverage covering all of the Borrower's employees on the Premises, as required by the laws of the State, including, with respect to workers' compensation insurance, Coverage B-Employer's liability limits of: bodily injury by accident - Five Hundred Thousand Dollars (\$500,000) each accident; and bodily injury by disease - Five Hundred Thousand Dollars (\$500,000) each employee (and, in this regard, the Borrower shall require all subcontractors performing work on the Project to provide an insurance certificate showing proof of workers' compensation insurance);

(vii) to the extent that the Project contains a steam boiler, pressure vessels, or pressure piping, and commencing on the date on which the same are installed in the Project, boiler explosion insurance on steam boilers, if any, pressure vessels, and pressure piping in an amount not less than one hundred percent (100%) of the then actual cost of replacement (excluding costs of replacing excavations and foundations, but

without deduction for depreciation) of the Project (with deductible provisions not to exceed Twenty-Five Thousand Dollars (\$25,000) per occurrence);

(viii) commencing on the Series 2017 Completion Date, fidelity bonds or employee dishonesty insurance in the amount of One Hundred Thousand Dollars (\$100,000) for all officers, agents, and employees of the Borrower with the responsibility of handling Pledged Revenues; and

(ix) additional umbrella or excess liability coverage in the amount of Ten Million Dollars (\$10,000,000) in the aggregate, which shall include all coverages required by (iii), (iv), and (vi) above.

(d) The Net Proceeds of the insurance carried pursuant to the provisions of the Loan Agreement described in (i), (v), and (vii) of paragraph (c) above will be required to be paid and applied as described under the heading **“Destruction and Damage”** below, and the Net Proceeds of insurance carried pursuant to the provisions of the Loan Agreement described in (iii), (iv), and (ix) of paragraph (c) above will be required to be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds have been paid. The Net Proceeds of the insurance carried pursuant to the provisions of the Loan Agreement described in (ii) of paragraph (c) above, up to an amount equal to the Debt Service Reserve Requirement on the Bonds (including any Mandatory Sinking Fund Redemption Requirement) for the succeeding twelve (12) month period, will be required to be deposited into the Bond Fund and used as provided in the Indenture and the balance will be required to be deposited into the Revenue Fund.

(e) All insurance required by the provisions of the Loan Agreement described in paragraph (c) above will be required to be taken out and maintained in generally recognized responsible insurance companies qualified to do business in the State, that may include “captive” insurance companies or governmental insurance pools, and that have a rating of “A-VII” or better by the latest Best Insurance Report. All policies evidencing such insurance will be required to provide for payment to the Authority, the Borrower, KGI, and the Trustee as their respective interests may appear, the policies required by the provisions of the Loan Agreement described in (iii) and (iv) of paragraph (c) above will be required to name the Authority, KGI, and the Trustee as additional insureds, and the policies required by the provisions of the Loan Agreement described in (i), (v), and (vii) of paragraph (c) above will be required to name the Trustee as mortgagee and loss payee under the Standard New York Mortgagee Endorsement or an equivalent endorsement or loss payee provision providing that no act or omission by the Borrower shall in any way prejudice the rights of the Trustee under such policies and will be required to require that all Net Proceeds of insurance if in excess of Two Hundred Fifty Thousand Dollars (\$250,000) for loss or damage covered thereby be paid to the Trustee and applied as described under the heading **“Destruction and Damage”** below; provided, however, that prior to the occurrence of an Event of Default, all claims regardless of amount will be permitted to be adjusted by the Borrower with the insurers, subject to prior written approval of the Trustee as to any settlement of any claim in excess of Two Hundred Fifty Thousand Dollars (\$250,000). A certificate or certificates of the insurers that such insurance is in force and effect will be required to be deposited with the Trustee, and prior to the expiration of any such policy the Borrower will be required to furnish the Trustee with a certificate or certificates that the policy has been renewed or replaced or is no longer required by the Loan Agreement. In lieu of separate policies, the Borrower will be permitted to maintain one or more blanket policies of insurance having the coverage required by the provisions of the Loan Agreement described in paragraph (c) above. All such policies will be required to provide that such insurance may not be modified adversely to the interests of the Authority or the Trustee or canceled by the Authority thereof before the Bonds have been paid in full without at least thirty (30) days’ written notice to the Borrower, the Authority, and the Trustee. Prior to the Closing Date for a Series of Bonds, the Borrower will be required to deliver to the Trustee original ACORD Certificates of Insurance that evidence the coverages and endorsements required in the Loan Agreement.

(f) The Borrower will be required to deliver to the Trustee within ninety (90) days after the end of each Annual Period, beginning with the Annual Period ending June 30, 2019, a certificate of an Authorized Borrower Representative setting forth the particulars as to all insurance policies maintained by the Borrower pursuant to the provisions of the Loan Agreement described under this heading and certifying that such insurance policies are in full force and effect, that such policies comply with such provisions, and that all premiums then due thereon have been paid. The Trustee will be entitled to rely upon said certification of the Borrower as to the Borrower’s compliance with the insurance requirements of the provisions of the Loan Agreement described under this heading. The Trustee will not be responsible for the sufficiency of coverage or the amounts of any such policies.

(g) The Borrower will be required to retain an Insurance Consultant to review its insurance requirements and, if necessary, to review its insurance requirements not less than every two (2) years along with making a written recommendation, if necessary, for increasing or decreasing any of the insurance or coverages described above and to furnish a copy of such review to the Trustee and KGI. If any such review by the Insurance Consultant shall contain recommendations for increasing any of such insurance or coverages, the Borrower will be required to increase such insurance or coverages in accordance with such recommendations promptly, if any such review by the Insurance Consultant shall contain recommendations for decreasing any of such insurance or coverages, the Borrower will be permitted to decrease such insurance or coverages in accordance with such recommendations. In addition, on or before the execution and delivery of the Loan Agreement and, on or before January 31 of each succeeding year, the Borrower will be required to furnish to the Trustee a certificate of the Insurance Consultant to the effect that the insurance procured by the Borrower satisfies in all respects the requirements described in paragraphs (c) and (e) of this heading.

Advances by the Authority or the Trustee (Section 6.08)

If the Borrower shall fail to make any payment or perform any act required of it under the Loan Agreement, the Authority or the Trustee will be permitted (but will be under no obligation), after notifying the Borrower of its intention to do so and at the expiration of any applicable cure period, to make such payment or perform such act. All amounts so paid by the Authority or the Trustee and all costs, fees, and expenses so incurred will be payable as an additional obligation under the Loan Agreement and under the Notes, together with interest thereon from the date of payment by the Authority or the Trustee, as applicable, at the Default Rate, payment of which will be secured by the Leasehold Deed of Trust and the Security Agreement. Any remedy in the Loan Agreement vested in the Authority or the Trustee for the collection of the Loan Payments will also be available to the Authority and the Trustee for the collection of all such amounts so advanced. The Trustee will be under no obligation to make any such payment unless it shall be requested to do so by the Requisite Number of Bondholders and shall be provided with adequate funds paid in cash to the Trustee (from a source or sources approved by the Trustee) for the purpose of such payment.

Destruction and Damage (Section 7.01)

(a) In the event that the Project shall be destroyed or damaged (in whole or in part) by fire or other casualty, the Borrower will be required to notify the Authority and the Trustee in writing promptly, and, unless the Bonds shall be paid in full from the Net Proceeds of insurance resulting from such destruction or damage, to continue to make the Loan Payments and will not be entitled to any postponement, abatement, or diminution thereof.

(b) If such Net Proceeds of insurance shall be less than Two Hundred Fifty Thousand Dollars (\$250,000) (which amount will be increased as of each July 1 by a percentage equal to the past year's increase, if any, in the Consumer Price Index for the City (the "**CPI Adjustment**") as provided in writing by the Borrower to the Trustee), all such insurance proceeds will be paid to the Borrower, and the Borrower will be required to repair, replace, rebuild, restore, and/or re-equip the Project promptly to substantially the same condition thereof as existed prior to the event causing such destruction or damage with such changes, alterations, and modifications (including the substitution and addition of other property) as may be desired by the Borrower and as will not impair the value or the function of the Project. In the event the Net Proceeds shall not be sufficient to pay in full the costs of any such repair, replacement, rebuilding, restoration, and/or re-equipping, the Borrower will be required nonetheless to complete said work and to pay that portion of the costs thereof in excess of the amount of said Net Proceeds.

(c) If such Net Proceeds of insurance shall be in excess of Two Hundred Fifty Thousand Dollars (\$250,000) (plus the applicable CPI Adjustment, if any), all such insurance proceeds will be required to be paid to the Trustee and deposited and held in the Insurance Fund to be applied, as fully as practicable, in one or more of the following ways as shall be directed in writing by the Borrower within sixty (60) days from the date of such deposit:

(i) subject to the requirements described under the heading "**Conditions Precedent to Repair, Restoration, or Replacement of the Project; Other Requirements**" below, such Net Proceeds will be permitted to be applied to the restoration of the Project; or

(ii) subject to the requirements described below, such Net Proceeds will be permitted to be applied to the acquisition of other suitable land and the acquisition, by construction or otherwise, to the extent permitted by applicable law, of improvements consisting of a building or buildings, facilities, furnishings,

machinery, equipment, or other properties suitable for the Borrower's operations at the Project as conducted prior to such destruction or damage (which improvements will be deemed a part of the Project and available for use and occupancy by the Borrower without the payment of any Loan Payments other than as provided in the Loan Agreement to the same extent as if such improvements were specifically described in the Loan Agreement and will be required to be acquired by the Borrower subject to no liens, security interests, or encumbrances prior to or on a parity with the lien and security interest of the Leasehold Deed of Trust and the Security Agreement, other than Permitted Encumbrances); or

(iii) such Net Proceeds will be permitted to be transferred to the Redemption Fund to be applied to the redemption of Bonds; or

(iv) such Net Proceeds will be permitted to be applied in some combination permitted by the foregoing clauses (i), (ii), and (iii) above.

(d) All Net Proceeds deposited into the Redemption Fund pursuant to the provisions of the Loan Agreement described under this heading as a result of the destruction of or damage to the Project will be required to be applied to the redemption of all or a portion of the Bonds issued to finance or refinance the acquisition of such portion of the Project or, if such Bonds shall no longer be Outstanding, the redemption of such other Bonds as may be directed by the Borrower in accordance with the provisions of the Indenture.

(e) All Net Proceeds so deposited into the Redemption Fund to be applied to the redemption of the Series 2017 Bonds will be required to be used to redeem Series 2017 Bonds in accordance with the provisions of the Indenture described in the Limited Offering Memorandum under the subheading "**THE SERIES 2017 BONDS - Redemption -- Extraordinary Optional Redemption**;" provided, that no part of such Net Proceeds will be permitted to be applied to a redemption of the Bonds in whole unless the requirements of the Loan Agreement relating to prepayment in full upon destruction or damage described below under the heading "**Option to Prepay the Series 2017 Loan Upon the Occurrence of Certain Extraordinary Events**" shall have been met.

(f) Any balance of such Net Proceeds of insurance remaining after application pursuant to the provisions of the Loan Agreement described in (b) or (c) above or remaining because of the failure of the Authorized Borrower Representative to furnish to the Authority, the Trustee, and KGI the items required by the provisions of the Loan Agreement described under the heading "**Conditions Precedent to Repair, Restoration, or Replacement of the Project; Other Requirements**" will be required to be transferred to the Redemption Fund and used to redeem Bonds as described in (d) and (e) above.

Condemnation (Section 7.02)

(a) In the event that title to or the temporary use of the Project or any part thereof shall be taken under the exercise or threat of exercise of the power of eminent domain or by private purchase in lieu thereof by any governmental body or by any Person acting under governmental authority, the Borrower will be required to notify the Authority and the Trustee in writing promptly and, unless the Bonds shall be paid in full from the award made in such eminent domain proceedings, to continue to make the Loan Payments and will not be entitled any postponement, abatement, or diminution thereof.

(b) Except for Net Proceeds received by the Borrower with respect to its own property not included in the Project and not subject to the lien and security interest of the Leasehold Deed of Trust and the Security Agreement, the Authority, the Borrower, and the Trustee will be required to cause the Net Proceeds received by them or any of them from any award made in such eminent domain proceedings to be paid to the Trustee and deposited and held in the Condemnation Fund to be applied, as fully as practicable, in one or more of the following ways as shall be directed in writing by the Borrower within sixty (60) days from the date of such deposit:

(i) subject to the requirements described under the heading "**Conditions Precedent to Repair, Restoration, or Replacement of the Project; Other Requirements**" below, such Net Proceeds will be permitted to be applied to the restoration of the Project; or

(ii) subject to the requirements described under the heading "**Conditions Precedent to Repair, Restoration, or Replacement of the Project; Other Requirements**" below, such Net Proceeds will be permitted to be applied to the acquisition of other suitable land and the acquisition, by construction or

otherwise, to the extent permitted by applicable law, of improvements consisting of a building or buildings, facilities, furnishings, machinery, equipment, or other properties suitable for the Borrower's operations at the Project as conducted prior to such taking (which improvements will be deemed a part of the Project and available for use and occupancy by the Borrower without the payment of any Loan Payments other than as provided in the Loan Agreement to the same extent as if such improvements were specifically described in the Loan Agreement and will be required to be acquired by the Borrower subject to no liens, security interests, or encumbrances prior to or on a parity with the lien and security interest of the Leasehold Deed of Trust and the Security Agreement, other than Permitted Encumbrances); **or**

(iii) such Net Proceeds will be permitted to be transferred to the Redemption Fund to be applied to the redemption of Bonds; **or**

(iv) such Net Proceeds will be permitted to be applied in some combination permitted by the foregoing clauses (i), (ii), and (iii) above).

(c) All Net Proceeds deposited into the Redemption Fund as a result of the condemnation of a portion of the Project will be required to be applied to the redemption of all or a portion of the Bonds issued to finance or refinance the acquisition of such portion of the Project or, if such Bonds shall no longer be Outstanding, the redemption of such other Bonds as may be directed by the Borrower in accordance with the provisions of the Indenture.

(d) All Net Proceeds so deposited into the Redemption Fund to be applied to the redemption of the Series 2017 Bonds will be required to be used to redeem Series 2017 Bonds in accordance with the provisions of the Indenture described in the Limited Offering Memorandum under the subheading "**THE SERIES 2017 BONDS - Redemption -- Extraordinary Optional Redemption**;" provided, that no part of such Net Proceeds will be permitted to be applied to a redemption of the Bonds in whole unless the requirements of the Loan Agreement relating to prepayment in full upon destruction or damage described below under the heading "**Option to Prepay the Series 2017 Loan Upon the Occurrence of Certain Extraordinary Events**" shall have been met.

(e) Any balance of such Net Proceeds remaining after application pursuant to the provisions of the Loan Agreement described in (b) above or remaining because of the failure of the Authorized Borrower Representative to furnish to the Authority, the Trustee, and KGI the items required by the provisions of the Loan Agreement described under the heading "**Conditions Precedent to Repair, Restoration, or Replacement of the Project; Other Requirements**" will be required to be transferred to the Redemption Fund and used to redeem Bonds as described in (c) and (d) above.

Conditions Precedent to Repair, Restoration, or Replacement of the Project; Other Requirements (*Section 7.03*)

(a) Before the Trustee may apply any Net Proceeds pursuant to the provisions of the Loan Agreement described in (c)(i), (ii), or (iv) of the caption "**Destruction and Damage**" above in (b)(i), (ii), or (iv) of the caption "**Condemnation**" above to pay the costs of repairing, restoring, or replacing the Project, the Borrower will be required to furnish to the Authority, the Trustee, and KGI (i) a construction contract and any architect's agreement relating to such repair, restoration, or replacement, (ii) complete plans and specifications relating to such repair, restoration, or replacement (the "**Restoration Plans and Specifications**"), (iii) a certificate of an Independent Architect/Engineer that states that such repair, restoration, or replacement, if completed in accordance with the Restoration Plans and Specifications, will (A) restore the Project to substantially the condition thereof immediately preceding the damage, destruction, or condemnation and (B) comply with all applicable statutes, codes, and regulations; (iv) a certificate of an Authorized Borrower Representative stating that sufficient moneys are available to (A) pay for such repair, restoration, or replacement and, (B) together with available business interruption insurance proceeds and other available Pledged Revenues, pay Debt Service Payments on the Bonds and Expenses during the period of repair, restoration, or replacement; (v) applicable lien waivers or conditional lien waivers; (vi) evidence of the existence of performance and payment bonds for the applicable contractor; and (vii) evidence that the Borrower has acquired all permits and licenses necessary for such construction; and, if such net proceeds are in excess of Two Hundred Fifty Thousand Dollars (\$250,000) (plus the applicable CPI Adjustment, if any), in addition to those requirements listed in (i) through (vii) above, the Borrower will also be required to deliver to the Trustee: (viii) an endorsement to the applicable title insurance policy insuring the continued priority of the lien of the Leasehold Deed of Trust and (ix) an opinion of Bond Counsel to the effect that neither such repair, replacement,

nor restoration nor such use of such casualty or condemnation proceeds will adversely affect the excludability from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds.

(b) The Trustee will be required to retain ten percent (10%) of the requested disbursements to be disbursed upon final completion of the repair, replacement, or restoration as certified by an Independent Architect/Engineer and receipt of certificates of occupancy, waivers of liens and, if such Net Proceeds shall be in excess of Two Hundred Fifty Thousand Dollars (\$250,000) (plus the applicable CPI Adjustment, if any), an endorsement to the title insurance policy or policies required by the provisions of the Loan Agreement insuring the continued priority of the Leasehold Deed of Trust. If at any time during the period of repair, restoration, or replacement, the insurance or casualty proceeds shall be less than the estimated remaining costs to restore, repair, or replace the Project, the Borrower will be required to provide the Trustee with cash or cash equivalents in an amount equal to the shortfall.

General Options to Terminate the Loan Agreement *(Section 11.01)*

The Borrower will have the following options to terminate the Loan Agreement at any time prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture). The Borrower will be permitted to terminate the Agreement Term by (a) paying to the Trustee an amount that, when added to the amount on deposit in the Bond Fund and the Redemption Fund, will be sufficient to pay, retire, and redeem all of the Outstanding Bonds in accordance with the provisions of the Indenture (including, without limiting the generality of the foregoing, principal, redemption premium, interest to maturity or earliest applicable redemption date, as the case may be, premium, if any, expenses of redemption, and Trustee's and paying agents' fees and expenses, including reasonable attorneys' fees), (b) in the case of redemption, making arrangements satisfactory to the Trustee for the giving of the required, irrevocable notice of redemption, (c) paying to the Authority any and all sums then due to the Authority under the Loan Agreement, and (d) otherwise complying with the provisions of the Indenture described below under the heading "**THE INDENTURE - Discharge of Lien.**" If KGI shall exercise the option granted to it pursuant to the Ground Lease to purchase the Project, the Borrower will be required to exercise the option described in this paragraph.

Option to Prepay the Series 2017 Loan Upon the Occurrence of Certain Extraordinary Events *(Section 11.02)*

(a) The Borrower will have the option to prepay the Series 2017 Loan in full or in part prior to the full payment of all of the Series 2017 Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture):

(i) **in full** if the Series 2017 Project shall have been destroyed or damaged to such an extent that, in the opinion of an Independent Architect/Engineer expressed in a certificate filed with the Trustee and the Authority, (A) the Series 2017 Project cannot reasonably be restored within a period of twelve (12) months to the condition thereof immediately preceding such destruction or damage, **or** (B) the Borrower will thereby be prevented from carrying on its normal operations thereat for a period of not less than twelve (12) consecutive months, **or** (C) the cost of restoration or replacement thereof would exceed the Net Proceeds of insurance payable in respect of such destruction or damage,

(ii) **in full** if title to, or the temporary use of, a substantial portion of the Series 2017 Project shall have been taken under the exercise or threat of exercise of the power of eminent domain or by private purchase in lieu thereof by any governmental authority or Person acting under governmental authority to such an extent that, in the opinion of an Independent Architect/Engineer expressed in a certificate filed with the Trustee and the Authority, (A) the Series 2017 Project cannot be reasonably restored or replaced within a period of twelve (12) months to substantially the condition thereof immediately preceding such taking, **or** (B) the Borrower will thereby be prevented from carrying on its normal operations thereat for a period of not less than twelve (12) consecutive months, **or** (C) the cost of restoration or replacement thereof would exceed the total amount of compensation for such taking, or

(iii) **in part** in the event of partial condemnation or destruction of, or partial damage to, the Series 2017 Project, from the Net Proceeds received by the Borrower as a result of such taking, destruction, or damage to the extent such Net Proceeds are not used for the restoration of the Series 2017 Project or for the acquisition of substitute property suitable for the Borrower's operations at the Series 2017 Project as such operations were conducted prior to such taking, destruction, or damage if the Borrower furnishes to the Trustee and the Authority (A) a certificate of an Independent Architect/Engineer stating (1) that the

property forming a part of the Series 2017 Project that was taken, destroyed, or damaged is not essential to the Borrower's use or occupancy of the Series 2017 Project at substantially the same revenue-producing level as prior to such taking, destruction, or damage, or (2) that the Series 2017 Project has been restored to a condition substantially equivalent to its condition prior to such taking, destruction, or damage, or (3) that the Borrower has acquired suitable land and improvements that are substantially equivalent to the property forming a part of the Series 2017 Project that was taken, destroyed, or damaged or (B) a written report of a Financial Consultant filed with the Trustee and the Authority that the Fixed Charges Coverage Ratio for each of the two (2) Annual Periods following the Annual Period following such taking, destruction, or damage will not be less than the lesser of (1) 1.20 and (2) the average Fixed Charges Coverage Ratio for the two (2) most recent Annual Periods prior to such taking, destruction, or damage for which audited financial statements are available.

(b) In the case of the occurrence of any of the events described in (a) above, the Borrower, if it shall exercise its option to prepay the Series 2017 Loan, will be required to prepay the Series 2017 Loan within one hundred eighty (180) days after the receipt of the insurance or condemnation proceeds received by the Borrower as a result of such event.

(c) To exercise such option, the Borrower will be required, within sixty (60) days following the event authorizing the exercise of such option, to give written notice of the exercise of such option to the Authority and to the Trustee and to specify therein the date of tender of such prepayment, which date shall not be less than forty-five (45), nor more than one hundred twenty (120), days from the date such notice is mailed, and to make arrangements satisfactory to the Trustee for the giving of the required notice of redemption.

(d) The amount payable by the Borrower in the event of its exercise of the option to prepay the Series 2017 Loan in full will be the sum of the following:

(i) an amount of money that, when added to the amount then on deposit in the Bond Fund, the Redemption Fund, and the Debt Service Reserve Fund (taking into account the fact that no amounts in the Debt Service Reserve Fund may be used to pay the Debt Service Payments on the Series 2017 Bonds or any Additional Bonds that are not Tax-Exempt Bonds) will be sufficient to retire and redeem all the then Outstanding Series 2017 Bonds on the applicable redemption date provided by the Indenture, including without limitation, principal, all interest to accrue to said redemption date, and redemption expense, but without premium, plus

(ii) an amount of money equal to the Trustee's and paying agents' fees and expenses, including reasonable attorneys' fees and expenses, under the Indenture accrued and to accrue until such final payment and redemption of the Series 2017 Bonds, plus

(iii) an amount of money equal to the Authority's reimbursable expenses under the Loan Agreement accrued and to accrue until such final payment and redemption of the Series 2017 Bonds.

(e) The amount payable by the Borrower in the event of its exercise of the option to prepay the Series 2017 Loan in part will be the sum of the following:

(i) an amount of money that, when added to the amount then on deposit in the Bond Fund and the Redemption Fund, will be sufficient to retire and redeem the Series 2017 Bonds that are to be redeemed on the applicable redemption date provided by the Indenture, including without limitation, principal, all interest to accrue to said redemption date, and redemption expense, but without premium, plus

(ii) an amount of money equal to the Trustee's and paying agents' fees and expenses, including reasonable attorneys' fees and expenses relating to such redemption, plus

(iii) an amount of money equal to the Authority's reimbursable expenses under the Loan Agreement relating to such redemption.

Option to Prepay Loan in Connection with Optional Redemption of the Bonds *(Section 11.03)*

The Borrower will have the option to prepay the Series 2017 Loan by prepaying Basic Loan Payments due under the Loan Agreement in such manner and amounts as will enable the Authority to redeem the Series 2017 Bonds prior to maturity in whole or in part on any date, as described in the Limited Offering Memorandum under the subheading “**THE SERIES 2017 BONDS - Redemption -- Optional Redemption.**” The Basic Loan Payments payable by the Borrower in the event of its exercise of such option will be, (i) in the case of partial redemption, the amount necessary to pay principal, all interest to accrue to the redemption date, the applicable redemption premium, as described in the Limited Offering Memorandum under the subheading “**THE SERIES 2017 BONDS - Redemption -- Optional Redemption.**” and any redemption expense and (ii) in the case of a total redemption, the amounts described below under the heading “**THE INDENTURE - Discharge of Lien**” and the applicable redemption premium, as described in the Limited Offering Memorandum under the subheading “**THE SERIES 2017 BONDS - Redemption -- Optional Redemption.**”

To exercise such option, the Borrower will be required to give the Authority and the Trustee not less than forty-five (45) days prior written notice of the exercise of such option and will be required to (i) specify therein the date of tender of such prepayment and the amount thereof, (ii) direct the redemption of the corresponding amount of Series 2017 Bonds, and (iii) make arrangements satisfactory to the Trustee for the giving of the required notice of redemption.

Financial Statements *(Section 8.05)*

(a) The Borrower will be required to provide the Trustee, the Dissemination Agent, and KGI annually, within one hundred eighty (180) days after the end of each Annual Period, beginning with the Annual Period ending June 30, 2019, the financial statements of the Borrower with respect to the Project, including its balance sheet, statement of revenue, expenses, and changes in fund balance (deficit), and statement of cash flow, for the year then ended in comparative form for the preceding Annual Period, which financial statements will be required to be prepared in accordance with GAAP and accompanied by an Audit Report.

(b) The financial statements to be furnished to the Trustee, the Dissemination Agent, and KGI, annually will be required to be accompanied by a calculation of (i) the Fixed Charges Coverage Ratio, (ii) the dollar amount, if any, that, if treated as an additional Expense incurred during the applicable Annual Period, would have reduced the Fixed Charges Coverage Ratio to 1.20 (the “***Subordinated Management Fee Surplus***”), and (iii) the amount of the Operating Account Surplus, if any, and by a certificate of the Borrower to the effect that the Borrower is not then in default under any provisions of the Loan Agreement and has fully complied with all of the provisions thereof, or if the Borrower shall then be in default or shall have failed to so comply, setting forth the nature of the default or failure to comply.

Covenants Regarding Maintenance of Borrower’s and Corporation’s Status *(Section 8.03)*

(a) The Borrower will be required (i) to maintain its legal existence as a single member limited liability company organized under the laws of the State whose sole member is a Tax-Exempt Organization, (ii) to cause the Corporation to maintain its legal existence as a Tax-Exempt Organization and a non-profit corporation organized under the laws of the State Texas, (iii) not, except as permitted by the provisions of the Loan Agreement described under this heading, to consolidate with or merge into another entity or permit another entity to consolidate with or merge into it, (iv) not to dissolve or otherwise dispose of all or substantially all of its assets, (v) to cause the Corporation to file all required reports and documents with the IRS so as to maintain its status as a Tax-Exempt Organization, (vi) not to operate the Project in any manner nor engage in any activities or take any action that might reasonably be expected to result in the Corporation’s ceasing to be a Tax-Exempt Organization or that would constitute an unrelated trade or business of the Corporation except to the extent permitted under §145(a)(2) of the Code, and (vii) to notify the Authority and the Trustee in writing promptly of any loss of the Corporation’s status as a Tax-Exempt Organization or of any investigation, proceeding, or ruling that might result in such loss of status. The Borrower will be required to preserve and keep in full force and effect all licenses and permits necessary to the proper conduct of its business.

(b) The Borrower will covenant that none of its or the Corporation’s revenues, income, or profits, whether realized or unrealized, will be distributed to any of its or the Corporation’s directors or inure to the benefit of any private Person, other than for the lawful corporate purposes of the Borrower or the Corporation; provided, however,

that the Borrower and Corporation will be permitted to pay to any Person the value of any service or product performed for, or supplied to, the Borrower or the Corporation by such Person. The Borrower will further covenant that it and the Corporation will take such actions as are necessary or appropriate and within their respective control to take to comply with the provisions of the Code and the Regulations in order to preserve the exclusion of the interest paid on the Tax-Exempt Bonds from the gross income of the Owners thereof for federal income tax purposes and will not act or fail to act in any other manner that would adversely affect such exclusion. In connection with the foregoing, the Borrower will agree to comply with the provisions of the Tax Certificate.

(c) The Borrower will be permitted, without violating the covenants described under this heading, to consolidate or merge with another Person or sell or otherwise transfer to another Person: the Project, all other property or assets pledged or assigned to the Trustee or in which the Trustee shall have been granted a security interest pursuant to any of the other Bond Documents, and, without duplication, any and all amounts on deposit in the Operating Account on the date of such sale or transfer and in all Funds and Accounts on the date of such sale or transfer, provided (i) such consolidation, merger, sale, or other transfer shall not otherwise cause an Event of Default under the Loan Agreement and (ii) the surviving, resulting, or transferee Person (A) shall be authorized to do business in the State, (B) shall be a domestic corporation, partnership, or other entity, or, if a natural person, a resident of the United States of America, (C) shall have the power to assume and shall assume in writing all of the obligations of the Borrower under the Loan Agreement, the Notes, and the other Borrower Documents and shall deliver to the Trustee any security agreement necessary to ensure that after such consolidation, merger, sale, or other transfer, the Trustee shall have a security interest in all assets that constitute, or would have constituted, the Collateral (as defined in the Security Agreement) prior to such consolidation, merger, sale, or transfer, together with an Opinion of Counsel that all action has been taken to perfect such security interest to the extent perfection can be made by the filing of financing statements, (D) shall obtain, or cause to be obtained, all licenses and permits required by law to operate the Project, (E) shall deliver to the Trustee a title insurance policy or endorsement insuring that the surviving, resulting, or transferee Person has a valid leasehold interest in the Property and insuring the Leasehold Deed of Trust as a first lien subject only to the Permitted Encumbrances, (F) shall deliver to the Trustee an Opinion of Counsel to the effect that the Loan Agreement, the Notes, and the other Borrower Documents, as assumed by the surviving, resulting, or transferee Person, are valid and enforceable obligations of such Person, subject only to exceptions related to bankruptcy and other customary exceptions, (G) shall deliver a Favorable Opinion of Bond Counsel, (H) shall have either (1) a fund balance or net worth, as the case may be, as reflected in the *pro forma* financial statements required to be furnished pursuant to this Section, not less than the fund balance or net worth, as the case may be, of the Borrower, as reflected in the most recent audited balance sheet of the Borrower furnished to the Trustee pursuant to this Loan Agreement or (2) no indebtedness for borrowed money, and (I) shall have a Fixed Charges Coverage Ratio not less than that of the Borrower for the two (2) consecutive years prior to such consolidation, merger, sale, or transfer, as determined from the surviving, resultant, or transferee Person's financial statements on a *pro forma* basis that gives effect to such consolidation, merger, sale, or transfer, which *pro forma* basis financial statements shall be accompanied by a report of the Accountant with respect to such historical *pro forma* basis financial statements stating the Fixed Charges Coverage Ratio for the periods reported on. From and after the date of any sale or transfer effected in accordance with the provisions of the Loan Agreement described in this paragraph (c), the Borrower will, without any further action on the part of the Authority, the Trustee, or the Borrower, from and after the date of such sale or transfer, be released from, and relieved of, all liability and obligations under the Borrower Documents.

(d) The Borrower will also be permitted, without violating any covenants contained in the Loan Agreement, to sell, or otherwise transfer the Project to another Person that is controlled solely by the Borrower or the Corporation and that, prior to such sale or transfer, has no assets or liabilities, upon completion or satisfaction of the conditions described in items (i) and (ii)(A) through (G) of (c) above, and upon such completion or satisfaction will be released from all liabilities and obligations under the Loan Agreement, the Notes, and the other Borrower Documents.

Financial Covenants

Rate Covenant. The Borrower will be required to operate the Project as a revenue producing student housing facility on a non-discriminatory basis, and to the extent permitted by law and by the Ground Lease, to charge such fees and rates for its facilities and services and to exercise such skill and diligence as will provide Revenue Available for Fixed Charges, together with other available funds, sufficient to pay promptly all expenses of operation, maintenance, and repair of the Project and to provide all payments required to be made by the Borrower under the Loan Agreement. Such rates, fees, and charges in each Annual Period beginning with the first full Annual

Period after the Series 2017 Completion Date, will be required to be sufficient to produce a Fixed Charges Coverage Ratio of at least 1.20. In the event that it shall be determined, based upon the financial statements and calculation of the Borrower required to be furnished by the provisions of the Loan Agreement described above under the heading “**Financial Statements,**” that for any Annual Period such Fixed Charges Coverage Ratio shall not have been maintained, the Borrower will be required, within thirty (30) days of receipt of such financial statements, to engage a Financial Consultant to submit to the Trustee a report of such firm containing recommendations, if any, as to changes in the operating policies of the Borrower designed to maintain such Fixed Charges Coverage Ratio, to cause such Financial Consultant to prepare and submit such recommendations within sixty (60) days of the date of its engagement, and to implement such recommendations promptly to the extent permitted by law and by the Ground Lease. Provided that the Fixed Charges Coverage Ratio does not fall below 1.00, no Event of Default under the Loan Agreement will occur if such recommendations shall be followed notwithstanding that such Fixed Charges Coverage Ratio shall not subsequently be reattained, but the Borrower will be required to continue to be obligated to employ such a Financial Consultant for such purpose until such Fixed Charges Coverage Ratio shall be reattained.

The Borrower will also be required, from time to time as often as necessary and to the extent permitted by law and by the Ground Lease, to revise the rates, fees, and charges aforesaid in such manner as may be necessary or proper so that the Revenue Available for Fixed Charges will be sufficient to meet the requirements of the Loan Agreement, and further, to take all action within its power to obtain approvals of any regulatory or supervisory authority to implement any rates, fees, and charges required by the Loan Agreement. *(Section 8.06)*

Annual Budget. The Borrower will be required, at least thirty (30) days prior to the first day of each Annual Period commencing with the Annual Period ending June 30, 2019, to prepare the Annual Budget for the immediately succeeding Annual Period which will be required to include the monthly budgeted Expenses of the Project for such Annual Period. If the Borrower shall fail to prepare the Annual Budget for any Annual Period, the Annual Budget for the immediately preceding Annual Period will continue in effect until the Annual Budget shall be prepared for the remainder of the applicable Annual Period.

To the extent that the Borrower shall deem it necessary at any time during any Annual Period, the Borrower will be required to submit a revised Annual Budget to the Authority, the Trustee, and KGI declaring that the revisions are necessary to operate or maintain the Project and setting forth the reasons therefor which revised Annual Budget will, for all purposes of the Loan Agreement, be deemed the Annual Budget for the remainder of the applicable Annual Period.

A copy of each Annual Budget or revised Annual Budget will be required to be furnished to the Authority, the Trustee, and KGI. The Annual Budget or revised Annual Budget will be required to be accompanied by a certificate of the Borrower to the effect that the Fixed Charges Coverage Ratio for the Annual Period to which such Annual Budget relates, based on the projected Revenues and Expenses set forth therein, will not be less than 1.20.

In the event the Borrower shall fail to provide the above-described certificate, a Financial Consultant will be required to be engaged by the Borrower to review and/or revise the Annual Budget and to so certify to the Authority, the Trustee, and KGI and, to the extent such Financial Consultant shall revise the proposed Annual Budget, such revised Annual Budget will, for all purposes of the Loan Agreement, be deemed the Annual Budget for the remainder of the applicable Annual Period. *(Section 8.07)*

Continuing Disclosure Matters *(Section 8.08)*

Under the Loan Agreement, the Borrower will be required all at all times to remain party to the Continuing Disclosure Agreement, or if the Continuing Disclosure Agreement shall terminate, to enter into a similar agreement to provide for the dissemination of the financial statements and notices required by Rule 15c2-12 under the Securities Exchange Act of 1934, as amended.

Covenant Regarding Manager *(Section 8.11)*

The Borrower will agree that if the initial Manager shall cease to serve as Manager, the Borrower will promptly employ, and at all times thereafter, employ, as the Manager, a recognized manager of student housing facilities that then manages, and shall have for the past five (5) years managed, at least five thousand (5,000) beds of student housing. Prior to entering into a contract with any successor Manager, the Borrower will be required to deliver to the Trustee a Favorable Opinion of Bond Counsel.

Maintenance of Tax-Exempt Status of Tax-Exempt Bonds *(Section 8.12)*

The Borrower will not be permitted (or to permit any Affiliate within its control) to take any action or omit to take any action that, if taken or omitted, respectively, would adversely affect the excludability of interest on any Tax-Exempt Bond from the gross income of the Owner thereof for federal income tax purposes. The Borrower and the Authority will agree to execute such amendments of the Loan Agreement and supplements thereto (and to comply with the provisions thereof) as may, in the Opinion of Counsel, be necessary to preserve or perfect such exclusion.

Assignment and Subleasing; Restrictions on Sale, Encumbrance, or Conveyance *(Sections 9.01 and 9.02)*

(a) The Borrower will be permitted to enter into subleases with occupants of the Project (which shall include residence hall agreements, leases, licenses, or other similar agreements in accordance with Claremont Consortium practice) or KGI without complying with the provisions described below other than item (vii). The Borrower will be permitted to assign and delegate the rights and obligations of the Borrower under the Loan Agreement, and the Project may be subleased, as a whole or in part, by the Borrower, without the necessity of obtaining the consent of either the Authority or the Trustee, subject, however, to each of the following conditions:

(i) No assignment (other than in connection with a consolidation, merger, disposition, or transfer described above under the heading “**Covenants Regarding Maintenance of Borrower’s and Corporation’s Status**”) or sublease will relieve the Borrower from primary liability for any of its obligations under the Loan Agreement, and in the event of any such assignment or sublease, the Borrower will continue to remain primarily liable for payment of the Loan Payments and for the payment, performance, and observance of the other obligations and agreements on its part in the Loan Agreement provided to be performed and observed by it.

(ii) The assignee will be required to assume in writing the obligations of the Borrower under the Loan Agreement to the extent of the interest assigned.

(iii) The Borrower will be required to furnish or cause to be furnished to the Authority and the Trustee assurances reasonably satisfactory to the Authority and the Trustee that the Project will continue to be operated as a student housing facility and related facilities.

(iv) No assignment or sublease with any Person may be entered into by the Borrower without the Borrower’s first furnishing to the Trustee a Favorable Opinion of Bond Counsel or a ruling from the IRS to the effect that such assignment or sublease will not bring about an Event of Taxability; provided, however, this requirement shall not apply to subleases to residents of the Housing Facility.

(v) No such assignment or sublease will give rise to a novation.

(vi) The Borrower will be required, within thirty (30) days after the execution thereof, to furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of each such assignment or sublease, as the case may be.

(vii) All subleases will be required, to the extent required by the laws of the State, to contain an attornment clause providing in effect that if at any time during the term of the sublease, the Trustee, the designee of the Trustee, or a subsequent purchaser at a foreclosure sale from the Trustee, shall become the owner of the Project, such sublessee agrees, at the election and upon demand of any owner of the Project, to attorn, from time to time, to any such owner upon the terms and conditions set forth in the sublease. To the extent required by the laws of the State, such sublessee will be required to agree that at the request of the party to whom it has attorned, it will execute, acknowledge, and deliver, without charge, from time to time, instruments acknowledging such attornment. The attornment clause will also be required to provide that upon such attornment, the sublease shall continue in full force and effect as, or as if it were, a direct sublease between the successor and the sublessee, except that the successor landlord will not (A) have any liability for any previous act or omission of a predecessor landlord under the sublease, (B) be bound by any previous modification of the sublease, unless such modification or prepayment shall have been expressly approved in writing by the Authority and the Trustee, or (C) have any liability for refusal or failure to

perform or complete the landlord's work or otherwise prepare the demised premises for occupancy in accordance with the provisions of the sublease.

(b) The Borrower will not be permitted, except under the specific circumstances provided by the Bond Documents, (i) to sell, convey, or otherwise dispose of any part of its interest in the Project during the Agreement Term directly, indirectly, or beneficially, (ii) to permit any part of the Premises to become subject to any mortgage, lien, claim of title, encumbrance, security interest, conditional sale contract, title retention arrangement, finance lease, or other charge of any kind, except for Permitted Encumbrances or except as otherwise permitted under the Loan Agreement, or (iii) to assign, transfer, or hypothecate (other than to the Trustee) any rent (or analogous payment) then due or to accrue in the future under any sublease of the Premises, except for Permitted Encumbrances or except as otherwise permitted by the provisions of the Loan Agreement described under this heading.

Events of Default (*Section 10.01*)

The Loan Agreement provides that the occurrence of any one or more of the following will constitute an **"Event of Default:"**

(a) The Borrower shall fail to pay the Basic Loan Payments required to be paid under the Loan Agreement as described in clauses (i), (ii), (iv) and (vi) under the above subheading **"Loan Payments and Other Amounts Payable - Basic Loan Payments"** at the times specified therein and such failure shall continue for a period of five (5) days after notice by mail, facsimile transmission, or personal delivery given to the Borrower by either the Trustee or the Authority, that the payment referred to in such notice has not been received, or, without regard to notice, for a period of ten (10) days (eight (8) days in the case of Basic Loan Payments due in February) after any such amount shall become due, whichever shall occur first.

(b) The Borrower shall fail to pay the Basic Loan Payments required to be paid under the Loan Agreement as described in clauses (iii), (v), and (vii) under the above subheading **"Loan Payments and Other Amounts Payable - Basic Loan Payments"** at the times specified therein and such failure shall continue for a period set forth in the amendment or amendments hereto executed in connection with the issuance of Additional Bonds.

(c) Any representation or warranty made by the Borrower in any statement or certificate furnished to the Authority or the Trustee or the purchaser of any Bonds, in connection with the sale of any Bonds or furnished by the Borrower pursuant to the Loan Agreement, shall prove to have been inaccurate in any material respect as of the date of the issuance or making thereof and shall not have been corrected within thirty (30) days after written notice specifying such inaccuracy shall have been given to the Borrower by the Authority, the Trustee, or such purchaser. In the case of any such inaccuracy that cannot with due diligence be corrected within such thirty (30) day period, but that can be wholly corrected within a period of time not materially detrimental to the rights of the Trustee, it shall not constitute an Event of Default under the Loan Agreement if corrective action shall be instituted by the Borrower within the applicable period and diligently pursued until the inaccuracy shall have been corrected in accordance with and subject to any directions or limitations of time established in writing by the Trustee.

(d) The Borrower shall fail to perform or cause to be performed any other covenant, condition, or provision of the Loan Agreement, other than as referred to in (a), (b), or (c) above or any covenant relating to the Continuing Disclosure Agreement, and to correct such failure within thirty (30) days after written notice specifying such failure shall have been given to the Borrower by the Authority or the Trustee. In the case of any such failure that cannot with due diligence be corrected within such thirty (30) day period, but that can be wholly corrected within a period of time not materially detrimental to the rights of the Trustee, it shall not constitute an Event of Default under the Loan Agreement if corrective action shall be instituted by the Borrower within the applicable period and diligently pursued until the failure shall have been corrected in accordance with and subject to any directions or limitations of time established in writing by the Trustee.

(e) The Borrower shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, or liquidator of it or of all or a substantial part of its property or of the Project, (ii) fail to lift or bond promptly (if legally permissible) any execution, garnishment, or attachment of such consequence as will impair the ability of the Borrower to carry on its operations at the Project, (iii) enter into an agreement of composition with its creditors, (iv) admit in writing its inability to pay its debts as such debts shall become due, (v) make a general assignment for the benefit of its creditors, (vi) commence a voluntary case under the federal bankruptcy law or any similar law in effect in a foreign jurisdiction (as now or hereafter in effect), (vii) file a

petition or answer seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, (viii) fail to controvert in a timely or appropriate manner or acquiesce in writing to any petition filed against it in an involuntary case under such federal bankruptcy law or any similar law in effect in a foreign jurisdiction (as now or hereafter in effect), or (ix) take any action for the purpose of effecting any of the foregoing.

(f) A proceeding or case shall be commenced, without the application of the Borrower, in any court of competent jurisdiction, seeking (i) the liquidation, reorganization, dissolution, winding-up, or composition or adjustment of debts of the Borrower, (ii) the appointment of a trustee, receiver, custodian, liquidator, or the like of the Borrower or of all or any substantial part of its assets, or (iii) similar relief in respect of the Borrower under any law relating to bankruptcy, insolvency, reorganization, winding-up, or composition and adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment, or decree approving or ordering any of the foregoing shall be entered and shall continue unvacated and unstayed and in effect, for a period of ninety (90) days, whether consecutive or not.

(g) The Fixed Charges Coverage Ratio for any Annual Period shall be less than 1.00.

(h) The occurrence of an Event of Default under any of the Bond Documents other than the Continuing Disclosure Agreement.

Remedies *(Section 10.02)*

Whenever any Event of Default described in the immediately preceding heading “**Events of Default**” shall have happened and be subsisting, the Authority, or the Trustee as the assignee of the Authority, to the extent permitted by law, will be permitted:

(a) at its option, which may be exercised separately and independently from any similar option under the Indenture, to declare all unpaid installments of Basic Loan Payments and other amounts payable under the Loan Agreement as described above under the heading “**Loan Payments and Other Amounts Payable**” for the remainder of the Agreement Term to be immediately due and payable whereupon the same will become immediately due and payable, it being understood that upon a declaration of acceleration by the Trustee under the Indenture, all such unpaid Basic Loan Payments and other amounts will become immediately due and payable; provided, however, that if acceleration of the Bonds shall have been rescinded and annulled pursuant to the Indenture, acceleration of the Basic Loan Payments and other amounts payable under the Loan Agreement required the provisions of the Loan Agreement described in this paragraph shall similarly be rescinded and annulled and the Event of Default occasioning such acceleration will be waived, but no such waiver, rescission, and annulment will extend to or affect any subsequent Event of Default or impair or exhaust any right, power, or remedy consequent thereon; or

(b) to have access to and inspect, examine, and make copies of the books and records and any and all accounts, similar data, and income tax and other tax returns of the Borrower; or

(c) from time to time, to take whatever action at law or in equity or under the terms of the Bond Documents may appear necessary or desirable to collect the Loan Payments and other amounts payable under the Loan Agreement as described above under the heading “**Loan Payments and Other Amounts Payable**” or to enforce performance and observance of any obligation, agreement, or covenant of the Borrower under the Loan Agreement.

Amounts collected pursuant to actions described above will be applied in accordance with the provisions of the Indenture, or, if the Bonds shall have been paid in full (or provision for payment thereof shall have been made in accordance with the provisions of the Indenture) and the Borrower shall have paid the Authority and the Trustee all amounts due under the Loan Agreement, then any amounts remaining will be paid to KGI.

No Remedy Exclusive *(Section 10.03)*

No remedy conferred upon or reserved to the Trustee, as assignee of the Authority, in the Loan Agreement will be intended to be exclusive of any other available remedy or remedies, but each and every such remedy will be cumulative and in addition to every other remedy given under the Loan Agreement or now or hereafter existing at

law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power or be construed to be a waiver thereof, but any such right and power will be permitted to be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved to it in the Loan Agreement, it will not be necessary to give any notice, other than such notice as may be expressly required in the Loan Agreement. Such rights and remedies as are given the Authority under the Loan Agreement will also extend to the Trustee, and the Trustee and the owners of the Bonds will be deemed third party beneficiaries of all covenants and agreements contained in the Loan Agreement.

Waiver of Events of Default *(Section 10.05)*

The Trustee, on behalf of the Authority, will be permitted to waive any Event of Default under the Loan Agreement and its consequences or rescind any declaration of acceleration of payments of the Basic Loan Payments due under the Loan Agreement. In case of any such waiver or rescission, or in case any proceeding taken by the Authority or the Trustee on account of any such Event of Default shall be discontinued or abandoned or determined adversely to the Authority or the Trustee, then and in every such case the Authority and the Borrower will be restored to their former position and rights under the Loan Agreement, but no such waiver or rescission will extend to any subsequent or other Event of Default or impair any right consequent thereon.

Limited Liability, Authority, and Recourse *(Section 10.06)*

Notwithstanding anything to the contrary contained in any Bond Document or other instrument executed in connection with the issuance of the Bonds (other than the Bond Purchase Agreement and the Borrower/Corporation Indemnity Letter), the liability of the Borrower under any such Bond Document or instrument will be limited to its interest in the Project and the other Security, and no Person will have the right to obtain payment from the Borrower or from any assets of the Borrower other than the Project and the other Security. Neither the Authority nor the Trustee (either as a party to the Security Documents or as the assignee of the Authority), will be permitted to enforce the liability and obligation of the Borrower to perform and observe the obligations contained in the Loan Agreement, any of the other Bond Documents (other than the Bond Purchase Agreement and the Borrower/Corporation Indemnity Letter), or any other documents delivered in connection with the issuance of the Bonds (other than the Bond Purchase Agreement and the Borrower/Corporation Indemnity Letter) in any action or proceeding wherein a money judgment shall be sought against the Borrower, except that the Trustee will be permitted to bring a foreclosure action, action for specific performance, or other appropriate action or proceeding to enable the Trustee to enforce and realize upon the Leasehold Deed of Trust, the Security Agreement, and the Assignment of Contracts and Agreements, and the interest in the Security, provided, however, that any judgment in any such action or proceeding will be enforceable against the Borrower only to the extent of the Borrower's interest in the Project and the other Security.

The Authority will agree that it will not sue for, seek, or demand any money from, or deficiency judgment against, the Borrower in such action or proceeding, under or by reason of or in connection with the Loan Agreement, any of the other Bond Documents, or any other documents delivered in connection with the issuance of the Bonds. The provisions of the Loan Agreement described under this heading will not, however, (i) constitute a waiver, release, or impairment (except for the foregoing restriction on obtaining any money from, or deficiency judgment against, the Borrower) of any obligation evidenced or secured by the Loan Agreement or any of the other Bond Documents or (ii) impair the right of the Authority to obtain insurance proceeds or condemnation awards due to the Borrower.

No Liability of the Borrower's or the Corporation's Officers or the Authorized Borrower Representative *(Section 10.07)*

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

under the Loan Agreement, any of the Bond Documents, or any other documents delivered in connection with the issuance of the Bonds.

Restoration to Original Positions *(Section 10.08)*

In case the Authority or the Trustee shall have proceeded to enforce any right under the Loan Agreement, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Authority, the Borrower, and the Trustee will be restored to their former positions and rights under the Loan Agreement, and all rights, remedies, and powers of the Authority and the Trustee will continue as if no such proceedings had been taken. To the extent that the Authority or the Trustee shall waive or rescind any Event of Default under the Loan Agreement, or in case any proceeding taken by the Authority or the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Authority, the Trustee and the Borrower will be restored to their former positions and rights under the Loan Agreement, respectively, but no such waiver or rescission will extend to any subsequent or other default, or impair any right consequent thereon.

Delay or Omission Not a Waiver. *(Section 10.09)*

No delay or omission of the Authority or the Trustee to exercise any right or power accruing upon any Event of Default will impair any such right or power, or be construed to be a waiver of any such Event of Default or an acquiescence therein; and every power and remedy given by the Loan Agreement to the Authority or the Trustee will be permitted to be exercised from time to time and as often as may be deemed expedient by the Authority or the Trustee.

Waiver of Extension, Stay, and Redemption Laws *(Section 10.10)*

To the extent permitted by law, the Borrower will not be permitted, during the continuance of any Event of Default under the Loan Agreement, to insist upon, or plead, or in any manner whatever, claim or take any benefit or advantage of, any extension or stay law wherever enacted, now or at any time hereafter in force, that may affect the covenants and terms of performance of the Loan Agreement; nor after any sale or sales of the Project that may be made pursuant to any provision contained the Loan Agreement, or pursuant to the decree, judgment, or order of any court of competent jurisdiction claim or exercise any right under any statute heretofore or hereafter enacted by the United States of America or by any state or territory, or otherwise, to redeem the property so sold or any part thereof, and the Borrower will expressly waive all benefits or advantages of any such law or laws and covenants not to hinder, delay or impede the execution of any power herein granted or delegated to the Authority, but to suffer and permit the execution of every power as though no such law or laws had been made or enacted.

Remedies Subject to Provisions of Laws *(Section 10.11)*

All rights, remedies, and powers provided by the Loan Agreement will be permitted to be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of the Loan Agreement will be intended to be subject to all applicable mandatory provisions of law that may be controlling in the premises and to be limited to the extent necessary so that they will not render the Loan Agreement invalid or unenforceable under the provisions of any applicable law.

No Right to Conduct Affairs of the Borrower *(Section 10.12)*

Nothing contained in the Loan Agreement will be construed to grant to the Authority or the Trustee the right to conduct the business and affairs of the Borrower, whether or not an Event of Default shall have occurred.

Amendments

See the heading “THE INDENTURE - Amendment of Other Bond Documents” herein.

THE SERIES 2017 NOTES

Introduction

The Series 2017 Notes of the Borrower, dated as of _____ 1, 2017, will be executed and delivered by the Borrower to the Authority and endorsed without recourse by the Authority to the Trustee to evidence the obligation of the Borrower to make Basic Loan Payments under the Loan Agreement in order to repay the Loan.

Payment Terms

The Series 2017A Note and the Series 2017B Note, each in the original principal amounts equal to the Series 2017A Bonds and Series 2017B Bonds, respectively, bear interest at the same rates as the rates on the Series 2017A Bonds and Series 2017B Bonds. Each Series 2017 Note requires payments of interest and principal sufficient to pay, when due, the Debt Service Payments on the Series 2017 Bonds to which it relates. See “**THE LOAN AGREEMENT - Loan Payments and Other Amounts Payable.**”

Prepayment Terms

The Series 2017 Notes will be subject to prepayment in whole or in part under the same circumstances that permit or require prepayment of Loan Payments under the Loan Agreement. See “**THE LOAN AGREEMENT - Option to Prepay the Series 2017 Loan Upon the Occurrence of Certain Extraordinary Events**” herein.

THE LEASEHOLD DEED OF TRUST

Introduction

The Leasehold Deed of Trust will provide security for the Borrower’s obligations under the Loan Agreement and any loan, financing, or similar agreement between the Authority and the Borrower relating to Additional Bonds and the Notes.

Security

To secure the Borrower’s obligations to the Authority under Loan Agreement and any loan, financing, or similar agreement between the Authority and the Borrower relating to Additional Bonds and the Notes, the Borrower will execute and deliver to the Deed of Trust Trustee for the benefit of the Trustee the Leasehold Deed of Trust pursuant to which the Borrower will, subject to Permitted Encumbrances, convey to the Deed of Trust Trustee for the benefit of the Trustee a first deed of trust lien on its interest in the Project and the Property and all leases of all or part of the Project and will grant to the Deed of Trust Trustee for the benefit of the Trustee a security interest in all rents, issues, profits, revenues, income, receipts, moneys, royalties, rights and benefits of and from the Project and from and in connection with its ownership, occupancy, use, or enjoyment of the Project, subject to Permitted Encumbrances.

Remedies

Upon the occurrence and continuation of an Event of Default under the Indenture or the Loan Agreement, the Trustee will be entitled to exercise the remedies provided by the Leasehold Deed of Trust which will permit the Trustee (i) to declare the outstanding principal amount of the Series 2017 Bonds, the interest accrued thereon, and all other amounts payable with respect thereto to be due and payable immediately, and upon such declaration, such amounts shall immediately become and be due and payable, (ii) by itself, or by such officers or agents as it may appoint, to enter and take possession of the Project and to exclude the Borrower and their respective agents and employees wholly therefrom, (iii) to demand, collect, and sue for, in its own name, or in the name of the Borrower all of the rents, issues, profits, revenues, royalties, earnings, income, and benefits derived from the Project as they become due and payable, including those past due and unpaid and to apply such rents, issues, profits, revenues, royalties, earnings, income, and benefits to the payment of the Series 2017 Bonds, and (iv) with or without entry or taking possession, to proceed by suit or suits at law or in equity or by any other appropriate proceeding or remedy (a) to enforce payment of the Series 2017 Bonds or the performance of any term of the Loan Agreement, the Leasehold Deed of Trust, or any of the other Bond Documents or any other right; (b) to foreclose the Leasehold

Deed of Trust and to sell, as an entirety or in separate lots or parcels, the Project, under the judgment or decree of a court or courts of competent jurisdiction; and (c) to pursue any other remedy available to it. All proceeds from the exercise of the remedies provided by the Leasehold Deed of Trust will be applied as provided in the Indenture.

THE SECURITY AGREEMENT

Introduction

The Security Agreement will provide security for the Borrower's obligations under the Loan Agreement and the Notes.

Security

To secure the Borrower's obligations to the Authority under Loan Agreement and the Notes, the Borrower will execute and deliver to the Trustee the Security Agreement pursuant to which the Borrower will, subject to Permitted Encumbrances, grant to the Trustee a first priority security interest in the following (the "***Collateral***"): (a) the Pledged Revenues, (b) all accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Borrower's ownership and/or operation of the Project, (c) the Equipment, (d) the Inventory, (e) all accounts, books, records, and other property relating or referring to any of the foregoing, and (f) all proceeds of any of the foregoing.

Remedies

Upon the occurrence and continuation of an Event of Default under the Indenture or the Loan Agreement, the Trustee will be permitted to exercise in respect of the Collateral, in addition to other rights and remedies provided for in the Security Agreement or otherwise available to it, all rights and remedies permitted under the Loan Agreement or otherwise permitted in law or in equity, to protect and dispose of the Collateral and to protect its rights to payment under the Loan Agreement and the Notes, and all the rights and remedies of a secured party on default under the California Uniform Commercial Code (the "***UCC***") (whether or not the UCC applies to the affected Collateral) and also may (i) require the Borrower to, and the Borrower will agree that it will at its own expense, gather or assemble all or part of the Collateral not in the possession of the Trustee as directed by the Trustee and make it available to the Trustee at a place to be designated by the Trustee that is reasonably convenient to both parties and (ii) without notice, except as specified below, sell the Collateral, or any part thereof, in one or more parcels at public or private sale, at any of the Trustee's offices or elsewhere, for cash, or credit, or for future delivery, and at such price or prices and upon such other terms as the Trustee may deem commercially reasonable. Any cash held by the Trustee as collateral and all cash proceeds received by the Trustee in respect of any sale of, collection from, or other realization upon all or any part of the collateral subject to the Security Agreement will be applied as provided in the Indenture.

THE INDENTURE

Introduction

The Indenture will be a contract for the benefit of the Owners that will specify the terms and details of the Series 2017 Bonds and which will define the security therefor.

Establishment of Funds

The following trust funds will be established with the Trustee under the Indenture:

- Revenue Fund
- Bond Fund
- Redemption Fund
- Issuance Cost Fund
- Construction Fund
- Debt Service Reserve Fund
- Repair and Replacement Fund
- Insurance and Condemnation Funds

Operating Reserve Fund
Operations Contingency Fund
Surplus Fund
Rebate Fund

Revenue Fund (Section 501)

In the Loan Agreement, the Borrower will agree to deliver, or cause to be delivered, not less frequently than each Friday (or if any Friday is not a Business Day, the immediately preceding Business Day) to the Trustee, for deposit in the Revenue Fund, all Pledged Revenues received by it in the form of cash, checks, or negotiable instruments. The amounts deposited into the Revenue Fund will be transferred or paid by the Trustee to the following Funds and/or Persons in the order and amounts and on the dates indicated:

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

(i) on or before _____ 20, 2017, and on or before the twentieth (20th) day of each month thereafter to and including December 20, 2017, a sum equal to one-[_____] (1/[____]) of the amount payable on January 1, 2018, as interest on the Series 2017 Bonds, or such lesser amount that, together with amounts already on deposit in the Bond Fund and available therefor, will be sufficient to pay interest on the Series 2017 Bonds to become due on January 1, 2018, as provided in the Indenture;

(ii) on or before January 20, 2018, and on or before the twentieth (20th) day of each month thereafter, a sum equal to one-sixth (1/6th) of the amount payable on the immediately succeeding Interest Payment Date as interest on the Series 2017 Bonds, or such lesser amount that, together with amounts already on deposit in the Bond Fund and available therefor, will be sufficient to pay interest on the Series 2017 Bonds to become due on the immediately succeeding Interest Payment Date, as provided in the Indenture;

(iii) on the dates set forth in any amendment or amendments to the Loan Agreement executed in connection with the issuance of Additional Bonds, the amount(s) set forth therein to be paid by the Borrower in respect of interest on such Additional Bonds;

(iv) on or before September 20, 2018, and on or before the twentieth (20th) day of each month thereafter, to and including June 20, 2019, a sum equal to one-tenth (1/10th) of the principal due on July 1, 2019;

(v) on or before July 20, 2019, and on or before the twentieth (20th) day of each month thereafter, to and including June 20, 2047,[†] a sum equal to the sum of (A) one-twelfth (1/12th) of the principal due on the immediately succeeding July 1 that is a maturity date of the Series 2017 Bonds and (B) one-twelfth (1/12th) of the Mandatory Sinking Fund Redemption Requirement;

(vi) on the dates set forth in any amendment or amendments to the Loan Agreement executed in connection with the issuance of Additional Bonds, the amount(s) set forth therein to be paid by the Borrower in respect of the principal of such Additional Bonds (whether at maturity or under any mandatory sinking fund or other similar redemption requirements of any supplemental indenture or indentures executed in connection with the issuance of such Additional Bonds);

(vii) on the Business Day immediately preceding any date on which any Additional Bonds are to be redeemed pursuant to any mandatory redemption provisions of any supplemental indenture or indentures executed in connection with the issuance of Additional Bonds (other than mandatory sinking fund or other similar redemption pursuant to such supplemental indenture or indentures), an amount equal to the Redemption Price of such Additional Bonds to be redeemed (taking into account amounts then on deposit in the Bond Fund and the Redemption Fund available to be used for the payment of such Additional Bonds to be redeemed);

[†] Preliminary, Subject to Change

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

(c) there will be paid to the Trustee:

(i) promptly upon request, an amount equal to the annual fee of the Trustee for the Ordinary Services of the Trustee rendered, and the Ordinary Expenses of the Trustee incurred, under the Indenture and under the other Bond Documents as and when the same shall become due,

(ii) promptly upon request, the reasonable fees and charges of the Trustee, as bond registrar and paying agent, and of any other paying agents on the Bonds for acting as paying agents as provided in the Indenture as and when the same shall become due, and

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

(d) there will be paid to the Authority (as certified in writing to the Trustee by the Authority) (i) on the due date therefor, the Authority Annual Fee and (ii) on the twentieth (20th) day of each month (or the immediately succeeding Business Day if the twentieth (20th) day of a month is not a Business Day), any other Authority Additional Loan Payments;

(e) there will be paid to the Borrower on the twentieth (20th) day of each month (or the immediately succeeding Business Day if the twentieth (20th) day of a month is not a Business Day) for deposit into the Operating Account an amount equal to the lesser of (i) the greater of (A) the amount budgeted in the Annual Budget for Expenses (other than those Expenses provision for the payment of which has otherwise been made either in provisions of the Indenture described under this heading “**Revenue Fund**” or under the heading “**Surplus Fund**” below) for the immediately succeeding month or (B) any amount necessary to meet the minimum balance requirement, which, for purposes of the Indenture will be an amount equal to ten percent (10%) of the Expenses (other than those Expenses provision for the payment of which has otherwise been made either in provisions of the Indenture described under this heading “**Revenue Fund**” or under the heading “**Surplus Fund**” below) shown in the then current Annual Budget or (ii) the excess, if any, of (A) the amount budgeted in the Annual Budget for such Expenses for the then current Annual Period through the last day of the immediately succeeding month over (B) the amount theretofore deposited into the Operating Account pursuant to the provisions of the Indenture described in this paragraph for the then current Annual Period; provided, however, if, during any Annual Period, it shall be determined that an Operating Account Surplus shall have been created with respect to the immediately preceding Annual Period, such payment to the Borrower will be reduced by the amount of such Operating Account Surplus, if any, and the amount of the Operating Account Surplus, if any, will then be adjusted by the amount of such reduction;

(f) if any funds shall be withdrawn from the Debt Service Reserve Fund, if there shall be a diminution in Value of the cash and investments held in the Debt Service Reserve Fund as of any Valuation Date, or if any net losses shall result from the investment of amounts held in the Debt Service Reserve Fund that shall reduce the Value of the cash and investments in the Debt Service Reserve Fund to less than the Debt Service Reserve Requirement as of any Valuation Date, there will be transferred to the Debt Service Reserve Fund, beginning on the twentieth (20th) day of the month following notice from the Trustee of such withdrawal, diminution in Value, or losses and on the twentieth (20th) day of each month thereafter, twelve (12) consecutive monthly payments, each equal to one-twelfth (1/12th) of the amount of such withdrawal, diminution in Value, or losses;

(g) if any funds shall be withdrawn from the Repair and Replacement Fund to pay Debt Service Payments on the Bonds in accordance with the Indenture, there will be transferred to the Repair and Replacement Fund, beginning on the twentieth (20th) day of the month following any such withdrawal and continuing on the twentieth (20th) day of each month thereafter the greater of (i) the lesser of (A) one-twelfth (1/12th) of the amount of such

withdrawal or (B) such amount that is necessary to reimburse the Repair and Replacement Fund for all such withdrawals or (ii) such amount as shall be directed by the Borrower;

(h) there will be transferred to the Repair and Replacement Fund, commencing on October 20, 2018, and on the twentieth (20th) day of each month thereafter to and including June, 2019, in equal monthly installments, one-ninth (1/9th) of the amount shown on a schedule attached to the Indenture, which initially equals \$190 per bed contained in the Project per year, and on the twentieth (20th) day of each month thereafter, in equal monthly installments, one-twelfth (1/12th) of the amount shown on such schedule attached to the Indenture, and any and all additional amounts required to be deposited therein by any amendment or amendments to the Loan Agreement executed in connection with the issuance of Additional Bonds;

(i) there will be transferred to the appropriate fund or funds other than the Repair and Replacement Fund, the Operating Reserve Fund, the Operations Contingency Fund, and the Surplus Fund, any and all additional amounts required to be deposited into such fund or funds by any amendment or amendments to the Loan Agreement executed in connection with the issuance of Additional Bonds on the date(s) specified therein; and

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

Bond Fund (Section 502)

The Bond Fund, the fund into which the monthly transfers described above under the heading “**Revenue Fund**,” monthly payments derived from the Loan Agreement, and certain other amounts specified in the Indenture will be deposited, will be maintained with the Trustee. Subject to the provisions of the Indenture described below under this heading or under the headings or subheading “**Amounts Remaining in Funds and Accounts**,” “**Application of Funds**,” and “**The Trustee - Trustee’s Fees and Expenses**,” moneys on deposit in the Bond Fund will be used solely to pay Debt Service Payments on the Bonds. However, upon the occurrence of an Event of Default under the Indenture, the Trustee will be permitted to use moneys in the Bond Fund for the benefit of the Bondholders and to pay the fees and expenses of the Trustee prior to making any payment to the Bondholders.

Within the Bond Fund, there will be created an account to be designated the “**Capitalized Interest Account**.” Within the Capitalized Interest Account, there will be created two (2) separate subaccounts designated, respectively, the “**2017A Subaccount**” and the “**2017B Subaccount**,” into which will be deposited a portion of the proceeds of the Series 2017A Bonds and the Series 2017B Bonds, respectively. See “**ESTIMATED SOURCES AND USES OF FUNDS**” in the Limited Offering Memorandum. The Trustee will also establish separate subaccounts within the Capitalized Interest Account with respect to each Subseries of Additional Bonds.

On each date that transfers to the Bond Fund are required by the provisions of the Indenture described in items (i), (ii), or (iii) of clause (a) under the heading “**Revenue Fund**” above while there are funds on deposit in the Capitalized Interest Account, the Trustee will be required to transfer (a) from the 2017A Subaccount of the Capitalized Interest Account to the Bond Fund the lesser of (i) an amount equal to any such transfer required in respect of the Series 2017A Bonds on that date or (ii) the amount remaining in the 2017A Subaccount of the Capitalized Interest Account, (b) from the 2017B Subaccount of the Capitalized Interest Account to the Bond Fund the lesser of (i) an amount equal to any such transfer required in respect of the Series 2017B Bonds on that date or (ii) the amount remaining in the 2017B Subaccount of the Capitalized Interest Account, and (c) from any other subaccount of the Capitalized Interest Account created in respect of a Subseries of Additional Bonds to the Bond Fund the lesser of (i) an amount equal to any such transfer required in respect of such Subseries of Additional Bonds on that date or (ii) the amount remaining in such subaccount. **Amounts in the 2017A Subaccount will not be permitted to be used to pay interest on the Series 2017B Bonds.**

Upon the written request of the Borrower, all of the proceeds of the Series 2017 Bonds, or any portion thereof designated in writing by the Borrower, remaining in the 2017A Subaccount and the 2017B Subaccount of the Capitalized Interest Account on the Series 2017 Completion Date will be transferred to the corresponding (by Series and Subseries) Accounts of the Construction Fund and used for the payment of the Costs of the Project.

Upon the occurrence of an Event of Default under the Indenture, the Trustee may use moneys in the Bond Fund to pay the fees and expenses of the Trustee prior to the making of any payments to the Bondholders.

If on any Bond Payment Date there are insufficient funds in the Bond Fund and the Redemption Fund available therefor to pay Debt Service Payments on the Bonds then due, the Trustee will be required to transfer to the Bond Fund an amount equal to such insufficiency from the following funds in the following order of priority: first, the Operating Reserve Fund second, the Surplus Fund (including, if necessary, the Restricted Account of the Surplus Fund), third, the Operations Contingency Fund, fourth, the Debt Service Reserve Fund, and fifth, the Repair and Replacement Fund.

Redemption Fund (Section 503)

The Redemption Fund will be a trust fund into which moneys will be required to be deposited prior to being used to redeem or purchase Bonds in accordance with the provisions of the Indenture. Subject to the provisions of the Indenture described below under this heading or under the headings or subheading “**Amounts Remaining in Funds and Accounts**,” “**Application of Funds**,” and “**The Trustee - Trustee’s Fees and Expenses**,” moneys in the Redemption Fund will be used only to pay the principal of Bonds or that portion of the Redemption Price of Bonds corresponding to principal in the manner described in the Limited Offering Memorandum under the subheading “**THE SERIES 2017 BONDS - Redemption -- Other Redemptions at Par**.”

The Trustee will establish a separate Account within the Redemption Fund with respect to each Series of Bonds or, if more than one Subseries of Bonds shall be issued on the same date, with respect to each such Subseries of Bonds. Any amounts required to be deposited in the Redemption Fund for the redemption of a particular Series or Subseries of Bonds in accordance with any of the Bond Documents will be deposited in the applicable Account or Accounts thereof, and, prior to the occurrence of an Event of Default under the Indenture, any amounts in an Account of the Redemption Fund may be used only to make payments on the Subseries of Bonds in respect of which such Account was established.

Upon the occurrence of an Event of Default under the Indenture, the Trustee may use moneys in the Redemption Fund to pay the fees and expenses of the Trustee prior to the making of any payments to the Bondholders.

Issuance Cost Fund (Section 504)

The Issuance Cost Fund will be a trust fund used to pay Issuance Costs and will be funded with proceeds of the sale of the Series 2017 Bonds. See “**ESTIMATED SOURCES AND USES OF FUNDS**” in the Limited Offering Memorandum. The amounts held in the Issuance Cost Fund will be disbursed by the Trustee to pay Issuance Costs upon receipt of a requisition for payment executed by the Authorized Borrower Representative setting forth the nature of the Issuance Costs to be paid and the name of the payee and certifying that the amounts being paid are properly includable within the definition of Issuance Costs. Any moneys remaining in the Issuance Cost Fund on the earlier of the receipt by the Trustee of a certificate of the Borrower stating that all Issuance Costs relating to the Series 2017 Bonds have been paid or one year from the Closing Date will be transferred to the Construction Fund.

Construction Fund (Section 505)

A portion of the proceeds of the Series 2017 Bonds will be deposited in the Construction Fund. See “**ESTIMATED SOURCES AND USES OF FUNDS**” in the Limited Offering Memorandum. Money in the Construction Fund will be applied to payment of the Costs of the Project, including reimbursement to the Borrower for Costs of the Project previously incurred by the Borrower. Any money remaining in the Construction Fund on the Series 2017 Completion Date will be used for other capital expenditures approved in writing by KGI with the written consent of the Borrower; provided, however, that[, with respect to the Series 2017A Bonds,] a Favorable Opinion of Bond Counsel shall have been obtained with respect to any such use of proceeds of the Series 2017A Bonds. If there are no such additional capital expenditures or insufficient capital expenditures to exhaust the excess amounts[in the 2017[A] Account of the Construction Fund], such excess will be transferred (i) to the Bond Fund and used for the payment of debt service on the Series 2017A Bonds provided the Borrower shall deliver to the Trustee a Favorable Opinion of Bond Counsel or (ii) if the Borrower shall fail to deliver such an opinion or shall so elect in writing, to the Redemption Fund by the Trustee and used to redeem Series 2017A Bonds in the manner described in the Limited Offering Memorandum under the subheading “**THE SERIES 2017 BONDS - Redemption – Optional Redemption**” on the first date that the Series 2017A Bonds may be redeemed at a Redemption Price equal to one hundred percent (100%) of the principal amount thereof being redeemed plus interest accrued to the redemption

date.[If there are no such additional capital expenditures or insufficient capital expenditures to exhaust the excess amounts in the 2017B Account of the Construction Fund, such excess will be transferred to the Bond Fund and used to make Debt Service Payments on the Series 2017B Bonds, or, if the Borrower shall so elect in writing, transferred to the Redemption Fund by the Trustee and used to redeem Series 2017A Bonds in the manner described in the Limited Offering Memorandum under the subheading “**THE SERIES 2017 BONDS - Redemption – Optional Redemption**” on the first date that the Series 2017A Bonds may be redeemed at a Redemption Price equal to one hundred percent (100%) of the principal amount thereof being redeemed plus interest accrued to the redemption date].

Moneys in the Construction Fund (other than moneys being reimbursed to the Borrower) will be permitted to be disbursed by the Trustee only upon receipt of a requisition in which the Borrower shall have certified that the expenditures are proper charges against the Construction Fund and have not been previously paid, accompanied by a cost breakdown showing the cost of labor and materials furnished and the percentage of completion certified by the appropriate contractor.

Debt Service Reserve Fund (Section 506)

(a) Under the Indenture, a Debt Service Reserve Fund will be created and will be funded initially from the sale of the Series 2017A Bonds in an amount equal to the Debt Service Reserve Requirement for the Series 2017A Bonds on and as of the Closing Date. Under the Indenture, the Trustee will be authorized to transfer to the Bond Fund amounts held in the Debt Service Reserve Fund to pay the Debt Service Payments then due on the Series 2017A Bonds and on any Additional Bonds that are Tax-Exempt Bonds to the extent that there are insufficient funds for said purposes in the Operating Reserve Fund, the Bond Fund, the Redemption Fund, the Surplus Fund (including, if necessary, the Restricted Account of the Surplus Fund), and the Operations Contingency Fund available therefor on the date such Debt Service Payments are due. Any withdrawals for this purpose from the Debt Service Reserve Fund will be required to be restored by payments of Reserve Loan Payments by the Borrower. See “**THE LOAN AGREEMENT -- Reserve Loan Payments**” herein. **The moneys in the Debt Service Reserve Fund will not be available to pay Debt Service Payments on the Series 2017B Bonds or (ii) any Additional Bonds that are not Tax-Exempt Bonds.** If Additional Bonds are issued, the Debt Service Reserve Fund will be required to be increased by an amount equal to the Debt Service Reserve Requirement, if any, for such Additional Bonds.

(b) On the final maturity date of the Tax-Exempt Bonds any moneys in the Debt Service Reserve Fund will be permitted to be used upon receipt of written instruction from the Borrower to pay the Debt Service Payments on the Tax-Exempt Bonds on such final maturity date. In the event of the redemption of the Tax-Exempt Bonds in whole, any moneys in the Debt Service Reserve Fund will be transferred upon receipt of written instruction from the Borrower to the Bond Fund and applied to the payment of the principal of and premium, if any, on the Tax-Exempt Bonds of the Issue to which such proceeds relate.

(c) If, as a result of the valuation of the investments held in the Debt Service Reserve Fund as of any Valuation Date, the balance of the Debt Service Reserve Fund shall be greater than the Debt Service Reserve Requirement for the Bonds, all amounts in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement for the Bonds will be transferred to the Bond Fund and used to make Debt Service Payments on Tax-Exempt Bonds; provided, however, if (i) on any date on which all or any portion of a Series or Subseries of Tax-Exempt Bonds shall be defeased in accordance with the provisions of the Indenture described below under the heading “**Discharge of Lien**” the balance of the Debt Service Reserve Fund shall be greater than the Debt Service Reserve Requirement (after such defeasance) and (ii) the Borrower shall give written instructions to the Trustee, all amounts in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement (after such defeasance) will be permitted to be used to pay the principal of or premium, if any, on the defeased Bonds or, if the Borrower shall provide the Issuer and the Trustee with a Favorable Opinion of Bond Counsel, in such other manner as shall be directed by the Borrower.

Repair and Replacement Fund (Section 507)

The Repair and Replacement Fund will be a trust fund into which the Borrower will be required to make monthly deposits. See “**THE LOAN AGREEMENT -- Loan Payments and Other Amounts Payable**” herein. The moneys in the Repair and Replacement Fund will be disbursed by the Trustee to pay the maintenance and repair costs related to the Project that the Borrower will be obligated to pay pursuant to the Loan Agreement and the Debt Service Payments on the Bonds to the extent there are insufficient funds in the Operating Reserve Fund, the Bond

Fund, the Redemption Fund, the Surplus Fund (including, if necessary, the Restricted Account of the Surplus Fund), the Operations Contingency Fund, and the Debt Service Reserve Fund available therefor on the date such Debt Service Payments are due.

Insurance and Condemnation Funds *(Section 508)*

The Insurance Fund and the Condemnation Fund will be trust funds into which, under certain circumstances, the Net Proceeds of insurance and condemnation awards, respectively, will be deposited and used to repair, rebuild, restore, or replace the Project or to prepay Basic Loan Payments. Moneys in the Insurance Fund or the Condemnation Fund that are used to repair, rebuild, restore, or replace the Project will be disbursed substantially in accordance with the procedures for making disbursements under the Construction Fund. See “**THE LOAN AGREEMENT -- Damage and Destruction**” and “**-- Condemnation**” herein.

The Trustee will also establish a separate Account within the Insurance Fund and within the Condemnation Fund with respect to each Series of Additional Bonds issued under the Indenture. Any amounts required to be deposited in the Insurance Fund or in the Condemnation Fund in accordance with the Loan Agreement will be deposited in the applicable Account thereof, and, prior to the occurrence of an Event of Default under the Indenture, any amounts in an Account of the Insurance Fund or the Condemnation Fund may be used only to restore that portion of the Project in respect of which such Account was established, to acquire land and/or improvements in substitution for that portion of the Project in respect of which such Account was established, or to make payments on the Series of Bonds in respect of which such Account was established.

Operating Reserve Fund *(Section 509)*

The Operating Reserve Fund will be a trust fund into which the Trustee will transfer amounts up to One Million Two Hundred Thousand Dollars (\$1,200,000) in accordance with the provisions of the Indenture described below under the heading “**Surplus Fund**.” Under the Indenture, the Trustee will be authorized to transfer to the Borrower amounts held in the Operating Reserve Fund to pay Expenses of, or to make capital expenditures in respect of, the Project and to make Debt Service Payments on the Bonds. Withdrawals from the Operating Reserve Fund will not be required to be restored by payments of the Borrower. All amounts remaining in the Operating Reserve Fund on the tenth (10th) anniversary of the Closing Date will be paid to KGI at such times and in such amounts as shall be set forth in a written invoice approved by KGI and the Borrower.

Operations Contingency Fund *(Section 510)*

The Operations Contingency Fund will be a trust fund into which moneys remaining in the Revenue Fund, after the disbursements described above under the heading “**Revenue Fund**,” will be transferred. Moneys in the Operations Contingency Fund may be used to pay Expenses of, or to make capital expenditures in respect of, the Project. Moneys in the Operations Contingency Fund may also be used to make the transfers and deposits required by the provisions of the Indenture described in the first paragraph under the heading “**Revenue Fund**” above to the extent that there are insufficient funds in the Revenue Fund, the Operating Reserve Fund, the Bond Fund, the Redemption Fund, and the Surplus Fund (including, if necessary, the Restricted Account of the Surplus Fund) (in such order of priority) available therefor on such date. All amounts remaining in the Operations Contingency Fund at the close of business on the last day of each Annual Period will be transferred to the Surplus Fund.

Surplus Fund *(Section 511)*

The Surplus Fund will be a trust fund into which moneys remaining in the Operations Contingency Fund will be transferred on the last day of each Annual Period.

Provided (i) no Event of Default shall have occurred and then be continuing under the Indenture, (ii) all amounts withdrawn from the Repair and Replacement Fund to pay Debt Service Payments on the Bonds in accordance with the Indenture shall have been reimbursed in full, and (iii) all amounts withdrawn from the Debt Service Reserve Fund to pay Debt Service Payments on the Bonds in accordance with the Indenture shall have been reimbursed in full, upon receipt by the Trustee of the annual financial statements and Audit Report for the most recently ended Annual Period and the Borrower’s calculation of the Fixed Charges Coverage Ratio provided to the Trustee in accordance with the provisions of the Loan Agreement indicating a Fixed Charges Coverage Ratio of at least 1.20, the Trustee will pay to the Manager from moneys on deposit in the Surplus Fund the lesser of the

Subordinated Management Fee Surplus or all unpaid Subordinated Management Fees, as specified in writing by the Manager and the Borrower to the Trustee.

After any payments pursuant to the provisions of the Indenture described in the immediately preceding paragraph shall have been made, if the annual financial statements, Audit Report, and accompanying calculation indicate a Fixed Charges Coverage Ratio of at least 1.20, the Trustee will transfer all amounts in the Surplus Fund (including any amounts in the Restricted Account of the Surplus Fund) to the Operating Reserve Fund until such time as the total deposits to the Operating Reserve Fund from the Surplus Fund shall equal One Million Two Hundred Thousand Dollars (\$1,200,000) and then to KGI at such times and in such amounts as shall be set forth in a written invoice approved by KGI and the Borrower.

To the extent any amounts in the Surplus Fund may not be paid to the Manager or transferred to the Operating Reserve Fund and/or KGI pursuant to the provisions of the Indenture described in the two immediately preceding paragraphs, all such amounts will be transferred to the Restricted Account of the Surplus Fund and will remain therein until such time as (i) the Borrower shall demonstrate, by the delivery of annual financial statements, an Audit Report, and an accompanying calculation, a Fixed Charges Coverage Ratio of at least 1.20, in which case and at which time, such amounts will be paid to the Manager in accordance with the provisions of the Indenture described in the second preceding paragraph and/or then transferred to the Operating Reserve Fund and/or KGI in accordance with the provisions of the Indenture described in the immediately preceding paragraph at such times and in such amounts as shall be set forth in a written invoice approved by KGI and the Borrower or (ii) such funds are otherwise applied in accordance with the Indenture.

Non-presentment of Bonds *(Section 513)*

In the event any Bonds shall not be presented for payment when the principal thereof shall become due, either at maturity, at the date fixed for redemption thereof, or otherwise, if funds sufficient to pay such Bonds shall have been made available to the Trustee for the benefit of the Owner or Owners thereof, all liability of the Authority and the Borrower to the Owner or Owners thereof for the payment of such Bonds will forthwith cease, determine, and be completely discharged, and thereupon it will be the duty of the Trustee to hold such fund or funds, without liability for interest thereon, for the benefit of the Owner or Owners of such Bonds, who will thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his, her, or their part under the Indenture or on, or with respect to, said Bonds.

Any moneys so deposited with and held by the Trustee not so applied to the payment of Bonds, if any, within five (5) years after the date on which the same shall have become due (or such earlier date as immediately precedes the date on which such funds would be required to escheat or be payable to the State or any other governmental unit under any laws governing unclaimed funds) will be required, upon the written request of the Borrower, to be paid by the Trustee to KGI at such times and in such amounts as shall be set forth in a written invoice approved by KGI and the Borrower, and thereafter Bondholders will be entitled to look only to KGI for payment, and then only to the extent of the amount so repaid, and neither the Authority, the Borrower, nor KGI will be liable for any interest thereon and will not be regarded as a trustee of such money. If the Borrower shall fail to make the aforementioned written request, the Trustee will be required to apply such moneys in accordance with applicable laws governing unclaimed funds.

Amounts Remaining in Funds and Accounts *(Section 515)*

Any amounts remaining in the Revenue Fund, the Bond Fund, the Redemption Fund, the Issuance Cost Fund, the Construction Fund, the Debt Service Reserve Fund, the Repair and Replacement Fund, the Insurance Fund, the Condemnation Fund, the Operating Reserve Fund, the Operations Contingency Fund, the Surplus Fund, or any other Fund, Account, or reserve created under the Indenture, with the exception of the Rebate Fund, after payment in full of the Debt Service Payments on the Bonds (or provision for payment thereof as provided in the Indenture), the fees, charges, and expenses of the Trustee, any paying agents, and the Authority, the amounts required to be paid to the United States pursuant to the Loan Agreement, and all other amounts required to be paid under the Indenture, will be promptly paid to KGI at such times and in such amounts as shall be set forth in a written invoice approved by KGI and the Borrower.

Rebate Fund (Section 512)

(a) The Rebate Fund will be a trust fund established for the purpose of complying with §148 of the Code and the Regulations promulgated thereunder. The money deposited in the Rebate Fund, together with all investments thereof and investment income therefrom, will be held in trust and applied solely as described under this heading. **The Rebate Fund will not be a portion of the Trust Estate and will not be subject to the lien of the Indenture. Amounts in the Rebate Fund shall not be used to make Debt Service Payments.**

(b) There will be deposited in each Account of the Rebate Fund as and when received (i) moneys required to be paid by the Borrower pursuant to the provisions of the Loan Agreement described above in (b)(i)(C) under the subheading **“THE LOAN AGREEMENT - Loan Payments and Other Amounts Payable – Additional Loan Payments.”** (ii) moneys transferred from the Operating Reserve Fund, the Surplus Fund, the Operations Contingency Fund, the Debt Service Reserve Fund, the Repair and Replacement Fund, the Issuance Cost Fund, the Construction Fund, and/or the Bond Fund pursuant to the provisions described in (f) below, and (iii) all other moneys received by the Trustee when accompanied by directions not inconsistent with the Loan Agreement or the Indenture that such moneys are to be paid into the Account of the Rebate Fund designated therein.

(c) With respect to each Issue of Tax-Exempt Bonds, promptly after each Computation Date, and not later than thirty (30) days after all Bonds of such Issue shall have been Discharged, the Borrower will be required to engage, and furnish information to, the Rebate Analyst and cause the Rebate Analyst to calculate the Rebate Amount with respect to such Issue of Tax-Exempt Bonds. The Borrower will be required to provide, or cause the Rebate Analyst to provide, to the Authority and Trustee a copy of the report of the Rebate Analyst. The Trustee shall determine if the amount in the applicable Account(s) of the Rebate Fund is then equal to the calculated Rebate Amount. If the amount in such Account(s) of the Rebate Fund shall be in excess of the amount required to be therein in accordance with the report of the Rebate Analyst, then such excess will be transferred to the Bond Fund. If the amount in such Account(s) of the Rebate Fund shall be less than the amount required to be deposited therein, the Trustee will transfer to such Account(s) of the Rebate Fund such amounts as shall be necessary to reserve for the anticipated Rebate Amount payment to the United States Treasury from the Revenue Fund in accordance with the provisions of the Indenture described above in (h) under the heading **“Revenue Fund.”**

(d) If at any time the Borrower shall be required to retain the Rebate Analyst but shall fail to do so, then the Authority will be required to retain a Rebate Analyst, at the expense of the Borrower, to calculate the Rebate Amount. If the Authority shall be required to retain or to pay the Rebate Analyst, then the Authority, after delivering to the Borrower a demand for payment of an amount sufficient to pay the Rebate Analyst, will be required to direct the Trustee to withdraw such amount as may be needed to pay the Rebate Analyst from the following funds in the following order of priority: **first**, the Operating Reserve Fund, **second**, the Revenue Fund, **third**, the Surplus Fund (including, if necessary, the Restricted Account of the Surplus Fund), **fourth**, the Operations Contingency Fund, **fifth**, the Debt Service Reserve Fund, **sixth**, the Repair and Replacement Fund, **seventh**, the Issuance Cost Fund, **eighth**, the Construction Fund, and **ninth**, the Bond Fund.

(e) The Trustee, on behalf of the Authority, will be directed to pay to the United States Treasury from time to time the amounts as required by the report of the Rebate Analyst, provided that the Trustee will be required to pay over to the United States Treasury: (i) at least once each five (5) years after the Closing Date of an Issue of Tax-Exempt Bonds within sixty (60) days of the date as of which the Rebate Amount shall have been calculated, an amount equal to ninety percent (90%) of the Rebate Amount allocable to that Issue of Tax-Exempt Bonds as of such date (and not theretofore paid to the United States Treasury) and (ii) not later than sixty (60) days after the last bond of an Issue of Tax-Exempt Bonds shall have been Discharged, one hundred percent (100%) of the Rebate Amount allocable to such Issue of Tax-Exempt Bonds.

(f) If, at any time when the Trustee shall be required to withdraw money from any Account(s) of the Rebate Fund, the amount on deposit in such Account(s) of the Rebate Fund shall be insufficient for the purposes thereof, notwithstanding any investment of moneys requirements in the Indenture, the Trustee, after first delivering a demand for such deficiency to the Borrower and no money for such purpose having been provided by the Borrower, will be required to transfer moneys to such Account(s) of the Rebate Fund from the following funds in the following order of priority: **first**, the Operating Reserve Fund, **second**, the Surplus Fund (including, if necessary, the Restricted Account of the Surplus Fund), **third**, the Operations Contingency Fund, **fourth**, the Debt Service Reserve Fund, **fifth**, the Repair and Replacement Fund, **sixth**, the Issuance Cost Fund, **seventh**, the Construction Fund, and **eighth**, the Bond Fund.

(g) The Trustee will be required to comply with the instructions contained in the Indenture and in the Tax Certificate provided that computations and payments may be made on other bases, at other times, and in other amounts, or omitted altogether, all as shall be set forth in a Favorable Opinion of Bond Counsel (the “**Subsequent Rebate Instructions**”), even if such Subsequent Rebate Instructions shall be different from or inconsistent with the provisions of the Indenture described under this heading.

(h) The provisions of the Indenture described under this heading will supersede the provisions of all other Sections of the Indenture, to the end that the excludability from gross income for the purposes of federal income taxation of interest on Series of Tax-Exempt Bonds shall not be adversely affected as a result of the inadequacy at any time of the Rebate Fund, unless the total amount held by the Trustee under all Funds established hereunder shall be insufficient.

Investment of Funds and Accounts (Section 701)

Subject to the provisions of the Indenture described below under the heading “**Discharge of Lien**,” any moneys held as part of the Revenue Fund, the Bond Fund, the Redemption Fund, the Issuance Cost Fund, the Construction Fund, the Debt Service Reserve Fund, the Repair and Replacement Fund, the Insurance Fund, the Condemnation Fund, the Operating Reserve Fund, the Operations Contingency Fund, the Surplus Fund, the Rebate Fund, reserves in connection with contested liens, other special trust funds created under the Indenture, or other Funds or Accounts held by the Trustee will be invested and reinvested by the Trustee, at the written direction of, and as specified by, the Authorized Borrower Representative. Any such investments will be held by or under the control of the Trustee and will be deemed at all times a part of the Revenue Fund, the Bond Fund, the Redemption Fund, the Issuance Cost Fund, the Construction Fund, the Debt Service Reserve Fund, the Repair and Replacement Fund, the Insurance Fund, the Condemnation Fund, the Operating Reserve Fund, the Operations Contingency Fund, the Surplus Fund, the Rebate Fund, reserves in connection with contested liens, other special trust funds created under the Indenture, or other Funds or Accounts held by the Trustee, as the case may be, the interest accruing thereon and any profit realized from such investments will be credited as described below under the heading “**Allocation of Income from Investments**,” and any loss resulting from such investments will be charged to such Fund. The Trustee will be directed to sell and reduce to cash funds a sufficient amount of such investments whenever the cash balance in any Fund or Account shall be insufficient for the uses prescribed for moneys held in such Fund or Account. The Trustee will be permitted to transfer investments from any Fund or Account to any other Fund or Account in lieu of cash when required or permitted by the provisions of the Indenture. The Trustee will be required to value the investments held in the Debt Service Reserve Fund as of the close of business on each Valuation Date and to deliver copies of such valuation promptly to the Authority and the Borrower. In computing the assets of any Fund or Account, investments and accrued interest thereon will be deemed a part thereof. The Trustee will not be liable for any depreciation in the Value of any obligations in which moneys of Funds or Accounts shall be invested, as aforesaid, or for any loss arising from any investment. Such investments will be permitted to be made only as follows:

(a) moneys in the Revenue Fund, the Issuance Cost Fund, the Construction Fund, the Repair and Replacement Fund, the Operations Contingency Fund, the Surplus Fund (excluding the Restricted Account of the Surplus Fund), the Rebate Fund, and any other Funds or Accounts (other than as described in (b) through (e) below) only in Permitted Investments maturing or redeemable at the option of the holder in such amounts and on such dates as may be necessary to provide moneys to meet the payments from each such respective Fund or Account as may be specified by the Authorized Borrower Representative,

(b) moneys in the Bond Fund only in Permitted Investments of the type described in items (i) and (ii) of the definition thereof maturing or redeemable at the option of the holder not later than the immediately succeeding Bond Payment Date,

(c) moneys in the Redemption Fund, the Operating Reserve Fund, and the Restricted Account of the Surplus Fund only in Permitted Investments of the type described in items (i) through (viii) of the definition thereof maturing or redeemable at the option of the holder not later than the immediately succeeding Bond Payment Date and (i) in obligations the interest on which is excluded from the gross income of the owners thereof for federal income tax purposes or (ii) with respect to the Redemption Fund, at a yield that is not greater than the yield on the Tax-Exempt Bonds for the redemption of which such moneys have been deposited therein and, with respect to the

Restricted Account of the Surplus Fund and the Operating Reserve Fund, at a yield that is not greater than the yield on the Outstanding Tax-Exempt Bonds,

(d) moneys in the Insurance Fund and the Condemnation Fund only in Permitted Investments maturing or redeemable at the option of the holder in such amounts and on such dates as may be necessary to provide moneys to meet the payments from each such respective Fund and (i) in obligations the interest on which is excluded from the gross income of the owners thereof for federal income tax purposes or (ii) at a yield that is not greater than the yield on the Tax-Exempt Bonds the proceeds of which were used to finance or refinance the portion of the Project relating to such insurance or condemnation proceeds, and

(e) moneys in the Debt Service Reserve Fund only in Permitted Investments maturing or redeemable at the option of the holder not later than two (2) years from the date of purchase thereof; provided, however, if moneys in the Debt Service Reserve Fund shall be invested in a Permitted Investment of a type that permits the Borrower to withdraw amounts invested thereunder at any time without penalty, such Permitted Investment may have a term of up to ten (10) years.

Allocation of Income from Investments *(Section 702)*

(a) All interest accruing from investments of moneys in the following Funds and Accounts and any profit realized therefrom will be allocated as follows:

(i) interest and profits from the investments of moneys in the Revenue Fund will be retained in the Revenue Fund,

(ii) interest and profits from the investments of moneys in the Bond Fund and in the Accounts and subaccounts therein will be retained in the Bond Fund and in such Accounts and subaccounts, respectively,

(iii) interest and profits from the investments of moneys in the Redemption Fund and any Account therein will be deposited into the Bond Fund,

(iv) interest and profits from the investments of moneys in the Accounts of the Issuance Cost Fund will be deposited into the corresponding (by Series and Subseries) Accounts of the Construction Fund,

(v) interest and profits from the investment of moneys in the Construction Fund and the Accounts therein will be retained in the Construction Fund and in such Accounts, respectively,

(vi) interest and profits from the investment of moneys in the Debt Service Reserve Fund will be retained in the Debt Service Reserve Fund,

(vii) interest and profits from the investment of moneys in the Repair and Replacement Fund will be retained in the Repair and Replacement Fund,

(viii) interest and profits from the investment of moneys in the Insurance Fund and the Account(s) therein will be retained in the Insurance Fund and in such Account(s), respectively,

(ix) interest and profits from the investment of moneys in the Condemnation Fund and the Account(s) therein will be retained in the Condemnation Fund and in such Account(s), respectively,

(xi) interest and profits from the investment of moneys in the Operating Reserve Fund will be retained in the Operating Reserve Fund until such time as the Value of the cash and investments therein shall equal One Million Two Hundred Thousand Dollars (\$1,200,000) and thereafter deposited in the Revenue Fund,

(xi) interest and profits from the investment of moneys in the Operations Contingency Fund will be retained in the Operations Contingency Fund,

(xii) interest and profits from the investment of moneys in the Surplus Fund and the Restricted Account therein will be retained in the Surplus Fund and in such Account, respectively,

(xiii) subject to provisions of the Indenture described above under the heading “**Rebate Fund**,” interest and profits from the investment of moneys in the Rebate Fund will be retained in the Rebate Fund, and

(xiv) interest and profits from the investment of moneys in any other Funds or Accounts will, at the written direction of the Authorized Borrower Representative, be retained in the respective Funds or Accounts or deposited into the Bond Fund.

(b) Notwithstanding the provisions of the Indenture described in (a) of this heading, any interest or other gain from any Fund or Account will be transferred to the Rebate Fund to the extent required on behalf of the Borrower by the provisions of the Indenture described above in (f) under the heading “**Rebate Fund**,” except that no such transfer shall be made from any Fund or Account if such transfer would cause the amount then on deposit in such Fund or Account to be less than required by the provisions, if any, of the Indenture.

Trustee’s Own Bond or Investment Department *(Section 703)*

The Trustee may make any and all investments described under the heading “**Investment of Funds and Accounts**” above through its own bond or investment department.

Discharge of Lien *(Section 901)*

(a) When:

(i) if the Bonds or a Series or Subseries of Bonds shall have become due and payable in accordance with the terms thereof or otherwise as provided in the Indenture, the whole amount of the Debt Service Payments so due and payable on all such Bonds shall be paid, or

(ii) if the Bonds or a Series or Subseries of Bonds shall not have become due and payable in accordance with the terms thereof, but:

(A) the Trustee shall hold cash and/or Defeasance Obligations, the principal of and the interest on which, when due and payable, will, together with such cash, provide sufficient money to pay the Debt Service Payments on all such Bonds then Outstanding to the maturity date or dates of such Bonds or to the date or dates specified for the redemption thereof and the Authority will be required to cause to be delivered to the Trustee a verification or other appropriate report to such effect issued by an Accountant, and

(B) if such Bonds are to be called for redemption, irrevocable written instructions to call such Bonds for redemption shall have been given by the Authority to the Trustee,

and in either of such event sufficient funds shall also have been provided or provision shall have been made for paying all other obligations payable under the Bond Documents with respect thereto, including any Rebate Amount,

then and in that case, the Bonds or such Series or Subseries of Bonds shall no longer be, or considered to be, Outstanding and the right, title, and interest of the Trustee in the Funds and Accounts, if any, established with respect to the Bonds or such Series or Subseries of Bonds will then cease, determine, and become void and, on demand of the Authority and upon being furnished with an Opinion of Counsel, in form and substance satisfactory to the Trustee, to the effect that all conditions precedent to the release of the Indenture or that portion, if any, of the Trust Estate relating to such Series or Subseries of Bonds shall have been satisfied, the Trustee will be required to release the Indenture or that portion, if any, of the Trust Estate relating to such Series or Subseries of Bonds, to execute such documents to evidence such release as may be reasonably required by the Authority to transfer any surplus in, and all balances remaining in, all such Funds and Accounts to KGI at such times and in such amounts as shall be set forth in a written invoice approved by KGI and the Borrower.

(b) If Defeasance Obligations shall be deposited with and held by the Trustee as hereinabove described, (i) in addition to the requirements of the Indenture described in the Limited Offering Memorandum under the

subheading “**THE SERIES 2017 BONDS - Redemption -- Notice of Redemption; Cessation of Interest.**” but not as a condition to defeasance, the Trustee, within thirty (30) days after such cash and/or Defeasance Obligations shall have been deposited with it, will be required to cause a notice to be mailed, postage prepaid, to all Owners of Bonds to be paid or redeemed, setting forth (A) the date or dates, if any, designated for the redemption of such Bonds, (B) a description of the Defeasance Obligations so held by it, and (C) that the Indenture or that portion, if any, of the Trust Estate relating to such Series or Subseries of Bonds has been released in accordance with the provisions of the Indenture and (ii) the Trustee will, nevertheless, retain such rights, powers, and privileges under the Indenture as may be necessary and convenient in respect of such Bonds (A) for the payment of the Debt Service Payments for which such Defeasance Obligations shall have been deposited and (B) for the registration, transfer, and exchange of such Bonds.

(c) Notwithstanding the provisions of the Indenture described in (a) and (b) above, in order for the Indenture or a portion of the Trust Estate relating to the Series 2017 Bonds to be released, the following additional requirements will be required to be satisfied, if applicable:

(i) any moneys deposited with the Trustee pursuant to the provisions of the Indenture described in (a)(ii) above will be required to be Available Moneys and any Defeasance Obligations deposited with the Trustee pursuant to the provisions of the Indenture described in (a)(ii) above will be required to be purchased with Available Moneys; and

(ii) adequate provision shall have been made for the payment of the redemption or purchase price of the Series 2017 Bonds with Available Moneys.

Events of Default (Section 1001)

Each of the following will be an Event of Default within the meaning of the Indenture:

(a) payment of any installment of interest on any Bond shall not be made by or on behalf of the Authority when the same shall become due and payable; **or**

(b) payment of the principal of or the redemption premium, if any, on any Bond shall not be made by or on behalf of the Authority when the same shall become due and payable, whether at maturity or by proceedings for redemption or pursuant to a Mandatory Sinking Fund Redemption Requirement or otherwise; **or**

(c) the failure by the Authority to perform in a punctual manner any other of the covenants, conditions, agreements, or provisions contained in the Indenture or any agreement supplemental thereto and the continuation of such failure for thirty (30) days after receipt by the Authority of a written notice from the Trustee specifying such failure and requiring the same to be remedied; provided, however, that if such performance requires work to be done, action to be taken, or conditions to be remedied that by their nature cannot reasonably be done, taken, or remedied, as the case may be, within such thirty (30) day period, no Event of Default shall be deemed to have occurred or to exist under the Indenture if, and so long as, the Authority shall begin such performance within such period and shall diligently and continuously prosecute the same to completion; **or**

(d) an “**Event of Default**” shall have occurred under any of the other Bond Documents other than the Continuing Disclosure Agreement.

Acceleration of Maturities (Section 1002)

On the happening and continuance of any Event of Default under the Indenture, the Trustee will be permitted and, on the written request of the Requisite Number of Bondholders, will be required, by notice in writing to the Authority, the Borrower, and, if the Trustee is not the Dissemination Agent, the Dissemination Agent, to declare the principal of all Bonds then Outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration, the same will become and be immediately due and payable. In such event, there shall be due and payable on the Bonds an amount equal to the total principal of all Outstanding Bonds plus interest accrued thereon to the date of payment thereof. If at any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action, or proceeding instituted on account of such Event of Default, or before the completion of the enforcement of any other remedy under the Indenture, money shall have accumulated in the Bond Fund sufficient to pay the principal of all matured Bonds and

all arrearages of interest, if any, on all Bonds then Outstanding (except the principal of any Bonds not then due and payable by their terms and the interest accrued on such Bonds since the last Interest Payment Date), and the charges, compensations, expenses, disbursements, advances, and liabilities of the Trustee and all other amounts then payable by the Authority under the Indenture shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee, and every other failure known to the Trustee in the observance or performance of any covenant, condition, or agreement contained in the Bonds, in the Indenture (other than a failure to pay the principal of such Bonds then due only because of a declaration described in this paragraph), and in the other Bond Documents (other than the Continuing Disclosure Agreement) shall have been remedied to the satisfaction of the Trustee, then and in every such case, the Trustee will be permitted, and on the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Outstanding Bonds not then due and payable by their terms (Bonds then due and payable only because of a declaration of acceleration will not be deemed to be due and payable by their terms), will be required, by written notice to the Authority, the Borrower, the Owners of the Bonds, each Rating Agency, and, if the Trustee is not the Dissemination Agent, the Dissemination Agent, to rescind and annul such declaration and its consequences, but no such rescission or annulment will extend to or affect any subsequent Event of Default under the Indenture or impair any right consequent thereon. Upon any declaration of acceleration under the Indenture, the Trustee will be required to proceed immediately to exercise such rights as it may have under the Loan Agreement to declare all payments thereunder to be immediately due and payable.

Trustee May Bring Suit *(Section 1003)*

Whenever any Event of Default shall have occurred and be continuing under the Indenture, the Trustee will be permitted, and on the written request of the Requisite Number of Bondholders, will be required to proceed, subject to the provisions of the Indenture described below under the heading and subheading “**Control of Proceedings by a Majority of the Bondholders**” and “**The Trustee - Indemnification of Trustee**,” respectively, to protect and enforce its rights and the rights of the Owners under the laws of the State and under the Indenture, the other Security Documents, and the Notes by such suits, actions, or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant, condition, or agreement contained in the Indenture, in the other Security Documents, or in the Notes or in aid or execution of any power granted in the Indenture or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights.

Application of Funds *(Section 1004)*

All money received by the Trustee pursuant to any right given or action taken under the Indenture (other than amounts held in the Rebate Fund) will, after payment of the costs and expenses of the proceedings resulting in the collection of such money and the fees and expenses of the Trustee, be deposited in the Bond Fund and applied to the payment of the Debt Service Payments on the Bonds then due and unpaid in accordance with the provisions of the Indenture. Anything in the Indenture to the contrary notwithstanding, if at any time the money in the Bond Fund shall not be sufficient to pay the interest on or the principal of the Bonds as the same shall become due and payable (either by their terms or by acceleration of maturities), such money, together with any money then available or thereafter becoming available for such purpose, whether through the exercise of the remedies described under this heading or otherwise, will be applied as follows:

(a) if the principal of all Bonds shall not have become, or shall not have been declared, due and payable, all such money will be applied as follows:

first: to the payment to the Persons entitled thereto of all installments of interest on Bonds then due and payable in the order in which such installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds;

second: to the payment to the Persons entitled thereto of the unpaid principal of any Bonds that shall have become due and payable (other than Bonds deemed to have been paid under the Indenture as described above under the heading “**Discharge of Lien**”), in the order of their due dates, and, if the amount available shall not be sufficient to pay in full the principal of Bonds due and payable on any particular date, then to the payment ratably according to the amount of such principal due on such date, to the Persons entitled thereto without any discrimination or preference; and

third: to the payment of the interest on and the principal of Bonds, to the purchase and retirement of Bonds, and to the redemption of Bonds, all in accordance with the Indenture;

(b) if the principal of all Bonds shall have become, or shall have been declared, due and payable, all such money will be applied to the payment of principal and interest then due on the Bonds, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference; and

(c) if the principal of all Bonds shall have been declared due and payable and if such declaration thereafter shall have been rescinded and annulled as described above under the heading “**Acceleration of Maturities**,” then, subject to the provisions of the Indenture described in (b) above, if the principal of all Bonds shall later become due and payable or shall be declared due and payable, the money then remaining in and thereafter accruing to the Bond Fund will be applied in accordance with the provisions of the Indenture described in (a) above.

Discontinuance of Proceedings *(Section 1005)*

If any proceeding taken by the Trustee or the Owners on account of any Event of Default under the Indenture shall have been discontinued or abandoned for any reason, then, and in every such case, the Authority, the Trustee, and the Owners will be restored to their former positions and rights under the Indenture and under the other Security Documents, respectively, and all rights, remedies, powers, and duties of the Trustee will continue as though no proceeding had been taken.

Control of Proceedings by a Majority of the Bondholders *(Section 1006)*

Anything else in the Indenture to the contrary notwithstanding, a Majority of the Bondholders will have the right, subject to the indemnification of the Trustee described below under the subheading “**The Trustee - Indemnification of Trustee**,” by an instrument or concurrent instruments in writing executed and delivered to the Trustee, (a) to direct the time, method, and place of conducting all remedial proceedings to be taken by the Trustee under the Indenture or under any other Security Document, whether before or after the occurrence of an Event of Default under the Indenture, if such direction shall be in accordance with law and the Indenture and (b) to approve any consent, approval, or waiver requested to be given by the Trustee under the Indenture.

Restrictions Upon Actions by Individual Owners *(Section 1007)*

Except as described below under the heading “**Right to Enforce Payment of the Bonds Unimpaired**,” no Owner will have any right to institute any suit, action, or proceeding in equity or at law on any Bond or for the execution of any trust under the Indenture or for any other remedy under the Indenture unless the Authority or the Requisite Number of Bondholders previously shall have given to the Trustee written notice of the Event of Default under the Indenture on account of which such suit, action, or proceeding is to be instituted, and unless also the Authority or the Owners shall have made a written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers hereinabove described or to institute such action, suit, or proceedings in its or their name, and unless, also, there shall have been furnished to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request, and furnishing of indemnity will, in every such case, at the option of the Trustee, be conditions precedent to the execution of the powers and trusts of the Indenture or to any other remedy thereunder. Notwithstanding the foregoing, and without complying therewith, the Requisite Number of Bondholders will be permitted to institute any such suit, action, or proceeding in their own names for the benefit of all Owners under the Indenture. It will be understood and intended by the Authority and the Trustee that, except as otherwise above described, no one or more Owners will have any right in any manner whatsoever by his, her, its, or their action to affect, disturb, or prejudice the security of the Indenture, or to enforce any right thereunder except in the manner provided in the Indenture and described herein, that all proceedings at law or in equity will be required to be instituted, had, and maintained in the manner provided in the Indenture and described herein and for the benefit of all Owners and that any individual rights of action or other right given to one or more of such Owners by law will be restricted by the Indenture to the rights and remedies therein provided.

Appointment of Receiver *(Section 1008)*

Upon the occurrence of an Event of Default under the Indenture and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners under the Indenture, the Trustee will be entitled, as a matter of right, to the appointment of a receiver or receivers of the amounts payable under the Loan Agreement and the Notes as assigned to the Trustee under the Indenture, pending such proceedings, with such powers as the court making such appointments shall confer, whether or not any such amounts shall be sufficient ultimately to satisfy the Bonds then Outstanding.

Enforcement of Rights of Action *(Section 1009)*

All rights of action (including the right to file proof of claim) under the Indenture or under any Bonds will be permitted to be enforced by the Trustee without the possession of any Bonds or the production thereof in any proceedings relating thereto, and any such suit or proceedings instituted by the Trustee will be required to be brought by the Trustee in its name as Trustee, without the necessity of joining as plaintiffs or defendants any Owners secured by the Indenture, and any recovery of judgment will be for the equal benefit of the Owners.

No Remedy Exclusive *(Section 1010)*

No remedy conferred on or reserved to the Trustee or the Owners is intended to be exclusive of any other remedy or remedies therein provided, and each and every such remedy shall be cumulative and in addition to every other remedy given thereunder or now or hereafter existing at law or in equity.

Waivers *(Section 1011)*

No delay or omission by the Trustee or any Owner in the exercise of any right or power accruing on any Event of Default will impair any such right or power or be construed to be a waiver of any Event of Default or any acquiescence therein, and every power or remedy given by the Indenture to the Trustee and the Owners will be permitted to be exercised from time to time and as often as may be deemed expedient.

No Enforcement Obligation of the Authority *(Section 1014)*

Notwithstanding anything to the contrary in the Indenture, the Authority will have no obligation to, and instead the Trustee will be permitted, without further direction from the Authority, to take any and all steps, actions, and proceedings to enforce any or all rights of the Authority (other than those specifically relating to the Unassigned Rights) under the Indenture or the Loan Agreement, including, without limitation, the rights to enforce the remedies upon the occurrence and continuation of an Event of Default and the obligations of the Corporation under the Loan Agreement.

The Trustee *(Article XI)*

Duties of the Trustee. The Trustee, prior to the occurrence of an Event of Default under the Indenture and after the waiving or curing of all Events of Default under the Indenture that may have occurred, will undertake to perform such duties and only such duties as are specifically set forth in the Indenture and in the other Bond Documents. In case an Event of Default under the Indenture of which the Trustee shall have been notified or of which it is deemed to have notice as described below under the subheading “**Trustee Deemed to Have Notice of Certain Events of Default**” shall have occurred (that shall not have been cured or waived), the Trustee will be required to exercise such of the rights and powers vested in it by the Indenture and by the other Bond Documents, and to use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person’s own affairs. *(Section 1101)*

Right of Trustee to Perform Duties through Others. The Trustee will be permitted to execute any of the trusts or powers under the Indenture and of the other Bond Documents and perform any of its duties by or through attorneys, accountants, agents, receivers, or employees, will not be responsible for the acts of any attorneys, accountants, agents, or receivers appointed by it in good faith and without negligence, will be entitled to advice of counsel concerning all matters of trusts of the Indenture and of the other Bond Documents and the duties thereunder, and will be permitted in all cases to pay such reasonable compensation, subject to reimbursement, to all such

attorneys, accountants, agents, receivers, and employees as may be reasonably employed in connection with the trusts of the Indenture. As to matters of law, the Trustee may act upon the opinion or advice of any attorneys (who may be the attorney or attorneys for the Authority or the Borrower) approved by the Trustee in the exercise of reasonable care. The Trustee will not be responsible for any loss or damage resulting from any action or non-action taken in good faith in reliance upon such opinion or advice. (Section 1101)

Reliance on Notices, Requests, etc. The Trustee will be permitted to rely, and will be protected in acting in good faith, upon any notice, request, resolution, consent, certificate, order, affidavit, letter, telegram, facsimile transmission, electronic mail, or other paper or electronic document or any oral communication or direction reasonably believed to be genuine and correct and to have been signed or sent or given by the proper Person or Persons in accordance with the provisions of any of the Bond Documents. As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper, or proceedings, the Trustee will be entitled to rely upon a certificate signed on behalf of the Authority by the Authorized Authority Representative or by an Authorized Signatory and upon a certificate signed on behalf of the Borrower by the Authorized Borrower Representative, its President, or the Chairman of the Board of Directors of the Corporation and attested by the Secretary of the Corporation as sufficient evidence of the facts therein contained. Prior to the occurrence of an Event of Default under the Indenture of which the Trustee shall have been notified or of which it shall be deemed to have notice as described below under the subheading **“Trustee Deemed to Have Notice of Certain Events of Default,”** the Trustee will also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction, or action is necessary or expedient, but will be permitted, at its discretion, to secure such further evidence deemed necessary or advisable, but will in no case be bound to secure the same. (Section 1101)

Trustee Deemed to Have Notice of Certain Events of Default. The Trustee will not be required to take notice or be deemed to have notice of any failure on the part of the Authority to comply with the terms of the Indenture or any other Authority Document or the Borrower to comply with the terms of the Loan Agreement or any other Borrower Document except (a) failure by the Authority to cause to be made any of the payments to the Trustee required to be made by the provisions of the Indenture described above under the headings **“Revenue Fund,” “Bond Fund,” “Redemption Fund,” “Issuance Cost Fund,” “Construction Fund,” “Debt Service Reserve Fund,” “Repair and Replacement Fund,” “Insurance and Condemnation Funds,” “Operations Contingency Fund,” “Surplus Fund,” and “Rebate Fund”** and (b) failure by the Borrower to make any of the Loan Payments to the Trustee, unless the Trustee shall be specifically notified in writing of such failure by the Authority or by the Requisite Number of Bondholders. **Notwithstanding any other provision of the Indenture, no right of the Trustee to indemnification will relieve the Trustee from responsibility for making Debt Service Payments on the Bonds when due from money available to it or accelerating the Bonds as required by the Indenture.** (Section 1101)

Trustee’s Fees and Expenses. The Trustee will be entitled to payment and/or reimbursement for reasonable fees for Ordinary Services of the Trustee rendered under the Indenture, and all advances, attorneys’ fees, and other Ordinary Expenses of the Trustee reasonably made or incurred by the Trustee in connection with such Ordinary Services of the Trustee, and in the event that the Trustee shall perform Extraordinary Services of the Trustee, it will be entitled to reasonable extra compensation therefor and to reimbursement for reasonable Extraordinary Expenses of the Trustee in connection therewith; provided, that if such Extraordinary Services of the Trustee or Extraordinary Expenses of the Trustee shall be the result of the negligence or willful misconduct of the Trustee, it will not be entitled to compensation or reimbursement therefor. The Trustee will be entitled to payment and reimbursement for the reasonable fees and charges of the Trustee as bond registrar and paying agent for the Bonds as hereinabove described. **Notwithstanding any other provision of the Indenture or the Loan Agreement to the contrary, at all times while any Bonds shall be Outstanding, payments to the Trustee for services under the Indenture will be superior to the payment of Debt Service Payments on the Bonds, and the Trustee will have a first and prior lien on the Trust Estate for payment of its fees and expenses.** (Section 1102)

Notice if Payment Default Occurs. If a failure to comply shall occur of which the Trustee shall be required to take notice or if notice of a failure to comply shall be given to the Trustee as provided in the provisions of Indenture described under the subheading **“Notice of Default”** above, the Trustee will be required to give written notice thereof to the Authority as is specified in the Indenture and will be required to give written notice thereof by first-class mail, within fifteen (15) days (unless such failure shall be cured or waived), to all Bondholders, provided that, except in the case of a failure to make due and punctual payment of the Debt Service Payments on the Bonds, the Trustee may withhold such notice to the Bondholders if and so long as the board of directors, the executive

committee, or a trust committee of directors or Responsible Officers of the Trustee in good faith shall determine that the withholding of such notice is in the interests of the Bondholders. (Section 1103)

Resignation by the Trustee. The Trustee and any successor Trustee will be permitted at any time to resign from the trusts created by the Indenture by giving thirty (30) days' written notice to the Authority, to the Borrower, to each Rating Agency, and, by first-class (postage prepaid) mail, to each Bondholder, and such resignation will take effect at the appointment of a successor Trustee pursuant to the provisions of the Indenture and acceptance by the successor Trustee of such trusts. If no successor Trustee shall have been so appointed by the Authorized Borrower Representative or the Bondholders pursuant to the Indenture within thirty (30) days after delivery of such notices, a temporary Trustee will be permitted to be appointed by the Authority pursuant to the Indenture. In the event that no successor Trustee shall have been appointed and shall have accepted appointment within thirty (30) days of the giving of written notice by the resigning Trustee as aforesaid, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee. (Section 1106)

Removal of the Trustee. The Trustee will be permitted to be removed at any time upon thirty (30) days' written notice (a) by the Authority for any breach of the trusts set forth in the Indenture or any failure or refusal to act as Trustee, (b) by an instrument or concurrent instruments in writing delivered to the Trustee and to the Authority and signed by a Majority of the Bondholders, or (c) by an instrument in writing delivered to the Trustee and to the Authority signed by the Authorized Borrower Representative, provided no Event of Default under the Indenture or the Loan Agreement shall have occurred and be continuing. Removal of the Trustee will not be effective until a successor or temporary Trustee shall have been appointed pursuant to the provisions of the Indenture described under the immediately succeeding subheading "**Appointment of Successor Trustee; Temporary Trustee**" and the Trustee shall have been paid for all Ordinary Services and Extraordinary Services of the Trustee rendered under the Indenture and for all Ordinary Expenses and Extraordinary Expenses of the Trustee incurred under the Indenture. The Authority, or the Borrower on behalf of the Authority, will be required to give written notice of removal of the Trustee in accordance with the provisions of the Indenture described in this paragraph to each Rating Agency. (Section 1107)

Appointment of Successor Trustee; Temporary Trustee. In case the Trustee shall (a) resign or be removed or (b) be dissolved or shall be in the course of dissolution or liquidation, or in case it shall be taken under the control of any public officer or officers or of a receiver appointed by a court or otherwise become incapable of acting under the Indenture, a successor may be appointed by an instrument executed and signed by the Chair or an Authorized Signatory under seal and executed by the Authorized Borrower Representative; provided, that if a successor Trustee shall not be so appointed within ten (10) days after notice of resignation shall have been mailed or an instrument of removal shall have been delivered as required by the provisions of the Indenture described in the preceding paragraph or within ten (10) days of the Authority's knowledge of any of the events specified in (b) hereinabove, then a Majority of the Bondholders, by an instrument or concurrent instruments in writing signed by or on behalf of such Owners, delivered personally or sent by certified or registered mail to the Authority and the Borrower, may designate a successor Trustee. Until a successor Trustee shall be appointed by the Bondholders in the manner described above, the Authority, by resolution and upon written notice to the Borrower, will be required to appoint a temporary Trustee to fill such vacancy, and any such temporary Trustee so appointed by the Authority will immediately and without further act be superseded by the successor Trustee so appointed by the Bondholders. Notice of the appointment of a successor Trustee will be required to be given in the same manner as with respect to the resignation of the Trustee. Every such successor Trustee will be required to be a trust company or bank organized under the laws of the United States of America or any state thereof that is in good standing within or outside the State; be eligible to serve as trustee, bond registrar, and paying agent under applicable law; be duly authorized to exercise trust powers and subject to examination by federal or state authority; have a reported combined capital, surplus, and undivided profits of not less than Seventy-Five Million Dollars (\$75,000,000); and be an institution willing, qualified, and able to accept the trusteeship upon the terms and conditions of the Indenture.

In case at any time the Trustee shall resign and no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of the Indenture prior to the date specified in the notice of resignation as the date when such resignation shall take effect, the Owner of any Bond or the resigning Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as it may deem proper, appoint a successor Trustee. (Section 1108)

Indemnification of Trustee. Before taking any action under the Indenture at the direction or request of the Bondholders, the Trustee may require that a reasonably satisfactory indemnity bond be furnished for reimbursement

of all expenses it may incur and to protect it against all liabilities, except for liability that is adjudicated to have resulted from the negligence or willful misconduct of the Trustee by reason of any action so taken. *(Section 1114)*

Financial Statements. Upon the written request of any Owner, the Trustee, at the expense of such Owner, will be required under the terms of the Indenture to deliver to such Owner a copy of any of the financial statements of the Borrower that are described herein under the heading “**THE LOAN AGREEMENT - Financial Statements.**” *(Section 1116)*

Amendment of the Indenture *(Article XII)*

Amendments to Indenture and Supplemental Indentures Not Requiring Consent of the Bondholders. (a) The Authority and the Trustee will be permitted, without the consent of, or notice to, any of the Bondholders, to enter into an amendment to the Indenture or an indenture supplemental to the Indenture for any one or more of the following purposes:

(i) to cure any error, ambiguity, or formal defect or omission in, or to correct or supplement any defective provision of, the Indenture,

(ii) to add to the covenants and agreements of, and the limitations and restrictions upon, the Authority in the Indenture other covenants, agreements, limitations, and/or restrictions to be observed by the Authority for the protection of the Bondholders or to surrender or limit any right or power herein reserved or conferred upon the Authority,

(iii) to evidence the appointment of a separate trustee or a co-trustee, or the succession of a new Trustee or the appointment of a new or additional paying agent or bond registrar,

(iv) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, benefits, security, liabilities, duties, or authority that may lawfully be granted to or conferred or imposed upon the Bondholders or the Trustee or either of them,

(v) to subject to the lien and security interest of the Indenture or any of the other Security Documents additional revenues, properties, or collateral,

(vi) to modify, amend, or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of any Bonds for sale under the securities laws of any state, and, if they so determine, to add to the Indenture or any indenture supplemental thereto such other terms, conditions, and provisions as may be permitted by the Trust Indenture Act of 1939, as amended, or any similar federal statute,

(vii) to modify, amend, or supplement the Indenture in such manner as to assure the continued exclusion of the interest on any Tax-Exempt Bonds from the gross income of the Owners thereof for federal income tax purposes,

(viii) to modify, amend, or supplement the Indenture in such a manner as shall be necessary in connection with the appointment of a successor Securities Depository under the Indenture,

(ix) to modify, amend, or supplement the Indenture for the purpose of obtaining or retaining a rating on the Bonds or a Series or Subseries of Bonds from a Rating Agency,

(x) to modify, amend, or supplement the Indenture in such a manner as shall be necessary to provide for the issuance of Additional Bonds,

(xi) to comply with any provisions of the Securities Act, the Exchange Act, or any rules or regulations promulgated thereunder,

(xii) to reflect a revision to the schedule attached to the Loan Agreement and the Indenture with respect to required deposits to the Repair and Replacement Fund,

(xiii) to reflect a change in applicable law provided that the Trustee shall determine that such amendment or supplemental indenture does not materially adversely affect the Bondholders,

(xiv) in connection with the issuance of Additional Bonds in accordance with the provisions of the Indenture described in the Limited Offering Memorandum in the last paragraph under the heading “**ADDITIONAL BONDS,**” to make any change herein as to which the Borrower and KGI shall have given their prior written consent, **or**

(xv) to make any other change therein that, in the judgment of the Trustee, does not prejudice the Trustee or materially adversely affect the Bondholders.

(b) The Authority and the Trustee will be required, without the consent of, or notice to, any of the Bondholders, to enter into an amendment to the Indenture or an indenture supplemental to the Indenture (i) in connection with the issuance of any Additional Bonds in accordance with the Indenture and the inclusion of additional Security in connection therewith, (ii) to the extent necessary with respect to the land and interests in land, buildings, furnishings, machinery, equipment, and all other real and personal property that may form a part of the Project, so as to identify the same more precisely or to substitute or add additional land or interests in land, buildings, furnishings, machinery, equipment, or real or personal property as Security, or (iii) with respect to any changes required to be made in the description of the Security in order to conform with similar changes made in the Loan Agreement. (Section 1201)

Amendments to Indenture and Supplemental Indentures Requiring Consent of the Bondholders. (a) Exclusive of amendments and indentures supplemental to the Indenture described above under the subheading “**Amendments to Indenture and Supplemental Indentures Not Requiring Consent of the Bondholders.**” a Super-Majority of the Bondholders will have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Trustee of an amendment to the Indenture or such indenture supplemental thereto as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in the Indenture, in any amendment to the Indenture, or in any supplemental indenture; provided, however, that nothing contained in the Indenture will permit, or be construed as permitting: (i) an extension of the stated maturity or reduction in the principal amount of, or a reduction in the rate (other than a change in a variable rate as provided in the Indenture) or an extension of the time of payment of interest on, or a reduction of any premium payable on the redemption of, any Bonds, without the consent of the Owners of all of such Bonds, or (ii) the creation of any lien or security interest (other than any Permitted Encumbrances) prior to or on a parity with the lien and security interests of the Indenture without the consent of the Owners of all of the Bonds at the time Outstanding, or (iii) a reduction in the amount, or an extension of the time of any payment, required by the mandatory sinking fund redemption provisions of the Indenture, without the consent of the Owners of all of the Bonds at the time Outstanding that would be affected by the action to be taken, or (iv) a reduction in the aforesaid aggregate principal amount of Bonds the Owners of which are required to consent to any such amendment or supplemental indenture, without the consent of the Owners of all of the Bonds at the time Outstanding, or (v) the modification of the trusts, powers, obligations, remedies, privileges, rights, duties, or immunities of the Trustee, without the written consent of the Trustee, or (vi) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, without the consent of the Owners of all of the Bonds at the time Outstanding, or (vii) the release of or requirements for the release of the Indenture, without the consent of the Owners of all of the Bonds at the time Outstanding.

(b) Anything in the Indenture to the contrary notwithstanding, if the Borrower shall not be in default under the Loan Agreement at such time, an amendment to the Indenture or supplemental indenture that affects any rights or obligations of the Borrower or that changes the priority or use of moneys under the Indenture will not become effective unless and until the Borrower shall have consented to the execution and delivery of such amendment or supplemental indenture. (Section 1202)

Notice to Rating Agencies. The Trustee will, prior to execution, give written notice of, and after execution, copies of any amendment to the Indenture or to any indenture supplemental to the Indenture to each Rating Agency. (Section 1203)

Amendments to Other Bond Documents (Article XIII)

Amendments to Other Bond Documents Not Requiring Consent of the Bondholders. The Authority and the Trustee will be required, without the consent of, or notice to, the Bondholders, to consent to any amendment, change, or modification of the Bond Documents other than the Indenture for any one or more of the following purposes: (a) as may be required by the provisions of the Loan Agreement or the Indenture, (b) to provide for the issuance of Additional Bonds, (c) to cure any error, ambiguity, or formal defect or omission therein, or to correct or supplement any defective provision thereof, (d) to add to the covenants and agreements of, and the limitations and restrictions upon, the Borrower therein other covenants, agreements, limitations, and/or restrictions to be observed by the Borrower for the protection of the Bondholders or to surrender or limit any right or power herein reserved or conferred upon the Borrower, (e) in connection with the land and interests in land, buildings, machinery, equipment, and other real or personal property described in the Loan Agreement, the Leasehold Deed of Trust, and/or the Security Agreement so as to identify more precisely the same or to substitute or add additional land or interests in land, buildings, machinery, equipment, or other real or personal property, (f) to reflect a revision to the required deposits to the Repair and Replacement Fund in accordance with the provisions of the Loan Agreement described above under the subheading **“THE LOAN AGREEMENT - Repair and Replacement Fund Certification,”** (g) to reflect a change in applicable law provided that the Trustee shall determine that such amendment, change, or modification does not materially adversely affect the Bondholders, (h) to amend, change, or modify such Bond Documents in such manner as to assure the continued exclusion of the interest on any Tax-Exempt Bonds from the gross income of the Owners thereof for federal income tax purposes, (i) to modify, amend, or change such Bond Documents in such a manner as shall be necessary in connection with the appointment of a successor Securities Depository under the Indenture, (j) to modify, amend, or change such Bond Documents for the purpose of obtaining or retaining a rating on the Bonds or a Series or Subseries of Bonds from a Rating Agency, (k) to modify, amend, or change such Bond Documents in such a manner as shall be necessary to provide for the issuance of Additional Bonds, (l) to substitute a new “Borrower” under the Loan Agreement as provided therein, (m) to comply with any provisions of the Securities Act, the Exchange Act, or any rules or regulations promulgated thereunder, (n) in connection with the issuance of Replacement Series 2017 Bonds in accordance with the provisions of the Indenture described in the Limited Offering Memorandum in the [sixth] paragraph under the heading **“INTRODUCTORY STATEMENT,”** or the issuance of Additional Bonds in accordance with the provisions of the Indenture described in the Limited Offering Memorandum in the last paragraph under the heading **“ADDITIONAL BONDS,”** to make any change therein as to which the Borrower and KGI shall have given their prior written consent, or (o) to make any other change therein that, in the judgment of the Trustee, does not prejudice the Trustee or materially adversely affect the Bondholders.

Notwithstanding anything contained in the provisions of the Indenture described under this heading, no consent of any Bondholder will be required (a) in connection with any amendment or modification of the Tax Certificate as shall be necessary, in the opinion of Bond Counsel, to preserve the exclusion of interest on any Tax Exempt-Bonds from the gross income of the Owners thereof for federal income tax purposes, (b) in connection with any amendment or modification of the Development Agreement or the General Construction Contract if such amendment or modification shall not affect the obligation of the Developer or the General Contractor to pay liquidated damages thereunder (including, without limitation, a delay of the commencement date or a decrease in the amount thereof), (c) in connection with any amendment or modification of the Development Agreement or the General Construction Contract that either shall not increase the Cost of the Project or, to the extent that the Cost of the Project shall be increased by such modification or amendment, the Authorized Developer Representative shall have certified in writing to the Trustee that such increase is not in excess of the amount deposited into the Construction Fund in connection with such amendment or modification, (d) in connection with any amendment or modification of the Facility Lease that shall not decrease the payment obligations of KGI thereunder, or (e) in connection with any amendment or modification of the Management Agreement that shall not increase the management fee or the percentage of the management fee that is not subordinated to the payment of Annual Debt Service. (Section 1301)

Amendments to Other Bond Documents Requiring Consent of the Bondholders. Except for the amendments, changes, or modifications described under the subheading **“Amendments to Other Bond Documents Not Requiring Consent of the Bondholders”** above, neither the Authority nor the Trustee may consent to any other amendment, change, or modification of the Bond Documents or any of them other than the Indenture without giving notice to, and obtaining the written approval or consent of, a Super-Majority of the Bondholders; provided, however, that nothing in the Indenture will permit or be construed as permitting (a) an extension of the time for payment of any amounts payable under the Loan Agreement or a reduction in the amount of any payment or in the total amount

due under the Loan Agreement, without the consent of the Owners of all of the Bonds at the time Outstanding or (b) a reduction in the aforesaid aggregate principal amount of Bonds the Owners of which are required to consent to any such amendment, change, or modification of such other Bond Documents, without the consent of the Owners of all of the Bonds at the time Outstanding. *(Section 1302)*

Notice to Rating Agencies. The Trustee will, prior to execution, give written notice of, and after execution, copies of any amendment, change, or modification of the Bond Documents other than the Indenture to each Rating Agency. *(Section 1303)*

APPENDIX “F”

BOOK-ENTRY SYSTEM

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the Authority, the Borrower, and the Underwriter believe to be reliable, but neither the Authority, the Borrower, nor the Underwriter takes any responsibility for the accuracy thereof.

1. The Depository Trust Company (“**DTC**”), New York, NY, will act as securities depository for the Series 2017 Bonds. The Series 2017 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2017 Bond certificate will be issued for each Subseries of the Series 2017 Bonds, each in the aggregate principal amount of such Subseries, and will be deposited with DTC.

2. 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 17 A 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 (collectively, the “**Direct Participants**” and each, a “**Direct Participant**”) 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 (collectively, the “**Indirect Participants**” and each, an “**Indirect Participant**”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Series 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2017 Bond (collectively, the “**Beneficial Owner**” and each, a “**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2017 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 Series 2017 Bonds, except in the event that use of the book-entry system for the Series 2017 Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2017 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2017 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2017 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2017 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.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to

time. Beneficial Owners of Series 2017 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2017 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond Documents. For example, Beneficial Owners of Series 2017 Bonds may wish to ascertain that the nominee holding the Series 2017 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.

6. Redemption notices shall be sent to DTC. If less than all of the Series 2017 Bonds within a Subseries 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.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2017 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 Series 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Series 2017 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.

9. DTC may discontinue providing its services as depository with respect to the Series 2017 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, Series 2017 Bond certificates are required to be printed and delivered.

10. 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, Series 2017 Bond certificates will be printed and delivered to DTC.

APPENDIX “G”

PROPOSED FORM OF BOND COUNSEL OPINION

_____, 2017

California Public Finance Authority
Hanford, California

California Public Finance Authority

\$ _____
University Housing Revenue Bonds
(NCCD – Claremont Properties LLC – Claremont
Colleges Project)
Series 2017A

\$ _____
Taxable University Housing Revenue Bonds
(NCCD – Claremont Properties LLC – Claremont
Colleges Project)
Series 2017B

Ladies and Gentlemen:

We have acted as bond counsel to the California Public Finance Authority (the “Authority”) in connection with the issuance by the Authority of \$ _____ aggregate principal amount of the above-captioned bonds (the “Series A Bonds,” the “Series B Bonds,” and collectively, the “Bonds”) pursuant to the provisions of the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with section 6500) of the California Government Code (the “Act”), and a Trust Indenture, dated as of _____ 1, 2017 (the “Indenture”), by and between the Authority and Wilmington Trust, N.A., a national banking association organized under the laws of the United States of America, as trustee (the “Trustee”).

The Indenture provides that the Authority will lend the proceeds of the Bonds to the NCCD – Claremont Properties LLC (the “Borrower”), a single member limited liability company organized and existing under the laws of the State of California pursuant to a Loan Agreement, dated as of _____ 1, 2017 (the “Loan Agreement”), by and between the Authority and the Borrower, which the Borrower will use to finance the Series 2017 Project (as defined in the Loan Agreement). Capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

The Bonds are dated the date of their delivery and will be issued in fully registered form in denominations of \$5,000 and any multiple thereof. The Bonds are subject to redemption prior to their maturity in the manner and upon the terms set forth in the Indenture.

We have reviewed the Indenture, the Loan Agreement, the 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 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 opinion, referred to in the fifth paragraph hereof. We have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, the Borrower, the Corporation and others in connection with the Bonds.

The opinions expressed in paragraphs 1, 2 and 3 below are qualified to the extent the enforceability of the Indenture, the Loan Agreement and the Bonds may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors’ rights generally or as to the availability of any particular remedy. The enforceability of the Indenture, the Loan Agreement

and the Bonds is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or subject to the lien of the Indenture or the Loan Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that:

1. The Bonds have been duly and validly authorized and issued by the Authority in accordance with the Constitution and statutes of the State of California, including the Act, and the Indenture. The Bonds constitute the valid and legally binding obligations of the Authority as provided in the Indenture, are enforceable in accordance with their terms and the terms of the Indenture and are entitled to the benefits of the Act and the Indenture.

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 of the Trust Estate to secure the payment of the principal of and interest on the Bonds, 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. The Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or the interest on the Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any fact or circumstance that may hereafter come to our attention or to reflect any change in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Very truly yours,

APPENDIX "H"

PROPOSED FORMS OF SPECIAL TAX COUNSEL OPINIONS

_____, 2017

WE HAVE ACTED AS SPECIAL TAX COUNSEL to the California Public Finance Authority (the "Issuer") in connection with the issuance of the Issuer's University Housing Revenue Bonds (NCCD – Claremont Properties LLC – Claremont Colleges Project) Series 2017A (the "Bonds") pursuant to a Trust Indenture, dated as of _____ 1, 2017 (the "Indenture"), by and between the Issuer and Wilmington Trust, N.A., as trustee (the "Bond Trustee"), solely for the purpose of rendering our legal opinion as to the exclusion of the interest on the Bonds from gross income for federal income tax purposes and the exclusion of interest on the Bonds from personal income taxes of the State of California, and for no other purpose.

WE HAVE EXAMINED a Bond, executed or certified to our satisfaction. We have also examined, and in expressing the opinions hereinafter described we rely upon, the representations, warranties, and covenants of the parties thereto contained in the Indenture and in the Loan Agreement (the "Loan Agreement") dated as of _____ 1, 2017, by and between the Issuer and NCCD – Claremont Properties LLC (the "Borrower"); certificates of the Issuer relating to the expected use, expenditure, and investment of certain funds of the Issuer, the Borrower, National Campus and Community Development Corporation ("NCCD"), and The Keck Graduate Institute of Applied Life Sciences ("KGI") and relating to other material facts within the sole knowledge of the Issuer, which we have not independently verified; certificates, covenants, resolutions, and representations of the Borrower, NCCD, and KGI, including certificates and representations with respect to certain material facts within the sole knowledge of the Borrower, NCCD, and KGI relating to, among other matters, the status of the Bonds under section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), the status of NCCD and KGI as exempt organizations under section 501(c)(3) of the Code, and the status of the Borrower as a disregarded entity for federal tax purposes, which we have not independently verified; an opinion of Nixon Peabody LLP, Los Angeles, California relating to the validity of the Bonds; opinions of Waller Lansden Dortch & Davis, LLP, Nashville, Tennessee of even date herewith stating that the Borrower is a disregarded entity for federal tax purposes, that NCCD and KGI are organizations exempt from federal income taxation under section 501(c)(3) of the Code as organizations described in section 501(c)(3) of the Code, and that the Borrower's and NCCD's use of the projects to be financed with proceeds of the Bonds does not constitute an unrelated trade or business of NCCD and KGI's use of the projects to be financed with proceeds of the Bonds does not constitute an unrelated trade or business of KGI, in both instances other than the permitted de minimis amount under Section 145(a)(2) of the Code; and such other material and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, the accuracy of the statements contained in such certificates and agreements, and the conclusions expressed in the opinions of Nixon Peabody LLP and of Waller Lansden Dortch & Davis, LLP.

BASED UPON THE FOREGOING and on the aforementioned assumptions, and assuming continuing compliance after the date hereof by the Issuer, the Borrower, NCCD, and KGI with certain provisions of the Indenture, the Loan Agreement, the Facilities Lease Agreement dated as of _____ 1, 2017, between the Borrower and KGI, we are of the opinion that, under existing law, interest on the Bonds (1) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the federal alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations; provided however that in the case of both (1) and (2) we express no opinion concerning any effect on such excludability of subsequent action which under the terms of the Indenture or the Loan Agreement may be taken only upon receipt of an opinion of counsel of nationally recognized standing in the field of municipal bond law that such action will not adversely affect such excludability. In our opinion, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California.

WE CALL TO YOUR ATTENTION THAT interest on Bonds owned by a corporation (other than an “S corporation” or a qualified mutual fund, real estate mortgage investment conduit (REMIC), real estate investment trust (REIT), or financial asset securitization investment trust (FASIT)) will be included in its adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation. A corporation’s alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code is computed for federal income tax purposes.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain “S corporations” with “subchapter C” earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for an earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, such tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service or the State of California; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

_____, 2017

WE HAVE ACTED AS SPECIAL TAX COUNSEL to the California Public Finance Authority (the "Issuer") in connection with the issuance of the Issuer's Taxable University Housing Revenue Bonds (NCCD – Claremont Properties LLC – Claremont Colleges Project) Series 2017B (the "Bonds") pursuant to a Trust Indenture, dated as of _____ 1, 2017 (the "Indenture"), by and between the Issuer and Wilmington Trust, N.A., as trustee (the "Bond Trustee"), solely for the purpose of rendering our legal opinion as to the exclusion of the interest on the Bonds from personal income taxes of the State of California, and for no other purpose.

WE HAVE EXAMINED a Bond, executed or certified to our satisfaction. We have also examined, and in expressing the opinions hereinafter described we rely upon, the representations, warranties, and covenants of the parties thereto contained in the Indenture and in the Loan Agreement (the "*Loan Agreement*") dated as of _____ 1, 2017, by and between the Issuer and NCCD – Claremont Properties LLC (the "*Borrower*"); certificates of the Issuer, the Borrower, National Campus and Community Development Corporation, and The Keck Graduate Institute of Applied Life Sciences relating to material facts within the sole knowledge of such entities, which we have not independently verified; an opinion of Nixon Peabody LLP, Los Angeles, California relating to the validity of the Bonds; and such other material and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, the accuracy of the statements contained in such certificates and agreements, and the conclusions expressed in the opinion of Nixon Peabody LLP.

BASED UPON THE FOREGOING and on the aforementioned assumptions, we are of the opinion that, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California. We express no opinion with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds.

OUR OPINION IS BASED on existing law, which is subject to change. Such opinion is further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinion to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinion is not a guarantee of result and is not binding on the State of California; rather, such opinion represents our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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