

PRELIMINARY OFFICIAL STATEMENT DATED MAY 6, 2025

New Issue - Book-Entry Only

Ratings: Moody's: Aa3

S&P: AA

See "RATINGS" herein

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

\$500,000,000*

**CALIFORNIA INFRASTRUCTURE
AND ECONOMIC DEVELOPMENT BANK
REVENUE BONDS (UCSF CLINICAL AND LIFE SCIENCES BUILDING), SERIES 2025**

Dated: Date of Delivery

Due: May 15, as shown on the inside cover

The California Infrastructure and Economic Development Bank (the "Infrastructure Bank") is expected to offer \$500,000,000* aggregate principal amount of its Revenue Bonds (UCSF Clinical and Life Sciences Building), Series 2025 (the "Bonds"). The proceeds of the sale of the Bonds will be used to provide funds to (i) pay a portion of the costs to construct a UCSF Clinical and Life Sciences Building (the "Project"), a new facility consisting of approximately 300,000 gross-square-feet, to be located near the University of California, San Francisco's Mission Bay campus and (ii) fund capitalized interest and certain other funds and expenses authorized under the Indenture. See "ESTIMATED SOURCES AND USES OF FUNDS" herein. Power Station Block 2 Development Company LLC, a Delaware limited liability company (the "Developer") will develop the Project, and The Regents of the University of California ("The Regents") will lease and occupy the Project. See "THE PROJECT" herein.

The Bonds are being issued under and pursuant to the Constitution and laws of the State of California, particularly the Bergeson-Peace Infrastructure and Economic Development Bank Act (California Government Code Section 63000 and following) (as now in effect and as it may from time to time hereafter be amended or supplemented, the "Act"), and an Indenture, dated as of May 1, 2025 (the "Indenture"), between the Infrastructure Bank and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Principal of and interest on the Bonds are payable solely, except to the extent paid out of moneys attributable to proceeds of the Bonds and from temporary investments thereof, from a pledge of moneys derived from a Loan Agreement, dated as of May 1, 2025 (the "Loan Agreement"), between the Infrastructure Bank and Campus Facilities Improvement Association, a California non-profit public benefit corporation (the "Borrower"), and from revenues absolutely assigned by the Developer under the Base Rent Assignment Agreement (as defined herein). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

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

The Bonds are being offered on the basis of the financial strength of The Regents and its obligation to make payments of Base Rent under the Space Lease (each as defined herein), rather than on the financial strength of the Borrower or the Developer. The Space Lease will provide that The Regents' obligation to make Base Rent payments under the Space Lease is unconditional, including that such rental payment obligation is not contingent upon completion or occupancy of the Project and that such obligation is not subject to abatement in the event of damage or destruction of the Project. The Regents' obligation to make payments of Base Rent under the Space Lease will be an unsecured, general obligation of The Regents. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Base Rent and the Base Rent Assignment Agreement."

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

See "INVESTMENT CONSIDERATIONS" herein for a description of certain factors that should be considered by investors in deciding whether to purchase the Bonds.

THE BONDS SHALL NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE LIMITED OBLIGATION OF THE INFRASTRUCTURE BANK PAYABLE SOLELY FROM REVENUES AND THE OTHER AMOUNTS PLEDGED THEREFOR UNDER THE INDENTURE, OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR IN THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, OR INTEREST ON, THE BONDS; AND NO OWNER OR BENEFICIAL OWNER OF ANY BOND SHALL HAVE ANY RIGHT TO DEMAND PAYMENT OF THE PRINCIPAL OF, OR INTEREST ON, THE BONDS BY THE INFRASTRUCTURE BANK, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, OUT OF ANY FUNDS TO BE RAISED BY TAXATION OR APPROPRIATION. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT.

The Bonds will be issued as fully registered bonds without coupons in denominations of \$5,000 and any multiple thereof. The Bonds will bear interest from the Date of Delivery, payable semiannually on each May 15 and November 15, commencing November 15, 2025 (each, an "Interest Payment Date"). The Bonds will be initially registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, references herein to the Owners of the Bonds shall mean Cede & Co. and will not mean the beneficial owners of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, the payment of principal of and interest on the Bonds will be made to Cede & Co., which will in turn be responsible for making such payments to its participants for subsequent disbursement to the beneficial owners. See "THE BONDS" herein.

The Bonds will be subject to optional and mandatory sinking fund redemption prior to their stated maturities, as described herein.

The Bonds are offered when, as, and if received by the Underwriters, subject to the approval as to legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Infrastructure Bank. Certain legal matters will be passed upon for the Infrastructure Bank by its special counsel Stradling Yocca Carlson & Rauth LLP; for The Regents by its Office of General Counsel and Norton Rose Fulbright US LLP, special counsel to The Regents; for the Borrower by Sheppard Mullin Richter & Hampton LLP, counsel to the Borrower; for the Developer by Allen Matkins Leck Gamble Mallory & Natsis LLP, special counsel to the Developer, and Nixon Peabody LLP, special counsel to the Developer; and for the Underwriters by O'Melveny & Myers LLP, counsel to the Underwriters. It is expected that the Bonds will be available for delivery to DTC on or about _____, 2025.

Goldman Sachs & Co. LLC

Jefferies

J.P. Morgan

Raymond James

Stifel

Dated:

* Preliminary, subject to change.

This is a Preliminary Official Statement and the information contained herein is subject to change, completion and amendment without notice. Under no circumstances will this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities offered hereby by any person, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. A definitive Official Statement with respect to the securities offered hereby will be made available.

MATURITY AND PRICING SCHEDULE*

\$500,000,000*

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK REVENUE BONDS (UCSF CLINICAL AND LIFE SCIENCES BUILDING), SERIES 2025

<u>Maturity (May 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP^(†) ()</u>
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\$ _____ % Term Bond due May 15, 20__ Yield: _____ CUSIP^(†): _____

\$ _____ % Term Bond due May 15, 20__ Yield: _____ CUSIP^(†): _____

\$ _____ % Term Bond due May 15, 20__ Yield: _____ CUSIP^(†): _____

* Preliminary, subject to change.

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2025 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Infrastructure Bank, the Borrower, The Regents, the Underwriters or their agents or counsel assume responsibility for the use or accuracy of such numbers.

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

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

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

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

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

The information set forth herein under the captions “SUMMARY STATEMENT – The Infrastructure Bank,” “THE INFRASTRUCTURE BANK” and “ABSENCE OF MATERIAL LITIGATION – The Infrastructure Bank” has been furnished by the Infrastructure Bank, and the information set forth herein under the caption “THE BONDS – Book-Entry Only System for the Bonds” hereto has been furnished by DTC. Such information is believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Borrower, The Regents or the Developer. All other information set forth herein has been obtained from the Borrower, the Developer, The Regents and other sources that are believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Infrastructure Bank. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds made hereunder shall create under any circumstances any indication that there has been no change in the affairs of the Infrastructure Bank, the Borrower, The Regents, the Developer or DTC since the date hereof.

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

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

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

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

TABLE OF CONTENTS

SUMMARY STATEMENT	i	THE GROUND LEASE AND THE SUB	
The Infrastructure Bank	i	GROUND LEASE	12
The Project	i	The Ground Lease	12
The Borrower	i	The Sub Ground Lease	13
The Bonds	ii	THE SPACE LEASE, THE BASE RENT	
Security for the Bondholders	ii	ASSIGNMENT AGREEMENT AND	
The Developer	ii	THE INDUCEMENT LETTER	14
The University and The Regents	iii	The Space Lease	14
UCSF	iii	The Base Rent Assignment Agreement	14
The Ground Lease and the Sub Ground		The Inducement Letter	15
Lease	iii	INVESTMENT CONSIDERATIONS	15
The Space Lease	iii	Limited Security; Non-Recourse	
Investment Considerations	iv	Obligations	15
Continuing Disclosure	iv	Certain Risks with Respect to The	
Certain Information	iv	Regents	16
INTRODUCTORY STATEMENT	1	Enforceability of Remedies; Effect of	
THE INFRASTRUCTURE BANK	3	Bankruptcy	16
THE PROJECT	3	Tax-Exempt Status of the Bonds	17
THE BORROWER	4	ABSENCE OF MATERIAL LITIGATION	17
NON-RECOURSE OBLIGATION OF THE		The Infrastructure Bank	17
BORROWER	4	The Borrower	17
THE BONDS	5	The Developer	17
General Description	5	The Regents	18
Payment of the Bonds	5	TAX MATTERS	18
Book-Entry Only System for the Bonds	5	MUNICIPAL ADVISOR	20
Redemption	5	UNDERWRITING	20
SECURITY AND SOURCES OF		FORWARD-LOOKING STATEMENTS	21
PAYMENT FOR THE BONDS	8	RATINGS	21
Limited Obligations	8	LEGAL MATTERS	21
Pledge of Revenues	8	CONTINUING DISCLOSURE	21
Base Rent and the Base Rent Assignment		SOURCES OF INFORMATION	22
Agreement	8	MISCELLANEOUS	23
No Debt Service Reserve	9	APPENDIX A - THE UNIVERSITY OF	
No Credit Facility Securing the Bonds	9	CALIFORNIA	A-1
No Insurance or Condemnation Proceeds		APPENDIX B - THE UNIVERSITY OF	
Pledged to Bondholders	9	CALIFORNIA ANNUAL FINANCIAL	
POWER STATION SITE AND THE		REPORT 2023-2024	B-1
DEVELOPER	9	APPENDIX C - SUMMARY OF CERTAIN	
Power Station Site	9	PROVISIONS OF CERTAIN	
The Developer	10	DOCUMENTS	C-1
THE UNIVERSITY OF CALIFORNIA		APPENDIX D - PROPOSED FORM OF	
AND THE REGENTS	10	BOND COUNSEL OPINION	D-1
THE UNIVERSITY OF CALIFORNIA,		APPENDIX E - BOOK-ENTRY ONLY	
SAN FRANCISCO	11	SYSTEM FOR THE BONDS	E-1
PLAN OF FINANCE	11		
ESTIMATED SOURCES AND USES OF			
FUNDS	12		

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SUMMARY STATEMENT

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

The Infrastructure Bank The California Infrastructure and Economic Development Bank (the “Infrastructure Bank”) is an entity within the Governor’s Office of Business and Economic Development in the State of California (the “State”), organized and existing pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act (California Government Code Section 63000 and following) (as now in effect and as it may from time to time hereafter be amended or supplemented, the “Act”). See “THE INFRASTRUCTURE BANK” herein.

The Project The proceeds of the Bonds will be used to pay a portion of the costs to construct a UCSF Clinical and Life Sciences Building (the “Project”), a new facility consisting of approximately 300,000 gross-square-feet. The site of the Project is an approximately 50,193 square foot (1.15 acre) parcel (the “Project Site”), located in the Dogpatch Power Station (previously Potrero Power Station) project in the “Dogpatch” neighborhood of San Francisco, California, approximately one mile south of the University of California, San Francisco’s Mission Bay campus. The Project will be developed by a private developer (see “The Developer” below) pursuant to a public/private delivery process. In addition, The Regents (as opposed to the Developer) will be responsible for procuring, installing and commissioning certain equipment and for the design and construction of certain tenant improvements related to the Project, none of which constitutes a portion of the Project or will be financed with Bond proceeds.

The Regents owns in fee the Project Site, which it acquired from California Barrel Company LLC (the sole member of the Developer) on May 6, 2025. The Project will be leased to and occupied by The Regents.

Construction of the Project is expected to commence in June 2025, with substantial completion of the Project expected to occur approximately 42 months after the commencement of construction. For additional information regarding the Project, see “THE PROJECT” herein.

The Borrower Campus Facilities Improvement Association (the “Borrower”) is a California non-profit public benefit corporation. The proceeds of the Bonds will be loaned to the Borrower pursuant to a Loan Agreement, dated as of May 1, 2025 (the “Loan Agreement”), between the Infrastructure Bank and the Borrower, to be applied by the Borrower to (i) pay a portion of the costs to construct the Project and (ii) fund capitalized interest and certain other funds and expenses authorized under the Indenture. See “THE BORROWER” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The Bonds

The Infrastructure Bank expects to issue \$500,000,000* aggregate principal amount of revenue bonds to be designated “California Infrastructure and Economic Development Bank Revenue Bonds (UCSF Clinical and Life Sciences Building), Series 2025” (the “Bonds”) pursuant to an Indenture, dated as of May 1, 2025 (the “Indenture”), between the Infrastructure Bank and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). See “THE BONDS” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

Security for the Bondholders

As security for its obligations under the Bonds, the Infrastructure Bank will, pursuant to the Indenture, transfer, assign and set over to the Trustee all of the Revenues and any and all rights and privileges, other than the Reserved Rights, it has under the Loan Agreement, including, without limitation, the right to collect and receive directly all of the Revenues and the right to hold and enforce any security interest. Any Revenues collected or received by the Infrastructure Bank will be deemed to be held and to have been collected or received by the Infrastructure Bank for the benefit of the Owners of the Bonds and will be paid by the Infrastructure Bank to the Trustee. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledge of Revenues” herein.

Pursuant to the Space Lease, the Developer will lease the Project to The Regents and The Regents will be required to make Base Rent payments in an amount equal to the principal of and interest on the Bonds. The Space Lease will provide that The Regents’ obligation to make Base Rent payments under the Space Lease is unconditional, including that such rental payment obligation is not contingent upon completion or occupancy of the Project and that such obligation is not subject to abatement in the event of damage or destruction of the Project. See “The Space Lease” below. Pursuant to the Base Rent Assignment Agreement, the Developer will unconditionally sell, assign and transfer, irrevocably and absolutely, without recourse for the benefit of the owners of the Bonds, all of its rights to receive the Base Rent payments made by The Regents.

The Developer

Concurrently with the issuance of the Bonds, Power Station Block 2 Development Company LLC, a Delaware limited liability company (the “Developer”), will sub-lease the Project Site from the Borrower pursuant to the Sub Ground Lease (see “The Ground Lease and the Sub Ground Lease” below) and the Developer will lease the Project to The Regents pursuant to the Space Lease (see “The Space Lease” below). The Sub Ground Lease, the Space Lease and related agreements (including a Lease Disposition and Development Agreement (the “LDDA”) entered into by the Developer, The Regents and the Borrower in connection with the Project) will require the Developer to develop the Project on the Project Site and operate the Project during the term of the Space Lease. California Barrel Company LLC (the sole member of the Developer) will enter into a guaranty, for the benefit of The Regents and the Borrower, guaranteeing the Developer’s performance under the LDDA. For additional information regarding the Developer, see “POWER STATION SITE AND THE DEVELOPER” herein.

* Preliminary, subject to change.

**The University
and The Regents**

The University of California (the “University”) is a public institution of higher education chartered in 1868. The University currently operates general campuses located in Berkeley, Davis, Irvine, Los Angeles, Merced, Riverside, San Diego, Santa Barbara and Santa Cruz; and a health science campus located in San Francisco. The University also operates five academic medical centers (and UCSF Benioff Children’s Hospital Oakland, which is affiliated with the University of California, San Francisco Medical Center), laboratories, research stations and institutes, affiliated schools, activity locations and a statewide Division of Agriculture and Natural Resources. The California State Constitution provides that the University shall be a public trust administered by the corporation, The Regents of the University of California (“The Regents”), which is vested with full powers of organization and government, subject only to such legislative control necessary to ensure compliance with the terms of the endowments, the security of its funds and the compliance with certain statutory and administrative requirements. The governing board of the University is composed of 26 members, a majority of whom are appointed by the Governor of the State and approved by a majority vote of the State Senate. See “THE UNIVERSITY OF CALIFORNIA AND THE REGENTS” herein and APPENDIX A – “THE UNIVERSITY OF CALIFORNIA” and APPENDIX B – “THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2023-2024.”

Pursuant to the Space Lease, The Regents will be obligated to pay Base Rent, the proceeds of which will be applied to repay the Bonds. See “The Space Lease” below.

UCSF

The University of California, San Francisco (“UCSF”), which became part of the University in 1873, is a graduate-level campus dedicated to biomedical research and advanced education in the life sciences and health professions. The Project Site is located approximately one mile south of the Mission Bay campus, allowing for collaboration with UCSF’s research programs and providing expanded clinical services in proximity to the Medical Center at Mission Bay. See “THE UNIVERSITY OF CALIFORNIA, SAN FRANCISCO” herein.

**The Ground Lease and
the Sub Ground Lease**

Concurrently with the issuance of the Bonds, The Regents, as ground lessor, will lease the Project Site to the Borrower, as ground lessee, pursuant to a Master Ground Lease (the “Ground Lease”) and the Borrower, as sub ground lessor, will sub-lease the Project Site to the Developer, as sub ground lessee, pursuant to a Sub Ground Lease (the “Sub Ground Lease”). See “THE GROUND LEASE AND THE SUB GROUND LEASE” herein.

The Space Lease

Concurrently with the issuance of the Bonds, the Developer, as landlord, will lease the Project to The Regents, as tenant, pursuant to a Space Lease (the “Space Lease”). The Space Lease will provide that The Regents’ obligation to make Base Rent payments under the Space Lease is unconditional, including that such rental payment obligation is not contingent upon completion or occupancy of the Project and that such obligation is not subject to abatement in the event of damage or destruction of the Project. See “THE SPACE LEASE, THE BASE RENT ASSIGNMENT AGREEMENT AND THE INDUCEMENT LETTER – The Space Lease” herein.

**Investment
Considerations**

A description of certain factors that should be considered by investors in deciding whether to purchase the Bonds is included under “INVESTMENT CONSIDERATIONS” in this Official Statement. Such factors relate to the events or circumstances listed below. The occurrence of one or more of the events or circumstances identified therein could materially and adversely affect payment of principal and interest on the Bonds. See also “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

- Limited Security; Non-Recourse Obligations;
- Certain Risks with Respect to The Regents;
- Enforceability of Remedies; Effect of Bankruptcy; and
- Tax-Exempt Status of the Bonds.

Continuing Disclosure

No financial or operating data concerning the Borrower, the Developer or the Infrastructure Bank is being included or incorporated by reference in this Official Statement, and none of the Infrastructure Bank, the Developer or the Borrower has agreed to provide any such financial or operating data either currently or on an on-going basis. The Regents has covenanted for the benefit of the registered owners and Beneficial Holders of the Bonds to provide certain financial information and operating data relating to the Bonds not later than seven (7) months after the end of The Regents’ Fiscal Year (which Fiscal Year currently ends June 30), commencing with the report for the Fiscal Year ending June 30, 2025, and to provide notices of the occurrence of certain enumerated events. See “CONTINUING DISCLOSURE” herein and APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF CERTAIN DOCUMENTS – CONTINUING DISCLOSURE AGREEMENT.”

Certain Information

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

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OFFICIAL STATEMENT
\$500,000,000*
CALIFORNIA INFRASTRUCTURE
AND ECONOMIC DEVELOPMENT BANK
REVENUE BONDS (UCSF CLINICAL AND LIFE SCIENCES BUILDING), SERIES 2025

INTRODUCTORY STATEMENT

This Official Statement, including the cover page and the appendices hereto, furnishes certain information in connection with the sale by the California Infrastructure and Economic Development Bank (the “Infrastructure Bank”) of \$500,000,000* aggregate principal amount of revenue bonds to be designated “California Infrastructure and Economic Development Bank Revenue Bonds (UCSF Clinical and Life Sciences Building), Series 2025” (the “Bonds”). The Bonds will be issued by the Infrastructure Bank under and pursuant to the Constitution and laws of the State of California (the “State”), particularly the Bergeson-Peace Infrastructure and Economic Development Bank Act (California Government Code Section 63000 and following) (as now in effect and as it may from time to time hereafter be amended or supplemented, the “Act”), and an Indenture, dated as of May 1, 2025 (the “Indenture”), between the Infrastructure Bank and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

The proceeds of the sale of the Bonds will be used to provide funds to (i) pay a portion of the costs to construct a UCSF Clinical and Life Sciences Building (the “Project”), a new facility consisting of approximately 300,000 gross-square-feet, to be located near the Mission Bay campus of the University of California, San Francisco (“UCSF”) and (ii) fund capitalized interest and certain other funds and expenses authorized under the Indenture. Power Station Block 2 Development Company LLC, a Delaware limited liability company (the “Developer”) will develop the Project, and The Regents of the University of California (“The Regents”) will lease and occupy the Project. See “ESTIMATED SOURCES AND USES OF FUNDS” and “THE PROJECT” herein.

Concurrently with the issuance of the Bonds, (i) The Regents, as ground lessor, will lease the Project Site to Campus Facilities Improvement Association, a California non-profit public benefit corporation (the “Borrower”), as ground lessee, pursuant to a Master Ground Lease (the “Ground Lease”), (ii) the Borrower, as sub ground lessor, will sub-lease the Project Site to the Developer, as sub ground lessee, pursuant to a Sub Ground Lease (the “Sub Ground Lease”) and (iii) the Developer, as landlord, will lease the Project to The Regents, as tenant, pursuant to a Space Lease (the “Space Lease”). **The Space Lease will provide that The Regents’ obligation to make Base Rent (as defined herein) payments under the Space Lease is unconditional, including that such rental payment obligation is not contingent upon completion or occupancy of the Project and that such obligation is not subject to abatement in the event of damage or destruction of the Project.** Base Rent under the Space Lease will equal principal and interest on the Bonds and will be absolutely assigned to the Trustee by the Developer (in accordance with its agreement with the Borrower) pursuant to the Base Rent Assignment Agreement, to be entered into by the Developer and the Trustee concurrently with the issuance of the Bonds (the “Base Rent Assignment Agreement”). See “THE GROUND LEASE AND THE SUB GROUND LEASE” and “THE SPACE LEASE, THE BASE RENT ASSIGNMENT AGREEMENT AND THE INDUCEMENT LETTER” herein.

The Infrastructure Bank will lend the proceeds of the Bonds to the Borrower pursuant to a Loan Agreement, dated as of May 1, 2025 (the “Loan Agreement”), between the Infrastructure Bank and the Borrower. The Borrower will be obligated pursuant to the Loan Agreement to make Loan Payments to the Infrastructure Bank in amounts calculated to be sufficient to pay the principal of and interest on the Bonds, as the same mature and become due. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

As security for its obligations under the Bonds, The Infrastructure Bank will, pursuant to the Indenture, transfer, assign and set over to the Trustee all of the Revenues and any and all rights and privileges, other than the Reserved Rights, it has under the Loan Agreement, including, without limitation, the right to collect and receive directly all of the Revenues and the right to hold and enforce any security interest. Any Revenues collected or

* Preliminary, subject to change.

received by the Infrastructure Bank will be deemed to be held and to have been collected or received by the Infrastructure Bank as the agent of the Trustee and will be paid by the Infrastructure Bank to the Trustee. The Indenture defines Revenues as including, among other things, all payments of Base Rent made by The Regents pursuant to the Space Lease. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledge of Revenues” herein.

The obligations of the Borrower under the Loan Agreement will be secured solely by the Borrower’s irrevocable pledge of all of its rights in any Revenues and payments with respect to the Bonds will be made therefrom and any amounts and securities in the funds and accounts held by the Trustee under the Indenture (other than the Rebate Fund).

The obligations of the Borrower under the Loan Agreement and other Bond Documents (as defined herein) are limited obligations of the Borrower payable solely from income derived from the Space Lease, the Ground Lease, the Sub Ground Lease and the other funds provided in the Loan Agreement, and do not constitute general obligations of the Borrower. As a result, the Borrower’s liability is effectively limited to the income and funds described in the Loan Agreement with no recourse to, or lien upon, directly or indirectly, any other property of the Borrower. Any judgment in any action or proceeding will be enforceable against the Borrower only to the extent such amounts constitute income to the Borrower derived from the Space Lease, the Ground Lease, the Sub Ground Lease or the other funds provided in the Loan Agreement. See “NON-RECOURSE OBLIGATION OF THE BORROWER” herein.

The Bonds are being offered on the basis of the financial strength of The Regents and its obligation to make payments of Base Rent under the Space Lease, rather than on the financial strength of the Borrower or the Developer. The Regents’ obligation to make payments of Base Rent under the Space Lease will be an unsecured, general obligation of The Regents. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Base Rent and the Base Rent Assignment Agreement.”

THE BONDS SHALL NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE LIMITED OBLIGATION OF THE INFRASTRUCTURE BANK PAYABLE SOLELY FROM REVENUES AND THE OTHER AMOUNTS PLEDGED THEREFOR UNDER THE INDENTURE, OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR IN THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, OR INTEREST ON, THE BONDS; AND NO OWNER OR BENEFICIAL OWNER OF ANY BOND SHALL HAVE ANY RIGHT TO DEMAND PAYMENT OF THE PRINCIPAL OF, OR INTEREST ON, THE BONDS BY THE INFRASTRUCTURE BANK, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, OUT OF ANY FUNDS TO BE RAISED BY TAXATION OR APPROPRIATION. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT.

Certain terms defined in the Indenture, the Loan Agreement, the Ground Lease, the Sub Ground Lease or the Space Lease are set forth in Appendix C attached to this Official Statement. Capitalized terms used but not defined herein or in Appendix C attached hereto have the same meanings as used in the Indenture unless the context clearly indicates otherwise. This Official Statement and the appendices hereto contain brief descriptions of, among other matters, the Infrastructure Bank, the Borrower, The Regents, the University of California (the “University”), UCSF, the Project, the Developer, the Bonds, the Indenture, the Loan Agreement, the Ground Lease, the Sub Ground Lease, the Space Lease and the Base Rent Assignment Agreement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to any of the Indenture, the Loan Agreement, the Ground Lease, the Sub Ground Lease, the Space Lease and the Base Rent Assignment Agreement (collectively, the “Bond Documents”) are qualified in their entirety by reference to such documents, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the Indenture.

THE INFRASTRUCTURE BANK

The Infrastructure Bank is an entity within the Governor's Office of Business and Economic Development in the State of California, organized and existing pursuant to the Act. The Infrastructure Bank is authorized and empowered pursuant to the Act to issue the Bonds, to loan the proceeds thereof to the Borrower, to secure the Bonds by a pledge of the amounts payable by the Borrower under the Loan Agreement and any available amounts held in the funds or accounts established pursuant to the Indenture (other than the Rebate Fund), and to enter into the Loan Agreement and the Indenture.

The Infrastructure Bank is governed by a board of directors (the "Infrastructure Bank Board") consisting of the Director of the Governor's Office of Business and Economic Development, who serves as chairperson, the Director of the State's Department of Finance, the State Treasurer, the Secretary of the State's Transportation Agency, or their respective designees, and a Governor's appointee. The business and affairs of the Infrastructure Bank are managed and conducted by its Executive Director. The Infrastructure Bank has no taxing power.

The Bonds are limited obligations of the Infrastructure Bank and are payable solely from, and secured by a pledge of and lien on, the Revenues, consisting primarily of the Loan Payments made by the Borrower under the Loan Agreement and any other amounts held in the funds and accounts established pursuant to the Indenture (other than the Rebate Fund), as and to the extent set forth in the Indenture.

Information about the Infrastructure Bank included in this Official Statement under the headings "SUMMARY STATEMENT – The Infrastructure Bank," "THE INFRASTRUCTURE BANK" and "ABSENCE OF MATERIAL LITIGATION – The Infrastructure Bank" has been obtained from the Infrastructure Bank. The Infrastructure Bank makes no representations or warranties whatsoever with respect to any statements or information contained herein except for information contained under the headings "SUMMARY STATEMENT – The Infrastructure Bank," "THE INFRASTRUCTURE BANK" and "ABSENCE OF MATERIAL LITIGATION – The Infrastructure Bank."

THE PROJECT

The proceeds of the Bonds will be used to pay a portion of the costs to construct a UCSF Clinical and Life Sciences Building (the "Project"), a new facility consisting of approximately 300,000 gross-square-feet. The site of the Project is an approximately 50,193 square foot (1.15 acre) parcel (the "Project Site"), located in the Dogpatch Power Station (previously Potrero Power Station) project (see "POWER STATION SITE AND THE DEVELOPER") in the "Dogpatch" neighborhood of San Francisco, California. The Project Site is approximately one mile south of UCSF's Mission Bay campus. The Regents owns in fee the Project Site, which it acquired from California Barrel Company LLC (the sole member of the Developer) on May 6, 2025.

The building program of the Project features three main components: a state-of-the-art radiation oncology treatment center with proton therapy, adult primary and secondary multi-specialty clinics and a life sciences incubator. The proton therapy and clinical space is intended to support UCSF's strategy to provide access to innovative healthcare technology, expand access to outpatient clinical programs, and enhance adult hospital services and cancer services. The life sciences incubator space is intended to foster growth in California's life sciences and biotechnology industry by facilitating technology transfer, startup activity and education and scientific research.

The Project will be developed through a public/private delivery process, in which the Developer (which is a private developer) will be responsible for completion of the Project (i.e., the design and construction of the core and shell of the building, completion of interior tenant improvements to the proton therapy and multi-specialty clinics portions of the Project and coordination of equipment installation and commissioning). In addition, The Regents (as opposed to the Developer) will be responsible for procuring the proton therapy and other fixed medical equipment related to the Project and also for the design and construction of tenant improvements related to the Project within the incubator space, none of which constitutes a portion of the Project or will be financed with Bond proceeds. See also "PLAN OF FINANCE."

The Developer is responsible for selecting and managing the Project's contractors and subcontractors. The Developer has selected Stantec as the architect of record for the Project and Herzog & de Meuron as the design architect for the Project. The Developer has not yet selected a general contractor for the Project but intends to select a general contractor with the applicable experience and capabilities to construct the Project. The Regents expects to collaborate with a donor to complete the design and construction of the tenant improvements.

Construction of the Project is expected to commence in June 2025, with substantial completion expected to occur approximately 42 months after the commencement of construction. Clinic operations are expected to begin shortly after substantial completion, but the proton therapy component will require an additional 16 months for equipment commissioning prior to being fully operational and available to patients.

Concurrently with the issuance of the Bonds, (i) The Regents will ground lease the Project Site to the Borrower pursuant to the Ground Lease, (ii) the Developer will sub-lease the Project Site from the Borrower pursuant to the Sub Ground Lease and (iii) the Developer will lease the Project to The Regents pursuant to the Space Lease. The Sub Ground Lease, the Space Lease and related agreements (including a Lease Disposition and Development Agreement (the "LDDA") entered into by the Developer, The Regents and the Borrower in connection with the Project) will require the Developer to develop the Project on the Project Site and operate the Project during the term of the Space Lease. California Barrel Company LLC (the sole member of the Developer) shall enter into a guaranty, for the benefit of The Regents and the Borrower, guaranteeing the Developer's performance under the LDDA. The Project will be owned initially by the Developer. The Project will be conveyed to The Regents at the end of the term of the Ground Lease pursuant to the terms thereof. See "POWER STATION SITE AND THE DEVELOPER," "THE GROUND LEASE AND THE SUB GROUND LEASE" and "THE SPACE LEASE, THE BASE RENT ASSIGNMENT AGREEMENT AND THE INDUCEMENT LETTER – The Space Lease."

THE BORROWER

Campus Facilities Improvement Association (the "Borrower"), is a non-profit public benefit corporation organized under the laws of the State. The Borrower was organized in 2008 for the charitable and public purposes of lessening the burdens of government by facilitating the development, construction and operation of buildings and other facilities used by the University of California. The Borrower previously collaborated with The Regents in 2010 and 2017, with respect to other UCSF projects (known as UCSF Neurosciences Building 19A and UCSF 2130 Third Street/Department of Psychiatry Youth and Family Center, respectively), as borrower with respect to the bonds issued to finance each of those projects. See APPENDIX A – "THE UNIVERSITY OF CALIFORNIA – INDEBTEDNESS OF THE REGENTS – Conduit Issuer Bonds."

NON-RECOURSE OBLIGATION OF THE BORROWER

The Borrower will not be required to advance any moneys derived from any source of income other than the Ground Lease, the Space Lease, the Sub Ground Lease and the other funds provided in the Loan Agreement for the payment of the Loan Payments and other amounts payable thereunder or for the performance of any other agreements or covenants required to be performed by the Borrower pursuant to the Loan Agreement. The foregoing effectively means the Infrastructure Bank (or the Trustee, as the assignee of the Infrastructure Bank) will not be able to bring any claim against the Borrower that will require it to utilize any of its funds or property other than that specifically pledged to the payment of the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledge of Revenues" herein. Because of the limited nature of the Borrower's obligation, only limited information is being provided herein regarding the financial assets or business affairs of the Borrower.

THE BONDS

General Description

The Bonds will be dated the Date of Delivery and will mature on the dates shown on the inside cover page of this Official Statement, subject to mandatory redemption provisions. The Bonds will bear interest at the rates shown on the inside cover page of this Official Statement, payable initially on November 15, 2025, and semi-annually thereafter on each May 15 and November 15 (collectively, the “Interest Payment Dates” and each, an “Interest Payment Date”) until paid, in an amount equal to the interest accrued from the Interest Payment Date immediately preceding the date of registration and authentication of each Bond, unless such Bond is registered and authenticated as of an Interest Payment Date, in which case it will bear interest from said Interest Payment Date, or unless, as shown by the records of the Trustee, interest on the Bonds will be in default, in which event such Bond will bear interest from the date to which interest will have been paid in full on such Bond, or unless no interest will have been paid on the Bonds, in which event such Bond will bear interest from the dated date.

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

Payment of the Bonds

While DTC or its nominee is owner of the Bonds, all payments of principal of and interest on the Bonds will be paid to DTC or its nominee by wire transfer. See “Book-Entry Only System for the Bonds” below.

Book-Entry Only System for the Bonds

The Depository Trust Company (“DTC”) will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity date set forth on the cover page hereof, in the aggregate principal amount of the Bonds maturing on that date, will be registered in the name of Cede & Co., as nominee of DTC. See APPENDIX E – “BOOK-ENTRY ONLY SYSTEM FOR THE BONDS” for a description of DTC and the Book-Entry Only System.

Redemption

Optional Redemption. The Bonds maturing on or before May 15, 20__ are not subject to optional redemption. The Bonds maturing on or after May 15, 20__ are subject to redemption prior to their respective stated maturities, as set forth in a written Request of the Borrower, as a whole or in part on any date on or after May 15, 20__, at a redemption price equal to the principal amount of the Bonds called for redemption plus unpaid accrued interest thereon to the date of redemption, without premium.

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Mandatory Redemption from Sinking Fund Installments. The Bonds maturing on May 15, 20__, are subject to redemption, in part, by lot, from Mandatory Sinking Fund Installments deposited in the Bond Fund on each May 15, from and after May 15, 20__, at the principal amount of the Bonds to be redeemed, without premium. Sinking Fund Installments for the Bonds maturing on May 15, 20__, will be due on the following dates and in the following amounts:

Sinking Fund Installment
Due Date
(May 15)

Sinking Fund Installment

* Maturity

The Bonds maturing on May 15, 20__, are subject to redemption, in part, by lot, from Mandatory Sinking Fund Installments deposited in the Bond Fund on each May 15, from and after May 15, 20__, at the principal amount of the Bonds to be redeemed, without premium. Sinking Fund Installments for the Bonds maturing on May 15, 20__, will be due on the following dates and in the following amounts:

Sinking Fund Installment
Due Date
(May 15)

Sinking Fund Installment

* Maturity

The Bonds maturing on May 15, 20__, are subject to redemption, in part, by lot, from Mandatory Sinking Fund Installments deposited in the Bond Fund on each May 15, from and after May 15, 20__, at the principal amount of the Bonds to be redeemed, without premium. Sinking Fund Installments for the Bonds maturing on May 15, 20__, will be due on the following dates and in the following amounts:

Sinking Fund Installment
Due Date
(May 15)

Sinking Fund Installment

* Maturity

In the event of an optional redemption, the Borrower will provide the Trustee with a revised Sinking Fund Installment payment schedule giving effect to the redemption so completed.

Partial Redemption.

The Bonds will be redeemed only in Authorized Denominations. Upon surrender of any Bond redeemed in part only, the Trustee will exchange the Bond redeemed for a new Bond of like tenor and in an Authorized

Denomination without charge to the Owner in the principal amount of the portion of the Bond not redeemed. In the event of any partial redemption of a Bond which is registered in the name of the Nominee, DTC may elect to make a notation on the Bond certificate which reflects the date and amount of the reduction in principal amount of said Bond in lieu of surrendering the Bond certificate to the Trustee for exchange. See "Book-Entry Only System for the Bonds" above.

Notice of Redemption; Cessation of Interest.

In the event any of the Bonds are called for redemption, notice thereof identifying the Bonds or portions thereof to be redeemed will be given by the Trustee by first class mail (postage prepaid) or, if the Bonds subject to redemption are book-entry bonds, by electronic means (in accordance with the Indenture), not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption to (i) the Owner of such Bond at the address shown on the Bond Register on the date such notice is mailed; (ii) the Infrastructure Bank, and (iii) as may be further required by the Continuing Disclosure Agreement. Each notice of redemption will state the date of such notice and date of issue of the Bonds to be redeemed, the redemption date, the redemption price, the place of redemption (including the name and appropriate address of the Trustee), the principal amount, the CUSIP numbers (if any) of the Bonds to be redeemed and, if less than all, the distinctive certificate numbers of the Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Such notice will further state that the interest on the Bonds designated for redemption will cease to accrue from and after such redemption date and that on said date there will become due and payable on each of said Bonds the principal amount thereof to be redeemed and any unpaid interest accrued thereon to the redemption date and will require that such Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to mail the notices required by this paragraph to any Owner of any Bonds designated for redemption, or any defect in any notice so mailed, will not affect the validity of the proceedings for redemption of any other Bonds.

With respect to any notice of optional redemption of Bonds pursuant to the Indenture, unless upon the giving of such notice such Bonds will be deemed to have been paid within the meaning of the Indenture, such notice will state that such redemption will be conditioned upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the redemption price of the Bonds to be redeemed, and that if such amounts have not been so received said notice will be of no force and effect and the Infrastructure Bank will not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such amounts are not so received, the redemption will not be made and the Trustee will within a reasonable time thereafter give notice, to the Persons and in the manner in which the notice of redemption was given, that such amounts were not so received.

If upon the expiration of sixty (60) days succeeding any redemption date, any Bonds called for redemption have not been presented to the Trustee for payment, the Trustee will no later than ninety (90) days following such redemption date send Notice by Mail to the Owner of each Bond not so presented. Failure to mail the notices required by this paragraph to any Owner, or any defect in any notice so mailed, will not affect the validity of the proceedings for redemption of any Bonds nor impose any liability on the Trustee.

Effect of Redemption.

Pursuant to the Indenture, if notice of redemption is duly given and moneys for payment of the redemption price of the Bonds (or portions thereof) called for redemption are being held by the Trustee, then on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption will become due and payable at the redemption price specified in such notice and interest accrued thereon to the redemption date, and from and after the redemption date, interest on the Bonds (or portions thereof) so called for redemption will cease to accrue, such Bonds will cease to be entitled to any lien, benefit or security under the Indenture, and the Owners of such Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof (including interest, if any, accrued to the redemption date), without interest accrued on any funds held after the redemption date to pay such redemption price.

Purchase of the Bonds.

The Indenture provided that, at any time prior to giving such notice of redemption, the Trustee will, upon written direction of the Borrower, apply amounts in the applicable Optional Redemption Account to the purchase of

Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Borrower may direct, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to such Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

THE BONDS SHALL NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE LIMITED OBLIGATION OF THE INFRASTRUCTURE BANK PAYABLE SOLELY FROM REVENUES AND THE OTHER AMOUNTS PLEDGED THEREFOR UNDER THE INDENTURE, OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR IN THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, OR INTEREST ON, THE BONDS; AND NO OWNER OR BENEFICIAL OWNER OF ANY BOND SHALL HAVE ANY RIGHT TO DEMAND PAYMENT OF THE PRINCIPAL OF, OR INTEREST ON, THE BONDS BY THE INFRASTRUCTURE BANK, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, OUT OF ANY FUNDS TO BE RAISED BY TAXATION OR APPROPRIATION. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT.

Pledge of Revenues

As security for its obligations under the Bonds, the Infrastructure Bank will enter into the Indenture, pursuant to which it will transfer, assign and set over to the Trustee all of the Revenues and any and all rights and privileges, other than the Reserved Rights, it has under the Loan Agreement, including, without limitation, the right to collect and receive directly all of the Revenues and the right to hold and enforce any security interest. Any Revenues collected or received by the Infrastructure Bank will be deemed to be held and to have been collected or received by the Infrastructure Bank for the benefit of the Owners of the Bonds and will be paid by the Infrastructure Bank to the Trustee. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF CERTAIN DOCUMENTS – THE INDENTURE – Pledge and Assignment.” Revenues are defined in the Indenture as all receipts, installment payments and other income derived by the Infrastructure Bank or the Trustee under the Loan Agreement, and any income or revenue derived from the investment of any money in any fund or account established pursuant to the Indenture (other than the Operating Fund, the Rebate Fund and any accounts therein), including all Loan Payments, and any other payments made by the Borrower as contemplated by the Loan Agreement, and all payments of Base Rent made by The Regents pursuant to the Space Lease (provided, however, that such term does not include Additional Payments or any monies derived in connection with the Reserved Rights).

The obligations of the Borrower under the Loan Agreement and other Bond Documents (as defined herein) are limited obligations of the Borrower payable solely from income derived from the Space Lease, the Ground Lease, the Sub Ground Lease and the other funds provided in the Loan Agreement and do not constitute general obligations of the Borrower. As a result, the Borrower’s liability is effectively limited to the income and funds described in the Indenture with no recourse to, or lien upon, directly or indirectly, any other property of the Borrower. Any judgment in any action or proceeding will be enforceable against the Borrower only to the extent such amounts constitute income to Borrower derived from the Space Lease, the Ground Lease, the Sub Ground Lease and the other funds provided in the Loan Agreement. See “NON-RECOURSE OBLIGATION OF THE BORROWER” herein.

Base Rent and the Base Rent Assignment Agreement

The Regents will be obligated, pursuant to the Space Lease, to make certain Base Rent payments, which moneys will be absolutely assigned to the Trustee by the Developer (in accordance with its agreement with the

Borrower) and used by the Trustee for the payment of principal of and interest on the Bonds. See “THE SPACE LEASE, THE BASE RENT ASSIGNMENT AGREEMENT AND THE INDUCEMENT LETTER” herein. The Bonds are being offered on the basis of the financial strength of The Regents and its obligation to make payments of Base Rent under the Space Lease, rather than on the financial strength of the Borrower or the Developer. The Space Lease will provide that The Regents’ obligation to make Base Rent payments under the Space Lease is unconditional, including that such rental payment obligation is not contingent upon completion or occupancy of the Project and that such obligation is not subject to abatement in the event of, among other things, a default by the Developer thereunder or damage or destruction of the Project.

The Regents’ obligation to make Base Rent payments under the Space Lease will be an unsecured, general obligation of The Regents. The Bonds are not direct obligations of The Regents and none of the property, assets or revenues of The Regents will be pledged as security for the payment of the Bonds. In addition, the Space Lease will not contain any financial covenants limiting the ability of The Regents to incur indebtedness (secured or unsecured) or encumber or dispose of its property or any covenants requiring The Regents to produce revenues at any specified level or to obtain any insurance with respect to its property or operations. For information regarding The Regents and the University, see “THE UNIVERSITY OF CALIFORNIA AND THE REGENTS.” For considerations related to The Regents’ payment obligations under the Space Lease and related matters, see “INVESTMENT CONSIDERATIONS – Certain Risks with Respect to The Regents.”

Pursuant to the Base Rent Assignment Agreement, the Developer, as landlord under the Space Lease, will unconditionally sell, assign and transfer to the Trustee, irrevocably and absolutely, without recourse, for the benefit of the owners of the Bonds, all of its rights to receive the Base Rent paid by The Regents, as tenant under the Space Lease.

No Debt Service Reserve

There is no debt service reserve required by, or debt service reserve account established under, the Indenture.

No Credit Facility Securing the Bonds

The payment of the principal of and interest on the Bonds will not be supported by a credit facility or a municipal bond insurance policy. The Loan Agreement contains no covenants requiring the Borrower or The Regents to maintain any specified level of liquidity or credit rating. See “INVESTMENT CONSIDERATIONS – Enforceability of Remedies; Effect of Bankruptcy” herein. Moreover, the Borrower’s obligations with respect to the Bonds are non-recourse. See “NON-RECOURSE OBLIGATION OF THE BORROWER” herein.

No Insurance or Condemnation Proceeds Pledged to Bondholders

Pursuant to the Loan Agreement and the Space Lease, the Borrower will be required to maintain or cause to be maintained certain levels of insurance with respect to the Project. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF CERTAIN DOCUMENTS – THE LOAN AGREEMENT – Special Covenants and Agreements – Insurance” and “– SPACE LEASE – INSURANCE REQUIREMENTS.” However, none of the insurance or condemnation proceeds will be pledged or available under the Indenture toward repayment of the Bonds in the event of a casualty or condemnation.

POWER STATION SITE AND THE DEVELOPER

Power Station Site

The Project Site is located in the 29-acre Power Station (previously Potrero Power Station) site in San Francisco’s “Dogpatch” neighborhood, located approximately one mile south of the University of California, San Francisco’s Mission Bay campus. California Barrel Company LLC (“CBC”) acquired the Power Station site

(including the Project Site) in 2016 for redevelopment. (As described under “THE PROJECT,” The Regents acquired the Project Site from CBC on May 6, 2025.)

The Developer

The Developer is a Delaware limited liability company. CBC is the Developer’s sole member. The Developer was formed in 2023 for the sole purpose of developing and operating the Project. The Developer, CBC and Associate People LLC (doing business as Associate Capital) are affiliates under common ownership. Associate Capital provides development services to CBC and the Developer, including the provision of management and executive personnel.

Pursuant to the terms of the Sub Ground Lease, the Space Lease and related agreements (including the LDDA), the Developer will be required to, among other things, develop the Project on the Project Site and operate the Project during the term of the Space Lease. CBC will enter into a guaranty, for the benefit of The Regents and the Borrower, guaranteeing the Developer’s performance under the LDDA. The Developer will also hold title to the Project. See “THE PROJECT,” “THE GROUND LEASE AND THE SUB GROUND LEASE – The Sub Ground Lease” and “THE SPACE LEASE, THE BASE RENT ASSIGNMENT AGREEMENT AND THE INDUCEMENT LETTER – The Space Lease.”

THE UNIVERSITY OF CALIFORNIA AND THE REGENTS

The University of California (the “University”) is a public institution of higher education chartered in 1868. The University currently operates general campuses located in Berkeley, Davis, Irvine, Los Angeles, Merced, Riverside, San Diego, Santa Barbara and Santa Cruz; and a health science campus located in San Francisco. The University also operates five academic medical centers (and UCSF Benioff Children’s Hospital Oakland, which is affiliated with the University of California, San Francisco Medical Center), laboratories, research stations and institutes, affiliated schools, activity locations and a statewide Division of Agriculture and Natural Resources. The California State Constitution provides that the University shall be a public trust administered by the corporation, The Regents of the University of California (“The Regents”), which is vested with full powers of organization and government, subject only to such legislative control necessary to ensure compliance with the terms of the endowments, the security of its funds and the compliance with certain statutory and administrative requirements. The governing board of the University is composed of 26 members, a majority of whom are appointed by the Governor of the State and approved by a majority vote of the State Senate. See APPENDIX A – “THE UNIVERSITY OF CALIFORNIA.”

The audited Annual Financial Report of the University for the fiscal year ended June 30, 2024 is contained in Appendix B. The Annual Financial Report should be read in its entirety. See APPENDIX B – “THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2023-2024.”

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

Pursuant to the Space Lease, The Regents will be obligated to make Base Rent payments, which will be absolutely assigned to the Trustee by the Developer (in accordance with its agreement with the Borrower) pursuant to the Base Rent Assignment Agreement and used by the Trustee for the payment of principal of and interest on the Bonds. See “THE SPACE LEASE, THE BASE RENT ASSIGNMENT AGREEMENT AND THE INDUCEMENT LETTER” and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Base Rent and the Base Rent Assignment Agreement” herein.

See also “THE PROJECT” and “PLAN OF FINANCE” for a description of work and financial obligations related to the Project that will be the responsibility of The Regents.

THE UNIVERSITY OF CALIFORNIA, SAN FRANCISCO

The University of California, San Francisco, which became part of the University in 1873, is a graduate-level campus dedicated to biomedical research and advanced education in the life sciences and health professions. UCSF is also recognized for operating one of the top-ranked medical centers in the country both for research and patient care. UCSF (including its medical center) had operating expenses of approximately \$10.4 billion for the fiscal year ended June 30, 2024. As of Fall 2024, UCSF (including its medical center) had approximately 3,000 students, 2,000 clinical residents and 1,200 post-doctoral scholars, and over 27,000 non-academic employees.

UCSF's academic and clinical facilities are based at three primary campus sites within the city of San Francisco. The newest campus, the UCSF Mission Bay campus, consists of approximately 60 acres between the San Francisco Bay and Interstate Highway 280, south of downtown San Francisco. Since first welcoming scientists and scholars in 2003, the UCSF Mission Bay campus has grown to more than 4 million square feet of institutional space, including eight research buildings, a campus community center, university housing, inpatient and outpatient facilities of the Medical Center at Mission Bay, and four parking structures.

The Project Site is located approximately one mile south of the Mission Bay campus, allowing for collaboration with UCSF's research programs and providing expanded clinical services in proximity to the Medical Center at Mission Bay.

PLAN OF FINANCE

As described under "THE PROJECT," (i) the Project will be developed through a public/private delivery process, in which the Developer will be responsible for the design and construction of the Project and (ii) The Regents (as opposed to the Developer) will be responsible for procuring, installing and commissioning certain equipment and for the design and construction of certain tenant improvements related to the Project, none of which constitutes a portion of the Project or will be financed with Bond proceeds. The Regents estimates the total aggregate cost of the Project and such related equipment and tenant improvements to be approximately \$1.067 billion (excluding costs of issuance and capitalized interest). Costs of the Project, currently estimated to total approximately \$598.2 million (excluding costs of issuance and capitalized interest), are expected to be funded with approximately \$478.3 million in Bond proceeds and approximately \$119.9 million from philanthropic contributions received by The Regents. The Regents anticipates that it will fund the costs of the related equipment and tenant improvements from a variety of sources available to The Regents, including approximately \$205.1 million in philanthropic contributions that will primarily support the incubator space tenant improvements and approximately \$263.7 million (excluding costs of issuance and capitalized interest) from separate external financing issued directly by The Regents that will be applied toward fixed equipment costs and land acquisition.

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ESTIMATED SOURCES AND USES OF FUNDS

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

SOURCES OF FUNDS:

Par Amount of Bonds [Net Original Issue Premium]	\$ <hr/>
TOTAL SOURCES OF FUNDS	\$ <hr/> <hr/>

USES OF FUNDS:

Construction Fund ⁽¹⁾ Capitalized Interest Account ⁽²⁾ Costs of Issuance ⁽³⁾	\$ <hr/>
TOTAL USES OF FUNDS	\$ <hr/> <hr/>

⁽¹⁾ Funds deposited in the Construction Fund will be used to pay a portion of the costs of the Project. See “PLAN OF FINANCE.”

⁽²⁾ Funds deposited in the Capitalized Interest Account are calculated to be sufficient, together with certain investment earnings, to pay approximately \$56 million* of interest on the Bonds through November 15, 2027*.

⁽³⁾ Includes underwriters’ discount, legal fees, fees of the Infrastructure Bank, the Trustee and the rating agencies and other miscellaneous costs.

* Preliminary, subject to change.

THE GROUND LEASE AND THE SUB GROUND LEASE

The Ground Lease and the Sub Ground Lease, described below, are expected to terminate concurrently with the Space Lease (or, under certain circumstances with respect to the Sub Ground Lease, sooner than the Space Lease), so that at the end of the approximately 34 year terms of those leases, the real estate will be free of the encumbrances of the Ground Lease and Sub Ground Lease, and the Project will be owned by The Regents.

The Ground Lease

Concurrently with the issuance of the Bonds, The Regents, as ground lessor, will lease the Project Site to the Borrower, as ground lessee, pursuant to a Master Ground Lease (the “Ground Lease”), for a term expiring on the last day of the term of the Space Lease. The Borrower will not be required to pay rent to The Regents under the Ground Lease.

Events of default under the Ground Lease will include, among other things, the failure of the Borrower to perform its obligations under the Ground Lease and certain bankruptcy actions being taken against the Borrower. If an event of default occurs, The Regents may (i) terminate the Ground Lease if the Space Lease has been terminated, (ii) cause the Borrower to assign its interest in the Ground Lease and certain agreements relating to the Project (including the Sub Ground Lease and the Space Lease) to an entity of The Regents’ choosing or (iii) perform any obligation of the Borrower and seek a judgment against the Borrower for damages.

The Ground Lease will provide that it cannot be terminated while the Space Lease remains in full force and effect and that, upon expiration or earlier termination of the Space Lease, the Ground Lease will automatically terminate and the Borrower will surrender the Project to The Regents in its then existing condition.

The Ground Lease will prohibit the Borrower from assigning, transferring, leasing, subleasing, hypothecating or otherwise encumbering its interest in the Ground Lease (except for the ground lease of the Project

Site to the Developer pursuant to the Sub Ground Lease and the lease of the Project from the Developer to The Regents pursuant to the Space Lease) without the prior written consent of The Regents, which The Regents may grant or withhold in its sole and absolute discretion.

Further, the Ground Lease will provide that (i) The Regents will be required to make payments of Base Rent in the amounts and at the times specified in the Space Lease, regardless of whether or not the Project is complete or available for use for any reason, including failure of the Developer to complete the development and construction of the Project, the alleged or actual invalidity of the Ground Lease, the Space Lease or any other Project document, or by virtue of any other reason or circumstance whatsoever, including, without limitation, the exercise of any right of reversion by The Regents predecessor in interest, and (ii) if any legal challenge shall be brought by any person that threatens the ability or legal authority of The Regents to make Base Rent payments pursuant to the Space Lease or otherwise would, could or might have the effect of causing a failure by the Infrastructure Bank to make any payments on or with respect to the Bonds when due, the Borrower will pay to the Trustee such amounts at such times as shall be necessary to prevent any such failure and be entitled to indemnification from The Regents.

See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF CERTAIN DOCUMENTS – GROUND LEASE” for a summary of the Ground Lease.

The Sub Ground Lease

Concurrently with the issuance of the Bonds, the Borrower, as sub ground lessor, will sub-lease the Project Site to the Developer, as sub ground lessee, pursuant to a Sub Ground Lease (the “Sub Ground Lease”), for a term expiring on the earlier of (i) the last day of the term of the Space Lease or (ii) such other date that the Sub Ground Lease is sooner terminated in accordance with its terms.

Under the terms of the Sub Ground Lease, the Developer will be obligated to make base ground rent payments (the “Base Ground Rent”) equal to the Base Rent payment under the Space Lease that is required to be paid by The Regents directly to the Trustee pursuant to the Base Rent Assignment Agreement, on behalf and as assignee of the Developer.

Events of default under the Sub Ground Lease will include, among other things, the Developer actively preventing The Regents from paying Base Rent directly to the Trustee pursuant to the Base Rent Assignment Agreement; failure of the Developer to perform any of its other obligations under the Sub Ground Lease; and certain bankruptcy actions being taken against the Developer. If an event of default occurs, the Borrower may (i) terminate the Sub Ground Lease or cause the Developer to assign all of its interests in the Space Lease to the Borrower’s designee (other than its interest in the Space Lease Base Rent) or (ii) continue the Sub Ground Lease and pursue such remedies allowed by the Sub Ground Lease, including the right to recover all rent as it becomes due. If the Developer fails to perform its obligations under the Sub Ground Lease, the Borrower will have the right to perform such obligations and will be entitled to recover its reasonable costs in doing so regardless of whether such failure constitutes an event of default.

Upon the termination or expiration of the Sub Ground Lease, the Developer’s rights and interests in the Premises terminate and the Developer is required by the Sub Ground Lease to surrender the Premises, subject to the rights of the Space Lease Tenant, and subject to limited access and use of the Premises during a transition period (not to exceed 120 days) as reasonably necessary to perform the duties and obligations required during such transition period under the Space Lease. (See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF CERTAIN DOCUMENTS – SPACE LEASE – Term.”)

The Sub Ground Lease will prohibit the Developer from assigning, transferring or sub-leasing any of its interest in the Premises, transfer or sublease of its interest in the Space Lease (other than the lease of the improvements to The Regents pursuant to the Space Lease, the Default Assignment Right, and the provisions of the Base Rent Assignment Agreement) without the prior written consent of the Borrower or The Regents, which consent may be withheld in either of their sole and absolute discretion.

See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF CERTAIN DOCUMENTS – SUB GROUND LEASE” for a summary of the Sub Ground Lease.

THE SPACE LEASE, THE BASE RENT ASSIGNMENT AGREEMENT AND THE INDUCEMENT LETTER

The Space Lease

Concurrently with the issuance of the Bonds, the Developer, as landlord, will in turn lease the Project to The Regents, as tenant, pursuant to a Space Lease (the “Space Lease”), for a term commencing on the date of issuance of the Bonds and expiring on the last day of the month when the last Base Rent Payment Date occurs or such earlier date on which the Space Lease terminates pursuant to its terms.

Under the terms of the Space Lease, The Regents will be required to make Base Rent payments to the Developer in an amount equal to the principal of and interest on the Bonds. In addition to Base Rent payments, The Regents will be obligated to pay certain other rental payments directly to the Developer. The Space Lease will provide that The Regents’ obligation to make Base Rent payments under the Space Lease is unconditional, including that such rental payment obligation is not contingent upon completion or occupancy of the Project and that such obligation is not subject to abatement in the event of damage or destruction of the Project.

If an event of default occurs by the Developer, which defaults will include, among other things, failure by the Developer to perform its obligations under the Space Lease (including, for example, certain bankruptcy actions being taken against the Developer), the Space Lease does not permit The Regents to terminate the Space Lease. The Regents’ remedies if an event of default occurs by the Developer under the Space Lease are to: (i) perform the Developer’s obligations under the Space Lease and offset such amount against future rental payments other than Base Rent payments or (ii) require the Developer assign its interest in the Space Lease to the Borrower or its designee.

Likewise, if an event of default occurs by The Regents, which defaults will include failure by The Regents to pay Base Rent or to perform its other obligations under the Space Lease or certain bankruptcy actions being taken against The Regents, the Space Lease will not permit the Developer to terminate the Space Lease. The Developer’s sole remedies under the Space Lease if an event of default occurs by The Regents will include the right to: (i) perform The Regents’ obligations under the Space Lease and seek reimbursement from The Regents for such amounts, plus an administrative fee, (ii) elect to assign its interest in the Space Lease to the Borrower and receive certain damages from The Regents and (iii) charge interest at a default rate.

The Space Lease will provide that The Regents’ obligation to make Base Rent payments survives any assignment of the Space Lease to the Borrower.

If in the event of a casualty The Regents elects not to repair or restore the Project, then the Developer will be required by the Space Lease to assign its rights in the Space Lease to the Borrower or Borrower’s designee.

The Regents may transfer its interest in the Space Lease or otherwise sublease the Premises (or any portion thereof) to any Person so long as it obtains any consent required under the Transaction Documents and it remains primarily obligated for the performance of all of its obligations thereunder. The Developer may not assign any of its interests in the Space Lease (except to certain affiliated entities so long as it contemporaneously transfers its interest as “Tenant” in the Developer Ground Lease and as “Developer” in the LDDA to the same affiliate) without the prior written consent of Tenant.

See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF CERTAIN DOCUMENTS – SPACE LEASE” for a summary of the Space Lease.

The Base Rent Assignment Agreement

Concurrently with the issuance of the Bonds, pursuant to the Base Rent Assignment Agreement, the Developer, as landlord under the Space Lease, will unconditionally sell, assign and transfer to the Trustee, irrevocably and absolutely, without recourse, for the benefit of the owners of the Bonds, all of its rights to receive the Base Rent paid by The Regents, as tenant under the Space Lease.

See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF CERTAIN DOCUMENTS – BASE RENT ASSIGNMENT AGREEMENT” for a summary of the Base Rent Assignment Agreement.

The Inducement Letter

Upon issuance of the Bonds, the Borrower will deliver an Inducement Letter to the Trustee and the Underwriters (the “Inducement Letter”) that will provide that if any legal challenge shall be brought by any person that threatens the ability or legal authority of The Regents to make Base Rent payments pursuant to the Space Lease or otherwise would, could or might have the effect of causing a failure by the Infrastructure Bank to make any payments on or with respect to the Bonds when due,

(1) the Borrower shall pay to the Trustee such amounts at such times as shall be necessary to prevent any such failure, and

(2) the Borrower shall provide to The Regents such notices at such times as may be required to cause The Regents to indemnify the Borrower for any amounts so paid by the Borrower pursuant to The Regents’ obligations to indemnify the Borrower pursuant to the provisions of the Operating Agreement and the Ground Lease.

INVESTMENT CONSIDERATIONS

In making investment decisions, investors must rely on their own investigations and evaluation of the merits of a particular investment; however, each investment has particular factors an investor should review and evaluate. The following is a summary, which does not purport to be comprehensive or definitive, of some of the factors an investor may want to consider before purchasing the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should become thoroughly familiar with this entire Official Statement, including APPENDIX B – “THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2023-2024.” Investors should read APPENDIX B in its entirety. The following is intended only as a summary of certain risk factors attendant to an investment in the Bonds. Inclusion of certain factors below is not intended to signify that there are not other investment considerations or risks attendant to the Bonds that are as material to an investment decision with respect to the Bonds that are otherwise described or referred to elsewhere herein.

Limited Security; Non-Recourse Obligations

THE BONDS SHALL NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE LIMITED OBLIGATION OF THE INFRASTRUCTURE BANK PAYABLE SOLELY FROM REVENUES AND THE OTHER AMOUNTS PLEDGED THEREFOR UNDER THE INDENTURE, OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR IN THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, OR INTEREST ON, THE BONDS; AND NO OWNER OR BENEFICIAL OWNER OF ANY BOND SHALL HAVE ANY RIGHT TO DEMAND PAYMENT OF THE PRINCIPAL OF, OR INTEREST ON, THE BONDS BY THE INFRASTRUCTURE BANK, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, OUT OF ANY FUNDS TO BE RAISED BY TAXATION OR APPROPRIATION. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT.

The Borrower’s obligations with respect to the Bonds are non-recourse. See “NON-RECOURSE OBLIGATION OF THE BORROWER” herein.

Certain Risks with Respect to The Regents

Payments of the Base Rent under the Space Lease will constitute the primary source of Revenues to be applied toward payment of the principal of and interest on the Bonds. Payment of such amounts will be dependent upon the financial condition of The Regents. For information related to The Regents, see “THE UNIVERSITY OF CALIFORNIA AND THE REGENTS,” APPENDIX A – “THE UNIVERSITY OF CALIFORNIA” and APPENDIX B – “THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2023-2024.” The Regents’ financial information should be reviewed and carefully considered by prospective purchasers of the Bonds.

No assurance can be given that payment in full of the debt service on the Bonds will be made if The Regents fails to make the required payment under the Space Lease. If The Regents fails to make the required payments, such failure will have a material adverse effect on payment of principal and interest on the Bonds.

Enforceability of Remedies; Effect of Bankruptcy

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

The Bonds are not secured by any legal or equitable pledge of, or mortgage on or other security interest in any real or personal property or fixtures, including any facilities or assets of the Borrower, the Developer or The Regents. In the event of a bankruptcy by any of the Borrower, the Developer or The Regents, no assurance can be given that any claim under the Bond Documents or the respective Bonds will be allowed or that any recovery on any such claim will be permitted under the Federal Bankruptcy Code.

Moreover, this transaction is structured as a multi-lease transaction between, among others, The Regents and the Borrower (the Ground Lease), the Borrower and the Developer (the Sub Ground Lease), the Developer and The Regents (the Space Lease) and the Developer and the Trustee (the Base Rent Assignment Agreement). In the event of a bankruptcy by any of the Borrower, the Developer or The Regents, the leases or the assignment agreement will be subject to the review of the Bankruptcy Court and one or more of the leases or the assignment agreement may be subject to re-characterization as a financing arrangement. In bankruptcy, if a lease is characterized by the Bankruptcy Court as a true lease agreement, a debtor may choose to assume or reject such lease (the debtor cannot unilaterally alter the agreement) and, in the case of multiple leases, if any such lease is determined to be an independent contract under State law, such debtor will have the option to assume or reject each such lease independently. If a lease is rejected by the debtor, the other party to the lease may receive a claim for damages, which for a landlord are capped by provisions of the Federal Bankruptcy Code. In any event, the damage claim will be subject to the normal partial payment of all claims in bankruptcy. A non-debtor tenant may also elect to retain a limited right to occupy the leased premises. If, however, the Bankruptcy Court concludes the arrangement is in fact a financing (not a true lease arrangement), the obligations are subject to full adjustment in bankruptcy, including potential re-amortization, alteration of interest rates, and/or satisfaction by reduced payment. In either context, the rights of the Bondholders to receive timely payment of principal of and interest on the Bonds may be adversely affected and no assurances can be made that Bondholders will be paid in full. In addition, if the owner(s) of the Developer were to go into bankruptcy, the Developer could become a part of that bankruptcy, with the possible consequences discussed above.

Tax-Exempt Status of the Bonds

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

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

The IRS Tax Exempt and Government Entities Division has a subdivision that is specifically devoted to tax-exempt bond compliance and that can and does undertake auditing tax-exempt bond transactions such as the Bonds. The Borrower has not sought to obtain a private letter ruling from the IRS with respect to the Bonds, and the opinion of Bond Counsel is not binding on the IRS. See “TAX MATTERS” herein.

ABSENCE OF MATERIAL LITIGATION

The Infrastructure Bank

There is not now pending (as to which the Infrastructure Bank has received service of process) or, to the actual knowledge of the Infrastructure Bank, threatened, any litigation against the Infrastructure Bank restraining or enjoining the issuance or delivery of the Bonds or contesting the validity of the Bonds or the proceedings or authority under which the Bonds are to be issued. None of the creation, organization nor existence of the Infrastructure Bank nor the title of any of the present members or other officers of the Infrastructure Bank to their respective offices is being contested. There is no litigation against the Infrastructure Bank pending (as to which the Infrastructure Bank has received service of process) or, to the actual knowledge of the Infrastructure Bank, threatened, which contests the right of the Infrastructure Bank to enter into the Indenture, the Loan Agreement or the Bond Purchase Agreement or to secure the Bonds in the manner provided by the Act and as provided in the Indenture and in the resolution of the Infrastructure Bank approving the issuance of the 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 Indenture, the Loan Agreement, the Bond Purchase Agreement, the Ground Lease, the Sub Ground Lease or the Inducement Letter or that individually or in the aggregate would adversely affect the operations of the Borrower, financial or otherwise.

The Developer

There is no litigation now pending or threatened against the Developer, of which the Developer has knowledge, that in any manner questions the right of the Developer to enter into or perform its obligations under the Sub Ground Lease, the Space Lease, the Base Rent Assignment Agreement or any other agreements or documents relating to or affecting the Project to which it is a party or that individually or in the aggregate would adversely affect the operations of the Developer, financial or otherwise.

The Regents

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

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

University students have filed multiple State of California ("State") and federal class action lawsuits alleging that the University has unlawfully withheld tuition and fee refunds in the wake of COVID-19-related campus actions. The classes include not only students, but also anyone else who paid tuition or other fees on their behalf. In response to The Regents' motion to dismiss, all federal lawsuits were dismissed and the plaintiffs never appealed that decision. The State actions were consolidated in Los Angeles County Superior Court for pre-trial coordinated proceedings. The Regents successfully moved to dismiss the consolidated complaints but the plaintiffs were given leave to amend. The plaintiffs filed an amended complaint and The Regents filed another motion to dismiss the amended complaint. On March 29, 2022, The Regents successfully moved to dismiss the amended complaint and the plaintiffs were not given leave to amend. On May 18, 2022, the plaintiffs filed a notice of appeal. The appeal was argued on April 10, 2024 and a decision was rendered by the Court of Appeal on June 25, 2024. The Court of Appeal's decision vacated the Superior Court's judgment dismissing plaintiffs' operative complaint and remanded the case for further proceedings. On August 2, 2024, The Regents filed a petition for review with the California Supreme Court and, on October 16, 2024, the Court denied the petition and returned the case to Los Angeles County Superior Court for further proceedings. The Regents intends to continue to vigorously defend itself against the lawsuits. The Regents continues to assess the potential impact of the lawsuits and cannot predict the outcome of the cases. In the event that a judgment is rendered against The Regents, the resulting liability could have a material and adverse impact on The Regents' financial position.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Infrastructure Bank ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX D hereto.

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

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

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

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

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

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

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

Bond Counsel’s engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Infrastructure Bank, the Borrower or the beneficial owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is

difficult, obtaining an independent review of IRS positions with which the Infrastructure Bank or the Borrower legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Infrastructure Bank, the Borrower or the beneficial owners to incur significant expense.

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to “backup withholding.” Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate beneficial owner of Bonds may be subject to backup withholding with respect to “reportable payments,” which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number (“TIN”) to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a beneficial owner’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain beneficial owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

MUNICIPAL ADVISOR

PFM Financial Advisors LLC, is serving as Municipal Advisor to The Regents in connection with the sale of the Bonds.

UNDERWRITING

The Infrastructure Bank is offering the Bonds through Goldman Sachs & Co. LLC and Jefferies LLC (the “Representatives”), as representatives of the underwriters listed on the cover of this Official Statement (the “Underwriters”), pursuant to a bond purchase agreement (the “Bond Purchase Agreement”) among the Infrastructure Bank, the Borrower and the Representatives, relating to the Bonds. The Underwriters have agreed to purchase the Bonds at a purchase price of \$_____ (representing the aggregate principal amount of the Bonds, [plus a net original issue premium of \$_____,] less an underwriters’ discount of \$_____).

The public offering prices of the Bonds may be changed from time to time by the Underwriters. The Bond Purchase Agreement provides that the Underwriters will purchase all the Bonds if any are purchased and that the obligations to make such purchases are subject to certain terms and conditions set forth in the Bond Purchase Agreement including, among other things, the approval of certain legal matters by their counsel.

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

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the Bonds, has entered into a negotiated dealer agreement (the “Dealer Agreement”) with Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution

of certain securities offerings at the original issue prices. Pursuant to the Dealer Agreement (if applicable to this transaction), CS&Co. will purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget,” “intend,” “forecast,” “projection” or other similar words.

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

RATINGS

Moody’s Investors Service (“Moody’s”) and S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC business (“S&P”) have assigned their municipal bond ratings of “Aa3” and “AA,” respectively, to the Bonds. Such ratings reflect only the views of such organizations and an explanation of the significance of each such rating may be obtained from Moody’s or S&P, respectively. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by such organizations, if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price or marketability of the Bonds.

LEGAL MATTERS

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

Certain legal matters will be passed upon for the Infrastructure Bank by its special counsel Stradling Yocca Carlson & Rauth LLP; for The Regents by its Office of General Counsel and Norton Rose Fulbright US LLP, special counsel to The Regents; for the Borrower by Sheppard Mullin Richter & Hampton LLP, counsel to the Borrower; for the Developer by Allen Matkins Leck Gamble Mallory & Natsis LLP, special counsel to the Developer, and Nixon Peabody LLP, special counsel to the Developer; and for the Underwriters by O’Melveny & Myers LLP, counsel to the Underwriters.

CONTINUING DISCLOSURE

No financial or operating data concerning the Borrower, the Developer or the Infrastructure Bank is being included or incorporated by reference in this Official Statement, and none of the Infrastructure Bank, the Developer or the Borrower has agreed to provide any such financial or operating data either currently or on an on-going basis. The Regents has covenanted for the benefit of the registered owners and Beneficial Holders of the Bonds to provide certain financial information and operating data relating to the Bonds (the “Annual Report”) not later than seven (7) months after the end of The Regents’ Fiscal Year (which Fiscal Year currently ends June 30), commencing with the

report for the Fiscal Year ending June 30, 2025, and to provide notices of the occurrence of certain enumerated significant events. The Annual Report and the notices of significant events will be filed with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access (EMMA) System. The specific nature of the information to be contained in the Annual Report and in the notice of significant events is summarized in APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF CERTAIN DOCUMENTS – CONTINUING DISCLOSURE AGREEMENT.” These covenants have been made in order to assist the Underwriters of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”).

SOURCES OF INFORMATION

Information about UCSF, the University, the Project and The Regents in this Official Statement has been obtained from The Regents. Additional information regarding UCSF, the University and The Regents is available at www.ucsf.edu, www.universityofcalifornia.edu and www.ucop.edu. No such information is a part of or incorporated into this Official Statement.

Information about the Infrastructure Bank included in this Official Statement under the headings “SUMMARY STATEMENT – The Infrastructure Bank,” “THE INFRASTRUCTURE BANK” and “ABSENCE OF MATERIAL LITIGATION – The Infrastructure Bank” has been obtained from the Infrastructure Bank. The Infrastructure Bank makes no representations or warranties whatsoever with respect to any information contained herein except for information contained in the section entitled “THE INFRASTRUCTURE BANK” and “ABSENCE OF MATERIAL LITIGATION – The Infrastructure Bank.”

Information about the Developer and its members included in this Official Statement has been obtained from the Developer.

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

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MISCELLANEOUS

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

The Infrastructure Bank has duly authorized this Official Statement and the Borrower has duly authorized the execution, delivery and distribution of this Official Statement in connection with the offering of the Bonds. The Infrastructure Bank makes no representations or warranties whatsoever with respect to any information contained herein except for information contained in the sections entitled “SUMMARY STATEMENT – The Infrastructure Bank,” “THE INFRASTRUCTURE BANK” and “ABSENCE OF MATERIAL LITIGATION – The Infrastructure Bank.”

CAMPUS FACILITIES IMPROVEMENT ASSOCIATION,
a California non-profit public benefit corporation

By: _____
President

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

By: _____
Executive Vice President-Chief Financial Officer,
University of California

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APPENDIX A

THE UNIVERSITY OF CALIFORNIA

GENERAL

The University of California (the “University”) is the public institution of higher education designated by the State of California (the “State”) in its Master Plan for Higher Education for the training of individuals for the professions, for the awarding of doctoral degrees in all fields of human knowledge, and for the conduct of research. Since it was chartered in 1868, the University has conferred approximately 2,947,000 higher education degrees, as of academic year 2022-23. The University’s administrative offices are located in Oakland, California.

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

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

The University is engaged in numerous sponsored research projects, in addition to operating one major national laboratory and being a member in two joint ventures that manage two other national laboratories for the United States Department of Energy, which conduct broad and diverse basic and applied research in nuclear science, energy production, and national defense, and in environmental and health areas. The University has six medical schools. In connection with five of the University’s medical schools and other health science disciplines, the University operates five academic medical centers (and UCSF Benioff Children’s Hospital Oakland, which is affiliated with the University of California, San Francisco Medical Center) with a total of 5,845 licensed beds and 5,277 available beds as of December 31, 2024.

The University has a pre-eminent ladder-rank and equivalent faculty⁽¹⁾ of approximately 12,000 members as of October 2024. Seventy researchers affiliated with the University have been awarded 71 Nobel Prizes, the pinnacle of achievement for groundbreaking research. The University’s faculty and affiliated researchers also include MacArthur “Genius” grant winners,

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

Pulitzer Prize winners, Fulbright award recipients, National Medal of Science winners, and Guggenheim fellowship recipients.

As of October 2024, in addition to the teaching faculty, the University employed, on a full-time and part-time basis, approximately 61,800 other academic personnel and approximately 192,400 staff and management personnel.

During the year ended June 30, 2024, the University provided instruction to approximately 293,000 full-time equivalent undergraduate and graduate students. The following table shows full year (including summer) full-time equivalent enrollments by campus for general campus and health sciences students for Fiscal Years 2020 to 2024. Further information on the University enrollment can be found at <http://www.ucop.edu/operating-budget/fees-and-enrollments/fte-student-enrollments/index.html>. The information contained in such website is not incorporated by reference herein.

**UNIVERSITY OF CALIFORNIA
FULL-TIME EQUIVALENT ENROLLMENTS⁽¹⁾ FOR FISCAL YEARS 2020 TO 2024**

	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
Berkeley	41,365	41,597	42,348	42,105	42,608
Davis	38,370	39,424	39,416	39,031	39,348
Irvine	37,390	36,828	35,783	35,449	36,472
Los Angeles	43,820	44,391	44,313	44,637	45,311
Merced	8,964	9,288	9,388	9,116	9,262
Riverside	24,935	25,874	25,401	25,670	25,844
San Diego	39,224	40,778	42,438	42,855	43,160
San Francisco	4,645	4,711	4,544	4,579	4,588
Santa Barbara	26,666	26,676	25,796	25,973	26,117
Santa Cruz	19,848	19,747	20,486	20,281	20,772
Total University	285,227	289,314	289,913	289,696	293,482

⁽¹⁾ Does not include students in self-supporting programs. Includes undergraduate, graduate and health sciences students, and summer enrollment. (Summer enrollment in 2023-24 was 18,752.)

INDEBTEDNESS OF THE REGENTS

The Regents of the University of California (“The Regents”) has outstanding various revenue bonds, as listed in the following table, maturing from 2025 through 2060 (excluding the final maturity of 2112 for the General Revenue Bonds, 2012 Series AD, the final maturity of 2115 for the General Revenue Bonds, 2015 Series AQ, and the final maturity of 2120 for the Medical Center Pooled Revenue Bonds, 2020 Series N). The following table lists the revenue bonds issued by The Regents outstanding as of April 30, 2025.

REVENUE BONDS ISSUED AND OUTSTANDING⁽¹⁾
As of April 30, 2025 (dollars in thousands)

<u>General Revenue Bonds</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2011 Series W	\$ 3,725	\$ 565
2010 Series X	48,700	41,860
2011 Series Z ⁽²⁾	150,000	150,000
2012 Series AD	860,000	860,000
2013 Series AG	501,170	86,625
2013 Series AL ⁽²⁾	600,000	600,000
2015 Series AP	381,785	309,120
2015 Series AQ	500,000	500,000
2016 Series AR	410,255	399,375
2016 Series AS	182,330	88,160
2017 Series AV	449,685	426,825
2017 Series AW	185,915	128,100
2017 Series AX	500,000	500,000
2017 Series AY	625,500	580,030
2018 Series AZ	945,810	923,485
2018 Series BA	281,895	89,210
2019 Series BB	114,410	113,540
2019 Series BC	38,650	21,170
2019 Series BD	500,000	500,000
2020 Series BE	826,195	778,975
2020 Series BF	323,335	246,180
2020 Series BG	1,500,000	1,500,000
2021 Series BH	290,230	245,220
2021 Series BI	614,330	549,025
2021 Series BJ	475,000	475,000
2022 Series BK	702,300	702,300
2022 Series BL	65,240	65,240
2023 Series BM	317,960	296,815
2023 Series BN	1,771,690	1,635,170
2023 Series BO	52,350	52,350
2023 Series BP ⁽²⁾	344,380	340,350
2023 Series BQ	586,545	586,545
2023 Series BR	120,050	120,050
2024 Series BS	1,051,495	1,021,000
2024 Series BT	200,430	200,430
2024 Series BU	143,970	143,970
2024 Series BV	1,092,295	1,059,315
2024 Series BW	934,490	934,490
2024 Series BX	498,700	498,700
2024 Series BY ⁽²⁾	250,000	250,000
2025 Series BZ	1,500,000	1,500,000
2025 Series CA	500,000	500,000
2025 Series CB	325,905	325,905
2025 Series CC	885,675	885,675
SUBTOTAL	\$22,652,395	\$21,230,770

Limited Project Revenue Bonds

2012 Series H	\$ 100,420	\$ 83,350
2015 Series J	436,455	397,230
2016 Series K	434,165	401,770
2016 Series L	97,905	46,800
2017 Series M	733,450	720,100
2017 Series N	126,935	67,155
2018 Series O	736,215	719,045
2018 Series P	95,080	68,735
2021 Series Q	739,045	720,625
2021 Series R	392,945	327,840
2022 Series S	411,710	363,255
SUBTOTAL	\$ 4,304,325	\$ 3,915,905

Medical Center Pooled RevenueBonds

2007 Series B ⁽³⁾	\$ 96,155	\$ 40,470
2009 Series F	429,150	413,635
2010 Series H	700,000	641,015
2010 Series I	9,175	855
2013 Series K ⁽³⁾	31,300	31,300
2016 Series L	872,795	672,935
2016 Series M	173,360	110,995
2020 Series N	1,800,000	1,800,000
2020 Series O ⁽³⁾	149,210	142,320
2022 Series P	1,900,000	1,900,000
2022 Series Q	1,100,000	1,100,000
SUBTOTAL	\$7,261,145	\$6,853,525

Total	<u>\$34,217,865</u>	<u>\$32,000,200</u>
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(1) Does not include commercial paper notes, leases, bank loans, and indebtedness issued by conduit public entities.

(2) The 2011 Series Z Bonds bear interest at a Weekly Rate and mature on July 1, 2041. The 2013 Series AL Bonds bear interest at a Daily Rate and mature on May 15, 2048. The 2023 Series BP Bonds bear interest at a Weekly Rate and mature on May 15, 2048. The 2024 Series BY Bonds bear interest at a Weekly Rate and mature on May 15, 2054. In connection with the issuance of the 2013 Series AL Bonds, The Regents entered into two interest rate swaps in a total notional amount equal to the outstanding principal amount of the 2013 Series AL Bonds. In connection with the issuance of the 2023 Series BP Bonds, The Regents entered into two interest rate swaps in a total notional amount equal to the outstanding principal amount of the 2023 Series BP Bonds. For additional information concerning interest rate swaps, see "APPENDIX B - THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2023-2024—Note 5."

(3) The 2007 Series B Bonds bear interest at a Daily Rate and mature on May 15, 2032. The 2013 Series K Bonds bear interest at a Daily Rate and mature on May 15, 2047. The 2020 Series O Bonds bear interest at a Daily Rate and mature on May 15, 2045. In connection with the issuance of the 2007 Series B Bonds, the 2013 Series K Bonds, and the 2020 Series O Bonds, The Regents entered into interest rate swaps in notional amounts equal to all of the outstanding principal amount of the 2007 Series B Bonds and a portion of the outstanding principal amount of the 2013 Series K Bonds and the 2020 Series O Bonds. For additional information concerning interest rate swaps, see "APPENDIX B - THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2023-2024—Note 5."

Source: UCOP, Capital Markets Finance.

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

Commercial Paper. The Regents has established a commercial paper program in an authorized amount of up to \$4 billion. As of April 30, 2025, \$940,000,000 of commercial paper was outstanding.

Bank Loans and Credit Agreements. The Regents has entered into loan agreements, including revolving credit agreements, with various financial institutions. As of April 30, 2025, commitments under the agreements totaled \$1,200,000,000 (all of which is secured by a pledge of General Revenues on a parity with the pledge securing The Regents' General Revenue Bonds, including \$1,000,000,000 providing hybrid liquidity for obligations of The Regents) and outstanding principal amounts, including advances under the revolving credit agreements, totaled \$121,000,000 (all of which are secured by a pledge of General Revenues on a parity with the pledge securing The Regents' General Revenue Bonds). From time to time, The Regents may enter into additional loan and revolving credit agreements.

Conduit Issuer Bonds. The California Infrastructure and Economic Development Bank (the "Infrastructure Bank") has issued bonds to finance capital improvements for the University. These bonds include revenue bonds issued in the aggregate principal amount of \$207,670,000 (of which \$192,330,000 was outstanding as of April 30, 2025) to finance the costs of Neurosciences Building 19A and revenue bonds issued in the aggregate principal amount of \$170,980,000 (of which \$161,190,000 was outstanding as of April 30, 2025) to finance the costs of a facility for psychiatry services at 2130 Third Street, for the San Francisco campus. Through leases, The Regents is required to make base rent payments that equal the debt service on those bonds. In addition, the Infrastructure Bank issued revenue bonds in the aggregate principal amount of \$62,000,000 to finance the costs of a stem cell research facility for a consortium of institutions conducting stem cell research. The San Diego campus is one of the three institutions in the consortium. These bonds were subsequently refunded in their entirety by refunding bonds, and \$42,830,000 of aggregate principal amount of such refunding bonds was outstanding as of April 30, 2025. Through a debt service payment agreement, The Regents is required to pay any debt service shortfall on these bonds. In connection with the issuance of the Bonds by the Infrastructure Bank, the Regents in entering into the Space Lease, pursuant to which it is required to make rental payments that equal the debt service on the Bonds.

The California Statewide Communities Development Authority has issued bonds to finance and refinance the costs of certain student housing projects for the Irvine campus. Such bonds were outstanding in the aggregate principal amount of \$538,280,000 as of April 30, 2025. The Regents leased the sites on which the student housing projects are situated to a special purpose, limited liability company that owns the projects and applies project revenues to repay these revenue bonds.

The California Municipal Finance Authority ("CMFA") has issued bonds to finance the cost of a student housing project for the Davis campus. Such bonds were outstanding as of April 30, 2025 in the aggregate principal amount of \$506,465,000. The Regents leased the site on which the student housing project is situated to a special purpose, limited liability company that owns the project and applies project revenues to repay these revenue bonds.

CMFA has also issued bonds to finance the cost of another student housing project for the Davis campus. Such bonds were outstanding as of April 30, 2025 in the aggregate principal

amount of \$272,995,000. The Regents leased the site on which the student housing project is situated to a special purpose, limited liability company that owns the project and applies project revenues to repay these revenue bonds.

CMFA has issued bonds to finance the cost of a student housing and dining project for the Riverside campus. Such bonds were outstanding as of April 30, 2025 in the aggregate principal amount of \$139,425,000. The Regents leased the site on which the project is situated to a special purpose, limited liability company that owns the project. The limited liability company repays these revenue bonds with project revenues and dining facility usage fee payments that The Regents is obligated to pay equal to approximately 38% of total debt service on the project.

CMFA has also issued bonds to finance the cost of another student housing project for the Riverside campus. Such bonds were outstanding as of April 30, 2025 in the aggregate principal amount of \$170,725,000. The Regents leased the site on which the student housing project is situated to a special purpose, limited liability company that owns the project and applies project revenues to repay these revenue bonds.

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

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

The members of the Board of Regents and the Officers of The Regents as of April 30, 2025 are listed below. Under the Bylaws of The Regents, nine Regents constitute a quorum for transaction of business at regular meetings of the Board, twelve Regents constitute a quorum for the transaction of business at special meetings of the Board, and a simple majority of such quorums is sufficient to approve most actions. As of April 30, 2025, there was one vacancy on the Board. Vacancies with respect to such appointed members must be filled by appointment by the Governor and approved by a majority vote of the State Senate, but such appointed members may serve for up to 365 days prior to Senate confirmation. Additional information and a current list of Regents can be obtained at <http://regents.universityofcalifornia.edu/index.html>. The foregoing website is not incorporated by reference herein.

Appointed Regents:

Maria Anguiano

Ana Matosantos

Elaine E. Batchlor

Robert Myers⁽¹⁾

Carmen Chu

Lark Park

Michael Cohen

Janet Reilly

Gareth Elliott

Mark Robinson

Howard “Peter” Guber

Gregory Sarris

Jose M. Hernandez

Jonathan “Jay” Sures

Nancy Lee

Josiah Beharry⁽²⁾

Richard Leib

Hadi Makarechian

⁽¹⁾ On November 15, 2024, Governor Gavin Newsom announced the appointment of Robert Myers to the Board. This appointment has not yet been approved by the State Senate.

⁽²⁾ Student Regent appointed by the Board.

Ex Officio Regents:

Gavin Newsom
Governor of California

Eleni Kounalakis
Lieutenant Governor

Robert Rivas
Speaker of the Assembly

Tony Thurmond
State Superintendent of
Public Instruction

Michael V. Drake, M.D.
President of the
University of California

Alfonso Salazar
Alumni Regent
(President of the
Alumni Associations of the
University of California)

Geoffrey Pack
Alumni Regent
(Vice President of the
Alumni Associations of the
University of California)

Board Leadership:

President
Gavin Newsom
Governor of California

Chair
Janet Reilly

Vice Chair
Maria Anguiano

Officers of The Regents:

Chief Investment Officer
Jagdeep Bachher

General Counsel
Charles F. Robinson

Secretary and Chief of Staff
Tricia Lyall

Chief Compliance and Audit Officer
Alexander Bustamante

FINANCIAL INFORMATION

Financial information for the University is set forth in the University's Annual Financial Report for the fiscal year ended June 30, 2024. See "APPENDIX B – THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2023-2024."

INVESTMENTS

As of March 31, 2025, the market values and investment returns for the University's investment pools for the fiscal year beginning July 1, 2024 were as follows:

	Market Value (in 000's)	Investment Return
Short Term Investment Pool ⁽¹⁾	\$ 11,377,500	3.40%
Blue and Gold Pool	6,655,155	3.98%
Total Return Investment Pool ⁽²⁾	9,415,955	5.18%
General Endowment Pool ⁽³⁾	23,331,827	4.30%
University of California Retirement Plan ⁽⁴⁾	101,670,177	3.60%

⁽¹⁾ Includes: (a) approximately \$6.5 billion internal receivable from campuses and medical centers for funds transferred to the Retirement Plan, (b) approximately \$982.7 million held on behalf of the Retirement Plan, (c) approximately \$502.1 million held on behalf of the General Endowment Pool, and (d) approximately \$40.3 million held on behalf of the Total Return Investment Pool.

⁽²⁾ Includes approximately \$40.3 million invested in the Short Term Investment Pool.

⁽³⁾ Includes approximately \$502.1 million invested in the Short Term Investment Pool.

⁽⁴⁾ Includes approximately \$982.7 million invested in the Short Term Investment Pool.

Source: UCOP.

For additional information concerning the investments of the University, including the pools listed above, see "APPENDIX B – THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2023-2024—Note 3."

BUDGETARY PROCESS

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

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

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

State Budget: The Governor's proposed budget is released each year around the 10th of January and then revised in early May. Each February, the Legislative Analyst's Office publishes

an analysis of, and recommendations for legislative actions on, the Governor's proposed budget. The Governor's proposed budget is debated during legislative hearings and subsequently the Legislature sends its own recommended budget back to the Governor. Following the Governor's approval of the Legislature's recommended budget, it becomes final as the "State Budget Act."

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

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

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

Recent State Support for the University: The following table sets forth State appropriations for Fiscal Year 2020-21 through Fiscal Year 2024-25.

STATE APPROPRIATIONS

<u>Fiscal Year</u>	<u>State Appropriations To University⁽¹⁾</u>
2020-21	\$3.474 billion ⁽²⁾
2021-22	4.753 billion ⁽³⁾
2022-23	4.917 billion ⁽⁴⁾
2023-24	4.864 billion ⁽⁵⁾
2024-25	4.857 billion ⁽⁶⁾

⁽¹⁾ Includes appropriations for lease purchase payments, general obligation debt service, State grants and direct payments to the Retirement Plan for pledges from 1990.

⁽²⁾ Reflects a reduction of \$259.0 million to the University's base budget. Also includes one-time funds of \$8.7 million for various programs across the University. Of the amount shown, \$187.9 million, \$63.4 million, and \$45.7 million was used to fund the University of California Office of the President, the University of California Division of Agriculture and Natural Resources and UCPath, respectively, and \$226.6 million was used for debt service on previously issued State general obligation bonds that benefited the University.

⁽³⁾ Includes \$545.7 million in new ongoing support, with \$302.4 million provided to restore cuts to the University's budget made in 2020-21. Also includes one-time funds of \$741.8 million, including \$325 million intended to address deferred maintenance across the system. Also includes \$189.5 million used for debt service on previously issued State general obligation bonds that benefited the University. The Budget Act no longer funded the University of California Office of the President and UCPath as separate line items for General Fund support.

⁽⁴⁾ Includes \$358.0 million in additional ongoing support, \$550.2 million in one-time funding, including \$125 million intended to address deferred maintenance across the system and \$185 million to support climate research, and \$184.4 million for debt service on previously issued State general obligation bonds that benefited the University. Funding of \$166 million previously appropriated for the Berkeley clean energy project and for expansion projects at UC Merced and UC Riverside reverted to the State in the Budget Act of 2023 and was replaced with ongoing funding to cover debt service on an amount estimated to be equivalent to the funds needed to finance these projects. Funding of \$100 million previously appropriated for the California Institute for Immunology and Immunotherapy at UCLA reverted to the State in the Budget Act of 2023 and was replaced with one-time funding in the following fiscal year.

⁽⁵⁾ Includes \$346.4 million in additional ongoing support, \$142.5 million in one-time funding, including \$100 million for the California Institute for Immunology and Immunotherapy at UCLA, and \$155.4 million for debt service on previously issued State general obligation bonds that benefited the University.

⁽⁶⁾ Includes \$134.8 million in additional ongoing support, and \$158.0 million for debt service on previously issued State general obligation bonds that benefited the University.

State Budget for the University for 2022-23. The Governor signed SB-154 on June 27, 2022, and AB-178 on June 30, 2022; together, these bills constituted the 2022-23 State Budget Act. For 2022-23, State funds allocated to the University totaled \$5.183 billion, including \$358.0 million in new, ongoing funding (an increase of approximately 9.0% over 2021-22) and \$816.2 million in one-time support. Of this one-time funding, \$125 million was intended to address deferred maintenance across the system and \$185 million would support climate research. A portion of the one-time funding (\$166 million) appropriated for the UC Berkeley clean energy project and for expansion projects at UC Merced and UC Riverside reverted to the State in the Budget Act of 2023 and was replaced with ongoing funding to cover debt service on an amount

estimated to be equivalent to the funds needed to finance these projects. Funding of \$100 million previously appropriated for the California Institute for Immunology and Immunotherapy at UCLA also reverted to the State in the Budget Act of 2023 and was replaced with one-time funding in the following fiscal year. State funds allocated to the University totaled \$4.917 billion after one-time funds described above reverted to the State.

The Governor's budget also reflected the first year of a multi-year compact with the University for sustained ongoing funding. The multi-year compact provides for UC to receive annual 5% base budget adjustments through 2026-27, as long as progress is made towards specified policy goals related to access, student success and equity, affordability, intersegmental collaboration, workforce preparedness, and access to online offerings.

In addition to the University's main appropriation, the State Budget included \$389 million in one-time funds for specific student housing projects through the Higher Education Student Housing Grant Program, all of which reverted to the State in the Budget Act of 2023 and was replaced with ongoing funding to cover debt service on an amount estimated to be equivalent to the funds needed to finance these projects.

State Budget for the University for 2023-24. The Governor signed SB-101 on June 27, 2023, and AB-102 on July 10, 2023. The Governor signed SB 104, a budget trailer bill amending the Budget Act of 2022 and Budget Act of 2023, on September 13, 2023, overriding most previous State General Fund appropriations in SB 101 and AB 102 for the University of California. Together with issue-specific budget trailer bills, these bills constituted the Budget Act of 2023-24.

For 2023-24, State funds allocated to the University totaled \$4.864 billion, including \$346.4 million in new, ongoing funding (an increase of 7.9% over 2022-23) and \$142.5 million in one-time support. The Governor's budget reflected the second year of a multi-year compact with the University for sustained ongoing funding.

The budget provided \$50.7 million in annual ongoing funding to move the Higher Education Student Housing Grant Program projects from grant funding to the University-issued bond programs. Similarly, campus expansion projects at the Merced and Riverside campuses will be funded with University-issued bonds equal to the originally-intended State appropriations, and the UC Berkeley clean energy campus project will also be funded with University-issued bonds. The University receives \$33.3 million in annual ongoing support funding that will be used to cover the debt service for these campus expansion and clean energy projects.

State Budget for the University for 2024-25. The Governor signed SB-108 on June 29, 2024. This bill, together with AB-107, which the Governor signed on June 26, 2024, constitute the Budget Act of 2024. For 2024-25, State funding allocated to the University totals \$4.857 billion, including \$134.8 million in new, ongoing funding (an increase of 2.9% over 2023-24).

The budget provides the University with an increase of \$227.8 million, consistent with the multi-year compact, \$31.0 million for the replacement of nonresident students with resident undergraduates at the Berkeley, Los Angeles, and San Diego campuses, and \$14.5 million to cover debt service costs for a medical educational building at the Merced campus. However, the budget

also reflects a reduction of \$125.0 million to the University's base budget and reduces support for Graduate Medical Education programming by \$13.5 million.

Proposed State Budget for the University for 2025-26. On January 10, 2025, the Governor released his 2025-26 State budget proposal and allocated a total of approximately \$4.59 billion in ongoing State General Fund support to the University of California. Following the restoration of the one-time reduction of \$125 million from 2024-25, the University will see a reduction of 7.95 percent, or \$396.6 million, to its ongoing budget, reflecting a net reduction of \$271.6 million relative to 2024-25 funding. The Governor's budget plan reflects the legislative intent language in the Budget Act of 2024 to reduce both the University's budget by 7.95 percent and defer 2025-26 Compact funding (equivalent to a five percent base budget increase) to 2026-27.

The final State budget will be signed in June 2025 and may vary from the above proposed budget.

EMPLOYER-EMPLOYEE RELATIONS

The Higher Education Employee Relations Act (HEERA), the law that provides for collective bargaining in higher education, became effective July 1, 1979. The following table shows the membership of each systemwide employee bargaining unit and the expiration dates of the applicable current labor contracts as of April 2025:

**University of California
Systemwide Employee Organizations⁽¹⁾**

Union	Bargaining Unit	Head Count	Contract Expiration
United Academic Workers, Local 4811	BX – Academic Student Employees ⁽²⁾	19,195	1/1/26
United Academic Workers, Local 4811	BR – Graduate Student Researchers ⁽²⁾	12,478	1/1/26
International Brotherhood of Teamsters 2010	CX – Clerical & Allied Services	17,704	3/31/26
UAPD Union of American Physicians & Dentists	DX – Student Health Center Physicians and Dentists	124	6/30/27
AFSCME American Federation of State, County and Municipal Employees, AFL-CIO Local 3299	EX – Patient Care Technical	25,756	7/31/24 ⁽³⁾
UPTE University Professional & Technical Employees, CWA, Local 9119	HX – Residual Health Care Professionals	8,161	9/30/24 ⁽³⁾
UC – AFT American Federation of Teachers	IX – Non Senate Instructional	5,328	6/30/26
UC – AFT American Federation of Teachers	LX – Professional Librarians	351	1/1/29
CNA California Nurses Association	NX – Registered Nurses	24,062	10/31/25
FUPOA Federated University Police Officers Association	PA – Police Officers	288	6/30/26
United Academic Workers, Local 4811	PX – Post Doctoral Scholars	7,032	9/30/27
United Academic Workers, Local 4811	RA – Academic Researchers	5,076	9/30/27
UPTE University Professional & Technical Employees, CWA, Local 9119	RX – Research Support Professionals	6,376	10/31/24 ⁽³⁾
AFSCME American Federation of State, County and Municipal Employees, AFL-CIO Local 3299	SX – Service	11,728	10/31/24 ⁽³⁾
UPTE University Professional & Technical Employees, CWA, Local 9119	TX – Technical	5,065	10/31/24 ⁽³⁾

- ⁽¹⁾ Table does not include employees represented by local bargaining units. The California Public Employment Relations Board has certified eight local bargaining units representing medical residents to become one consolidated systemwide bargaining unit pending contract negotiation and ratification.
- ⁽²⁾ Bargaining units merged as of January 1, 2024. The existing contracts will remain unchanged until a new contract is negotiated and accepted, which is expected on or around expiration of the current contracts on January 1, 2026.
- ⁽³⁾ Contract under negotiation.

It is always difficult to determine with assurance the future course of employer–employee relations. Nevertheless, at the current time, The Regents does not anticipate that the future labor relations climate within the University will have a material adverse impact upon the ability of The Regents to make Base Rent payments under the Space Lease when due.

RETIREMENT PLAN FUNDS

Administration: The Regents maintains the University of California Retirement Plan (“UCRP” or the “Retirement Plan”), a governmental defined benefit pension plan, which provides lifetime retirement income, disability protection, death benefits, and pre-retirement survivor benefits to eligible employees of the University. The four Retirement Plan benefit tiers that employees participate in are: the 1976 Tier, the 2013 Tier, the Modified 2013 Tier and the 2016 Tier. Each tier bases benefits on the same components: age factor, service credit and highest average plan compensation, although the formulas relating to benefits differ.

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

Membership: The following table shows membership in the Retirement Plan for each Fiscal Year from the Fiscal Year beginning July 1, 2020 through the Fiscal Year beginning July 1, 2024:

RETIREMENT PLAN MEMBERSHIP

Fiscal Year Beginning July 1	Active Vested Members	Active Nonvested Members	Inactive Members⁽¹⁾	Retired Members⁽²⁾	Ratio of Retirees to Actives
2020	80,555	54,398	99,156	80,745	0.60
2021	82,376	48,722	106,291	83,012	0.63
2022	83,619	51,281	112,927	85,466	0.63
2023	85,487	55,929	120,556	87,282	0.62
2024	88,197	63,363	125,098	89,186	0.59

The 2013 Tier of pension benefits was created for employees hired on or after July 1, 2013, which increased the earliest retirement age from 50 to 55, with a corresponding shift in the age factors by five years, while retaining many of the prior features of the Retirement Plan (henceforth known as the “1976 Tier”). The 2013 Tier does not offer lump sum cash outs, inactive member cost-of-living adjustments, or subsidized survivor annuities for spouses, domestic partners, children, and dependent parents. These changes were subject to collective bargaining for union-represented employees and the University agreed to some variations in the 2013 Tier (the Modified 2013 Tier⁽³⁾) for certain unions that did not adopt the provisions of the 2013 Tier.

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

⁽²⁾ Includes beneficiaries receiving benefits and deferred retirees who are entitled to future benefits.

⁽³⁾ Generally, these pension benefit tiers use the same age factors as the current 1976 Tier and allow lump sum cash outs but have higher member contribution rates for all active members in those bargaining units.

Under the Retirement Choice Program, effective July 1, 2016, the Retirement Plan was amended to provide another new tier of pension benefits. The new program provides eligible University employees hired (or becoming eligible) on or after July 1, 2016 (and certain eligible rehires who return to work after a tier break in service) a choice between two primary retirement benefit options: (1) “Pension Choice” also known as the “2016 Tier,” which is the UCRP pension benefit with covered compensation for new hires capped at the California Public Employees’ Pension Reform Act of 2013 (PEPRA) covered compensation limit, referred to below as the (“PEPRA Cap”) (\$151,446 for the fiscal year beginning July 1, 2024), or (2) “Savings Choice,” which is a defined contribution plan-only option for any pension eligible earnings up to the Internal Revenue Code (“IRC”) limit (\$345,000 for the fiscal year beginning July 1, 2024), with the University contribution rate set at 8.0% for all employees (whether they are faculty or staff) to the University of California Defined Contribution Plan (“DC Plan”).

In addition, under the 2016 Tier, the University makes a supplemental contribution of 5.0% to the DC Plan for eligible faculty on all pension eligible earnings up to such IRC annual compensation limit. For staff subject to the PEPRA Cap, the University makes a supplemental contribution of 3.0% to the DC Plan for pension eligible earnings between the PEPRA Cap up to the above referenced IRC limit. Retirement benefit changes for union-represented employees will be effective upon completion of the collective bargaining process.

Funding Policy: The Retirement Plan’s independent actuary prepares an annual actuarial valuation of the Retirement Plan. The purpose of the annual actuarial valuation is to disclose the Retirement Plan’s funded position as of the beginning of the current fiscal year, analyze the preceding fiscal years’ experience and determine the total funding policy contribution rate for the following fiscal year. The actuarial valuation includes economic assumptions based on the experience of the Retirement Plan. As of July 1, 2024, these economic assumptions include a long-term investment earnings assumption of 6.75% per year, projected salary increases ranging from 3.65-5.95% per year, cost-of-living adjustments of 2.00% per year and inflation of 2.50% per year.

The total funding policy contribution rate is calculated based upon applying the following methodology, approved by The Regents:

First, the “Normal Cost” is calculated for the Retirement Plan. The Normal Cost represents the portion of the actuarial present value of Retirement Plan benefits that the Retirement Plan will be expected to fund that is attributable to the current year of employment. The Retirement Plan uses the entry age actuarial cost method, which is an actuarial method of calculating the anticipated cost of pension liabilities, designed to fund benefits as a level percentage of compensation over the working lifetime of the Retirement Plan’s active members.

Second, the contribution calculation includes an amortization of the amount by which the Retirement Plan actuarial accrued liability exceeds the actuarial value of the Retirement Plan assets (the “unfunded actuarial accrued liability” or “UAAL”).

There are many factors that impact the UAAL. Any changes in UAAL due to actuarial experience gains or losses or a change in actuarial assumptions that occur after July 1, 2014, are separately amortized over a fixed (closed) 20-year period. The market value of assets less

unrecognized returns in each of the last five years is used to calculate the actuarial value of the Retirement Plan assets. Unrecognized return is equal to the difference between the actual and the expected returns on a market value basis and is recognized over a five-year period.

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

Funded Status: The UAAL for the campus and medical centers segment as of the July 1, 2024 and July 1, 2023 actuarial valuation was \$19.9 billion and \$19.4 billion, respectively, or 81.3% and 80.6% funded, respectively, on an actuarial value of assets basis. These results are based on the "smoothed" or Actuarial Value of Assets, which had a return of 7.68% during Fiscal Year 2023-24, higher than the 6.75% investment earnings assumption.

The "actuarially-determined" contributions for UCRP in total for Fiscal Year 2023-24 and Fiscal Year 2022-23 were \$4.22 billion and \$3.81 billion, respectively. In Fiscal Year 2023-24, University contributions were approximately \$3.00 billion and member contributions were approximately \$1.33 billion. In Fiscal Year 2022-23, University contributions were approximately \$2.77 billion, and member contributions were approximately \$1.21 billion. The total funding policy contribution rates for the campus and medical centers segment for Fiscal Years 2023-24 and 2022-23 represented 32.9% and 32.7% of covered compensation, respectively.

The member contribution rate for the 1976 Tier is approximately 8.0%. The member contribution rate is 7.0% for both the 2013 and 2016 Tiers and 9.0% for the Modified 2013 Tier. The University pays a uniform contribution rate on behalf of all active members in the campus and medical centers segment, which is 14.5% for the Fiscal Year 2024-25. In November 2023, the Regents approved a new schedule of the University contribution levels, pursuant to which the rate will increase by 0.5% each July 1 until reaching a maximum of 18.0%. The University reevaluates and adjusts contribution rates from time to time. An item is anticipated to go to the May 2025 Regents meeting that would request approval to maintain a 14.5% rate in Fiscal Year 2025-26.

The Regents granted the President of the University the authority and discretion to fund additional contributions with respect to the Retirement Plan through a combination of transfers from the Short-Term Investment Pool ("STIP") and external financing as provided in the following table.

Regents' Approvals

<u>Regents' Authorizations</u>		<u>Transfers to Retirement Plan</u>	
<u>Date</u>	<u>Approval</u>	<u>Date</u>	<u>Action</u>
March 2011	\$2.1 billion from STIP and/or external borrowing, with external borrowing not to exceed \$1 billion, in Fiscal Years 2010-11 and 2011-12	April 2011	\$1.1 billion from STIP
		July 2011	\$935 million from proceeds of General Revenue Bonds ⁽¹⁾
July 2014	\$700 million from STIP in Fiscal Year 2014-15	August 2014	\$700 million from STIP
November 2015	\$563.6 million from STIP in Fiscal Year 2015-16, \$481 million from STIP in Fiscal Year 2016-17, and \$391.8 million from STIP in Fiscal Year 2017-18	December 2015	\$563.5 million from STIP
		Between July 2016 and December 2016	\$481 million from STIP
		Between July 2017 and January 2018	\$391.8 million from STIP
July 2017	\$500 million from STIP and/or external borrowing in Fiscal Year 2018-19, \$500 million from STIP and/or external borrowing in Fiscal Year 2019-20, \$600 million from STIP and/or external borrowing in Fiscal Year 2020-21, and \$700 million from STIP and/or external borrowing in Fiscal Year 2021-22	Between July 2018 and December 2018	\$500 million from STIP
		Between July 2019 and December 2019	\$500 million from STIP
		Between July 2020 and December 2020	\$213 million from proceeds of General Revenue Bonds and \$387 million from STIP ⁽²⁾
		July 2021	\$700 million from STIP
November 2021	\$500 million from STIP and/or external borrowing in Fiscal Year 2022-23, \$500 million from STIP and/or external borrowing in Fiscal Year 2023-24	July 2022	\$500 million from STIP
		July 2023	\$500 million from STIP

⁽¹⁾ The Regents issued \$1.2 billion of General Revenue Bonds 2011 Series Y, 2011 Series Z, and 2011 Series AA and approximately \$935 million of the proceeds of those bonds were applied to fund a portion of the annual required contribution ("ARC").

⁽²⁾ Financed with General Revenue Bond, 2019 Series BD proceeds.

Regents' Approval (continued)

<u>Regents' Authorizations</u>		<u>Transfers to Retirement Plan⁽³⁾</u>	
<u>Date</u>	<u>Approval</u>	<u>Date</u>	<u>Action</u>
November 2023	\$800 million from STIP in Fiscal Year 2024-2025	July 2024	\$200 million from STIP
	\$700 million from STIP in Fiscal Year 2025-2026	August 2024	\$400 million from STIP
	\$550 million from STIP in Fiscal Year 2026-2027		
	\$550 million from STIP in Fiscal Year 2027-2028		
	\$400 million from STIP in Fiscal Year 2028-2029		

⁽³⁾ Timing of remaining transfers is to be determined. An item is anticipated to go to the May 2025 Regents meeting that would request approval not to transfer \$700 million in Fiscal Year 2025-2026.

The national laboratory “segments” of the Retirement Plan are accounted for and evaluated separately from those of the campus and medical centers segment.⁽¹⁾ The Lawrence Berkeley National Laboratory (“LBNL”) segment employer contribution rate is based on contractual agreements between The Regents and the U.S. Department of Energy (“DOE”). Currently, this rate is the same as the University contribution rate for the campus and medical centers segment (also referred to as the “non-laboratory segment”). The DOE is contractually required to make actuarially-determined contributions to the Retirement Plan for the Los Alamos National Laboratory and Lawrence Livermore National Laboratory Retained Segments, based on the provisions in each contract.

The table below shows the fair market value of assets held in trust for payment of pension benefits; the actuarial value of assets adjusted according to the Retirement Plan’s actuarial methods as summarized above; the actuarial accrued liability of the Retirement Plan; the actuarial deficit, the funded ratio on an actuarial and market value basis; the annual covered payroll; and the actuarial deficit as a percentage of annual covered payroll for the total Retirement Plan as of July 1, in each of years 2020 through 2024.

⁽¹⁾ There are four separate and distinct “segments” that comprise the Retirement Plan as a whole: the campus/medical centers segment, the Lawrence Berkeley National Laboratory segment, the Lawrence Livermore National Laboratory retained segment, and the Los Alamos National Laboratory retained segment.

Retirement Plan Funding⁽¹⁾
(dollars in millions)

Actuarial Valuation Date	Market Value of Assets	Actuarial Value of Assets	Actuarial Accrued Liability	Actuarial Deficit (Actuarial Basis)	Funded Ratio (Actuarial Basis)	Funded Ratio (Market Basis)	Annual Covered Payroll	Actuarial Deficit as a Percentage of Annual Covered Payroll
July 1, 2020	70,916.2	73,318.7	93,088.2	(19,769.6)	78.8%	76.2%	13,109.9	(150.8%)
July 1, 2021	91,749.8	80,812.1	97,243.8	(16,431.8)	83.1%	94.4%	13,283.0	(123.7%)
July 1, 2022	81,363.0	85,720.2	102,715.8	(16,995.6)	83.5%	79.2%	14,028.5	(121.1%)
July 1, 2023	88,194.8	90,045.0	110,057.2	(20,012.3)	81.8%	80.1%	15,871.7	(126.1%)
July 1, 2024	98,689.6	96,053.5	116,497.2	(20,443.7)	82.5%	84.7%	17,708.1	(115.4%)

⁽¹⁾ Includes campuses, medical centers, and laboratories.

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

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

Net Pension Liability: The University follows Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires recognition of a liability equal to the net pension liability, which is measured as the total pension liability, less the amount of the pension plan’s fiduciary net position. As of June 30, 2024, the University reported a net pension liability for the Retirement Plan of \$17.5 billion. As of June 30, 2023, the University reported a net pension liability for the Retirement Plan of \$20.4 billion. The change in net pension liability for Fiscal Year 2023-24 was primarily driven by investment returns for the UCRP portfolio. The total investment rate of return for UCRP was 12.2% in Fiscal Year 2023-24, which was higher than the discount rate of 6.75% used to estimate the net pension liability. For a further description of the University’s pension accounting practices and the University’s pension plan funds, see “APPENDIX B - THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2023-2024”, including Note 15 and Required Supplementary Information.

RETIREE HEALTH PROGRAM FUNDS

The University administers the Retiree Health Benefit Program (the “Retiree Health Program”). The Retiree Health Program is a single-employer health and welfare plan that provides health and welfare benefits (primarily medical, dental and vision) to eligible retirees and their families and survivors of the University and its affiliates. Membership in the Retirement Plan, DC Plan (Savings Choice described above), or another retirement plan to which the University contributes, is required to become eligible for retiree health benefits. Retirees employed by the University prior to January 1, 1990 and who have not had a break in covered service of more than 120 days following that date are eligible for the University’s maximum contribution if they retire before age 55 and have at least 10 years of UCRP service credit, if they retire at age 55 or later and have at least five years of UCRP service credit, or if they retire on disability and have at least 5 years of UCRP service credit. Retirees employed by the University after January 1, 1990, and prior to July 1, 2013 are subject to graduated eligibility provisions that generally require 10 years of service before becoming eligible for 50% of the maximum University contribution, increasing to 100% after 20 years of service. Retirees employed by the University on or after July 1, 2013 are subject to graduated eligibility provisions based on both a member’s age and years of UCRP or equivalent DC Plan service credit upon retirement⁽¹⁾. Active employees do not make any contributions toward the Retiree Health Program. Retirees pay the excess, if any, of the premium over the applicable portion of the University’s maximum contribution.

Funding Policy: The contribution requirements of the University and eligible retirees are established and may be amended by the University. The contribution requirements are based upon projected pay-as-you-go financing. Contributions toward medical and dental benefits are shared between the University and the retiree. The University does not contribute toward the cost of other benefits available to retirees.

On July 1, 2007, The Regents established the University of California Retiree Health Benefit Trust (the “Trust”) to allow certain University locations (primarily campuses and medical centers (LBNL does not participate in the Trust)), that share the risks, rewards and costs of providing for retiree health benefits, to fund such benefits on a cost-sharing basis and accumulate funds on a tax-exempt basis under an arrangement segregated from University assets. While the University does not currently pre-fund retiree health benefits, if pre-funding occurs in the future, the Trust will be used as the funding vehicle. As of June 30, 2024, the balance in the Trust was \$225.9 million.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“the Statement”), which the University implemented in Fiscal Year 2016-17, requires recognition of a liability equal to the net retiree health benefit liability, which is measured as the total retiree health benefit liability, less the amount of the Trust’s fiduciary net position. The total retiree health benefit liability is determined based upon discounting projected benefit payments based on claims costs, the benefit terms and legal agreements existing at the Trust’s fiscal year end. Projected benefit payments are required to be discounted using a single

⁽¹⁾ In addition, members of the HA, HX, K7, NX, RX, EX, SX and TX bargaining units negotiated the effective date of revised eligibility rules for Retiree Health Program benefits as part of contract negotiations. Generally, new employees hired after the negotiated effective date of revised eligibility rules must retire at 65 and have worked at least 20 years in order to receive the maximum employer contribution to the retiree health premium.

rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. The Statement requires that most changes in the net retiree health benefit liability be included in retiree health benefit expense in the period of change.

The actuarial methods and assumptions used in determining the Retiree Health Program liability as of June 30, 2024 include the entry age normal level percentage of pay actuarial cost method; a 3.93% discount rate (index rate for 20-year tax-exempt general obligation municipal bond index rate with an average rating of AA/Aa or higher); and health care cost trend rate ranging from 4.87% to 20.46% for non-Medicare and 0.20% to 18.15% for Medicare initially, depending on the type of plan, gradually adjusted to an ultimate rate of 3.94% for 2076 and later years.

The following table shows the fair market value of assets held in the Trust; the total OPEB (other post-employment benefits) liability; the net OPEB liability; the funded ratio on market value of assets basis; the annual covered payroll; and the net OPEB liability as a percentage of annual covered payroll as of June 30, 2020, through June 30, 2024. The net OPEB liability as of the June 30, 2024, and 2023 actuarial valuations were \$20.3 billion and \$21.7 billion, respectively, or 1.1% and 0.9% funded, respectively, on a market value of assets basis. The decrease in net OPEB liability as of June 30, 2024 was primarily driven by changes in assumptions around plan participation and healthcare cost trends and by the increase in the applied discount rate from 3.65% to 3.93%.

Measurement Date	Market Value of Assets (in millions of dollars)	Total OPEB Liability (in millions of dollars)	Net OPEB Liability (in millions of dollars)	Funded Ratio	Annual Covered Payroll (in millions of dollars)	Net OPEB Liability as a Percentage of Annual Covered Payroll
June 30, 2020	156.8	23,303.1	23,146.3	0.7%	13,104.8	176.6%
June 30, 2021	171.6	24,380.4	24,208.8	0.7%	13,595.9	178.1%
June 30, 2022	179.5	19,751.0	19,571.5	0.9%	15,048.2	130.1%
June 30, 2023	192.8	21,860.7	21,667.8	0.9%	16,665.1	130.0%
June 30, 2024	225.9	20,515.1	20,289.3	1.1%	18,599.8	109.1%

For more information on the Retiree Health Program and Trust, see “APPENDIX B - THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2023-24” including Note 16 and Required Supplementary Information.

CYBERSECURITY RISKS

Like many other large public entities, the University relies on a large and complex technological environment to conduct its operations, including at its campuses and medical centers. The University handles a significant amount of sensitive information, like student financial aid data, patient health information, and personnel records for hundreds of thousands of employees and contractors. Moreover, the University oversees other highly sensitive information, such as world-class research, valuable intellectual property, financial trade secrets, and “big data”

health information. The University faces a variety of risks to its networks and systems, including but not limited to hacking malware and other attempted intrusions on its networks and systems. In addition, the University's information technology ("IT") systems are designed to be open, collaborative, permissive, and distributed, and all of these features increase cybersecurity risk. Moreover, there is an enormous number of users of such systems, the users are constantly changing, and training and proper protocol are difficult to enforce. As a public university, the University also faces financial challenges as compared to a for-profit corporation and it is more challenging to maintain and update IT security with limited resources. Moreover, demand for remote work and learning has increased reliance on IT systems, which further heightens the risk and impact of a cyberattack. Potential consequences of a future cyberattack include government administrative, civil, or criminal enforcement actions; class-action litigation; complicated remediation; interruption of medical center or academic/research functionality; delayed or destroyed research; violation of security obligations in government contracts and grants including federally funded research awards; disclosure of protected faculty, student, patient, research participant, or other individually identifiable information; and reputational risk related to the University's commitment to protecting information.

In the past several years, a number of threat actors have sought to gain unauthorized access to digital systems of large organizations such as the University for the purpose of misappropriating assets or information, causing operational disruptions, or demanding payment for the return of system data or control of a system. These attempts have included highly-sophisticated efforts to electronically circumvent network security, as well as more traditional intelligence gathering, and social engineering aimed at obtaining information necessary to gain access.

As to cybersecurity claims, the University maintains a large self-insured retention and commercial insurance coverage for liabilities in excess of its self-insured retention. The commercial insurance coverage consists of a comprehensive cybersecurity insurance policy, which covers, among other things, wrongful acts or breaches; defense costs, regulatory fines and penalties or compensatory awards; privacy breach response costs; and loss of digital assets and business protection. However, some risks such as betterment (i.e., the cost of improving internal technology systems post-event) are not covered by the policy.

The University has taken, and continues to take, measures to protect its IT systems against cyberattacks. Such measures include, but are not limited to, improved technical security controls; improved vendor management processes; audits conducted by The Office of Ethics Compliance & Audits Services to identify and remediate gaps and vulnerabilities; corrective actions in response to findings related to recent incidents; centralization of the information security function at locations; expanded scope of cybersecurity tools across the system; improvements in security governance, policies, and procedures; more formalized and comprehensive risk assessment processes; improvements in implementing systemwide minimum security standards contained in the University's IS-3 policy; improvements in assessing the value of different types of information stored in University systems and the security protections that it implements with respect to each category of information; and increased scope of work of the Cyber-Risk Coordination Center, a systemwide group which issues guidance and directives to improve security systems and assure escalation and remediation of security incidents and other problems. However, despite these efforts, there can be no assurance that the University will not experience future significant breaches. Such breaches could have a material adverse impact on the University.

CLIMATE CHANGE AND SUSTAINABILITY

General. The University, like many other institutions in California, has recently experienced the impact of unpredictable changes in environmental conditions and climate change-induced events that include wildfires, heat waves, and extreme storm events. Because University campuses are located throughout the State, campuses may face differing challenges as a result of climate change, and such challenges may include soil erosion, fires, reduced air quality, sea-level rise, drought and/or flood conditions.

University Policies. The University is committed to adapting campuses and building systemwide resiliency to mitigate these risks and to ensure the continuity of operations and long-term viability at its campuses and medical centers. The University has adopted policies and initiatives intended to ensure that it meets this commitment, including the University of California – Policy for Sustainable Practices, which focuses on, among other things: climate protection, clean energy, green building design, and sustainable transportation, building and laboratory operations. The Policy for Sustainable Practices can be found at the following website: <https://policy.ucop.edu/doc/3100155/SustainablePractices>. On an annual basis, the President of the University reports to the Board of Regents on the University’s sustainability efforts in each area of the Policy for Sustainable Practices. Such reports can be found at the following website: <https://www.ucop.edu/sustainability/policy-areas/annual-reports.html>.

The information contained in such websites is not incorporated by reference herein and is not necessarily updated in a regular manner.

The events referenced above under “General” have not thus far had a material adverse impact on the University generally or the ability of The Regents to make Base Rent payments under the Space Lease when due; however, the future fiscal and operational impacts of climate change on the University are difficult to predict and could be significant.

AUDITS, COMPLIANCE REVIEWS AND OTHER INQUIRIES

At all times, there are audits, compliance reviews and other inquiries that arise in the normal course of the University’s activities. Such audits, compliance reviews and other inquiries may relate to any activity at the University, and may be conducted by persons or entities within or outside the University, including but not limited to the University’s internal audit, investigations and compliance units, the California State Auditor and a variety of other federal and State governmental agencies. Such audits, compliance reviews and other inquiries could identify improper actions by University personnel or others affecting expenditures by The Regents, and in some cases, its revenues. University management is not aware of any pending audit, compliance review or other inquiry concerning matters that are likely to have a material adverse effect on The Regents’ ability to make Base Rent payments under the Space Lease when due.

The Regents continues to monitor the federal government's actions with respect to the higher education sector and, in particular, the University. Such actions may have the direct or indirect effect of, among other things, reducing federal support for the University's research or other operations, reducing the University's fundraising or other revenue sources, and/or increasing costs borne by the University. The Regents is unable to predict whether such actions may, directly or indirectly, have a material adverse effect on the financial condition or operations of the University.

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APPENDIX B

THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2023-2024

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A woman with dark, wavy hair, wearing an orange blazer over a light-colored top, stands in front of whiteboards filled with handwritten notes. She is smiling and has her hands on her hips.

UNIVERSITY
OF
CALIFORNIA

Annual Financial Report

2023-24

The University of California was founded on a revolutionary idea: That the state deserved a great public research university, open to all. Today, UC is essential to California's success, creating social mobility for its people and developing solutions to our most urgent societal challenges.

Contents

University of California Annual Financial Report 2023–24

Letter from the President	3
Letter from the Executive Vice President and CFO	4
Facts in Brief (<i>Unaudited</i>)	6
Campus Facts in Brief (<i>Unaudited</i>)	8
University of California Management’s Discussion and Analysis (<i>Unaudited</i>)	12
Report of Independent Auditors	30
Financial Statements	32
Statements of Net Position At June 30, 2024 and 2023	32
Statements of Revenues, Expenses and Changes in Net Position	33
Statements of Cash Flows	34
Fiduciary Financial Statements	36
Statements of Fiduciary Net Position	36
Statement of Changes in Fiduciary Net Position	37
Notes to Financial Statements	38
Required Supplementary Information (<i>Unaudited</i>)	108
Regents and Officers of the University of California	124





Letter from the President

The past year was one of steadiness and strength for the University of California, as the tripartite UC mission of teaching, research, and public service continued to expand opportunity, feed the economy, and fuel innovation throughout California and beyond.

I am pleased with what this support reflects — a diligent and committed partnership with the Governor and the State legislature to increase access to higher education, ensure affordability, and provide the support students need to succeed. Stability in this investment enables the University of California to continue to make vital contributions to the lives of every Californian, as we have since our founding over 150 years ago — whether through our health enterprise, expanding access to a debt-free education, or clean energy research at our affiliated national labs.

One of the clearest examples of this impact this year came in the strong demand for a UC education and in our record-breaking class of admits. We admitted the largest and most diverse class in University of California history for fall 2024, including big increases in admission offers to California students, community college transfers, and students from groups historically underrepresented in higher education. This increase is part of a years-long effort to expand educational opportunities for California students. In fact, the number of admitted California first-years has increased by 50 percent since 2014.

Meanwhile, our campuses continue to shine in their capacity to spur innovation, with the National Academy of Inventors ranking the University of California No. 1 among U.S. universities for utility patents in 2023 — the second year in a row for this recognition.

Throughout this growth and innovation, our campuses and hospitals continue to be ranked among the best in the nation. And every day, our faculty, students, and staff contribute their talents toward the pursuit of new knowledge and the creation of a healthier, more just society and planet for all. I am grateful to the University of California community for another fiscal year's progress toward this hopeful endeavor, as we work together to serve the greater good as one of the world's great universities.

Michael V. Drake, M.D.

President, University of California



Letter from the Executive Vice President and CFO

The University of California continues to move forward across many fronts, most importantly in advancing access and opportunity for students across California. The 2023–24 fiscal year brought yet more progress on our goals, as we look for innovative solutions to challenges the University faces going forward.

On the heels of a record-breaking class of new students in 2023, the University of California once again broke its own record for the fall of 2024, admitting the largest and most diverse class in its history. UC offered admission to two out of every three applicants overall, with nearly 167,000 students offered a spot at one of the university's nine undergraduate campuses. These numbers reflect the University's role as an engine of social mobility for the state, as we continue to narrow opportunity gaps for students. Of these admitted students, 43 percent would be the first in their families to go to college.

While navigating economic headwinds, State leaders continued their steadfast support of UC in 2023, a testament to the value they see in growing access to a UC degree, and in UC research and public service for the benefit and prosperity of Californians broadly. The University of California received over \$4.7 billion in State General Fund in the Budget Act of 2023. This represented an increase of \$329.2 million, or 7.5 percent, in ongoing funding over the 2022-23 budget. Additionally, the University received \$142.5 million in one-time funding for campus-specific projects and capital outlay for health research.

Meanwhile, the University of California has expanded its health enterprise significantly, acquiring eight hospitals and adding 2,000 hospital beds across the state — a 50 percent increase in beds and a strong investment in taking care of the health of Californians.

We continue to champion innovative approaches to the financial wellbeing of the University, including solutions for the perennial challenge

of housing. Even in the highest interest rate environment in decades, UC was able to continue to take advantage of the University's strong credit and the central bank implementation to finance projects systemwide at a low cost of capital. Projects included housing at UC Santa Cruz, where the Delaware Avenue development will provide housing for about 400 upper-division undergraduate students and more than 60 employees.

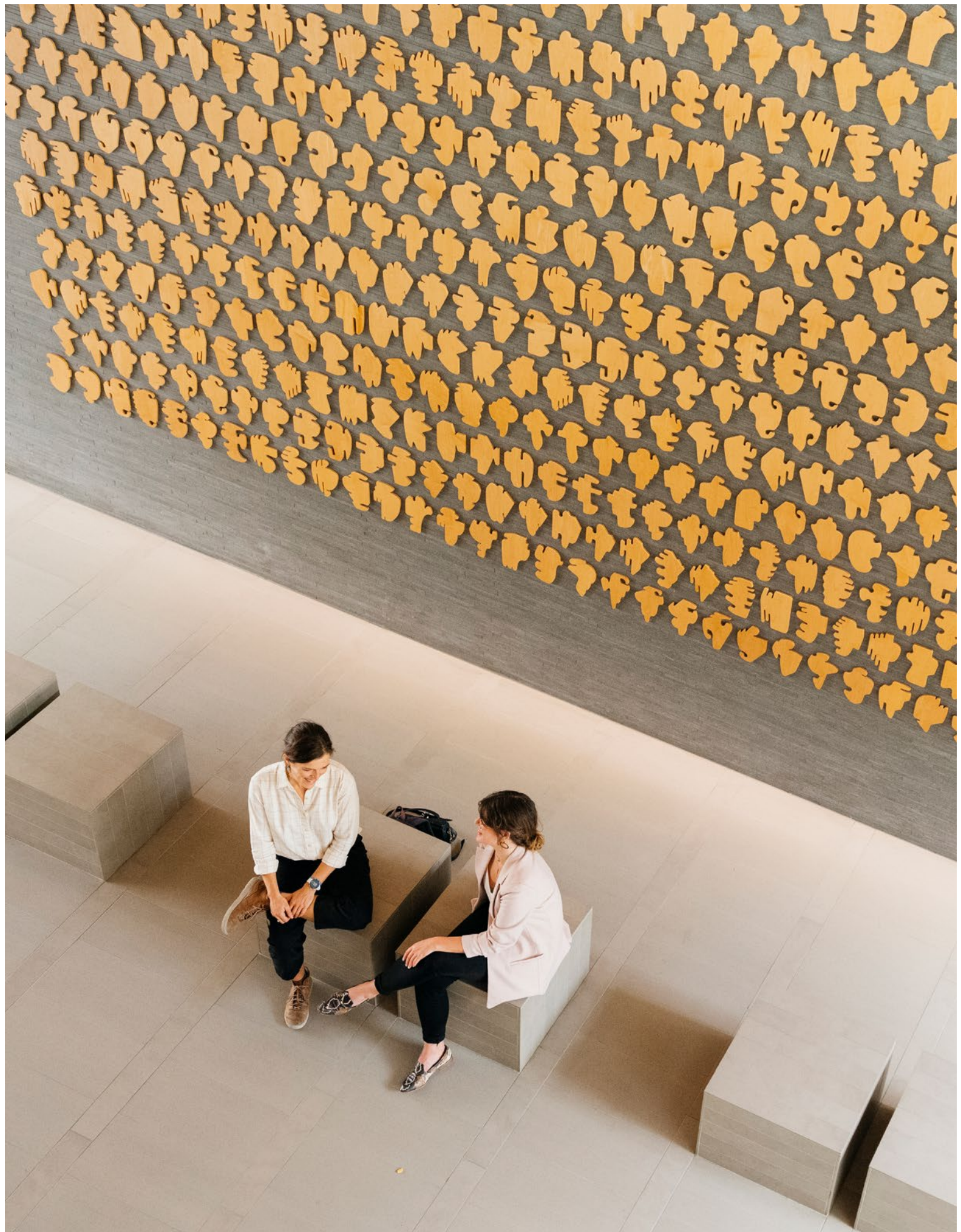
All of this growth is further evidence of the University of California's strength and vitality, but challenges remain. Demands in the area of capital remain pressing, and we must also be mindful of increasing expenses for the University. We will need to continue to seek creative strategies to grow revenue.

We are encouraged and motivated by student demand for our UC campuses, and we're grateful for the strong and growing partnership with the State. Hand in hand with our dedicated and creative UC faculty and staff, we'll continue to push forward toward a strong and sustainable future for the University.

Recognizing the historic housing crisis in California and its effects on college students, the Budget Act and accompanying budget trailer bills fund critical student housing projects at our campuses. The budget provides \$33.5 million in ongoing support funding to move the Higher Education Student Housing Grant Program projects from grant funding to the University's institutional bond funds. The UC Merced and UC Riverside intersegmental student housing projects with their local community colleges are both funded, providing over 2,000 new student housing beds for these campuses.

Nathan Brostrom

Executive Vice President, CFO
University of California



Facts in Brief (Unaudited)

University of California Population

Population segment	2024	2023	2022	2021	2020
Students					
Undergraduate fall enrollment	233,272	230,407	230,529	226,595	226,275
Graduate fall enrollment	68,607	70,098	70,327	65,274	64,964
Total fall enrollment	301,879	300,505	300,856	291,869	291,239
University Extension course enrollments	332,211	349,189	300,583	334,329	333,586
Faculty and staff (full-time equivalents)	197,402	189,743	180,193	168,446	169,789

University of California: Summary Financial Information

(in thousands of dollars)

Description	2024	2023	2022	2021	2020
Primary revenue sources					
Student tuition and fees, net ¹	\$5,663,450	\$5,514,899	\$5,440,530	\$5,100,747	\$5,298,018
Grants and contracts, net	8,403,406	7,614,917	7,055,009	6,234,370	6,248,923
Medical centers, educational activities and auxiliary enterprises, net	30,256,606	26,901,261	24,463,503	21,006,438	19,813,552
State educational appropriations	4,713,643	4,387,338	4,296,909	3,260,441	3,686,105
Federal Pell Grants	441,616	447,641	443,777	607,356	443,282
Private gifts, net	2,023,566	1,825,635	1,736,613	1,572,402	1,516,475
Capital gifts and grants, net	647,560	339,658	311,160	228,422	251,616
Department of Energy laboratories	1,190,174	1,147,115	1,031,233	1,081,254	1,083,215
Operating expenses by function					
Instruction	10,345,611	10,078,087	9,247,472	8,126,839	9,042,366
Research	6,989,811	6,372,538	6,011,775	5,194,750	5,492,011
Public service	1,199,486	1,029,124	915,903	787,475	829,864
Academic support	4,631,312	3,901,644	3,644,864	3,396,245	3,699,479
Student services	1,774,003	1,598,149	1,404,110	1,205,324	1,365,576
Institutional support	2,360,564	2,013,577	2,530,862	1,897,211	1,929,186
Operation and maintenance of plant	1,662,030	1,141,966	897,983	382,519	770,489
Student financial aid ²	928,403	864,179	1,161,776	1,097,227	1,018,510
Medical centers	18,843,616	18,218,096	16,337,439	14,318,946	14,438,685
Auxiliary enterprises	1,674,316	1,792,990	1,458,613	1,044,381	1,408,764
Depreciation and amortization	3,202,066	2,829,698	2,694,875	2,623,858	2,184,431
Department of Energy laboratories	1,146,576	1,104,266	990,713	1,042,258	1,075,559
Other	(54,366)	224,630	111,500	78,729	150,486
Change in net position	4,887,531	(491,112)	(4,387,783)	4,993,885	(3,445,594)
Financial position					
Investments, at fair value	39,914,453	37,609,407	37,340,881	38,448,400	30,239,155
Capital assets, at net book value	48,572,417	43,803,907	41,893,424	40,335,142	36,543,172
Other assets and deferred outflows	22,195,861	21,656,991	25,321,911	21,558,026	25,022,132
Outstanding debt, including financing obligations	(37,909,348)	(36,340,775)	(35,929,881)	(32,667,856)	(26,652,748)
Obligations for pension and retiree health benefits	(38,406,068)	(42,712,748)	(41,574,932)	(30,811,391)	(45,631,992)
Other liabilities and deferred inflows	(29,520,354)	(24,046,071)	(26,589,580)	(32,012,715)	(19,636,224)
Net position	4,846,961	(29,289)	461,823	4,849,606	(116,505)

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

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

University of California Campus Foundations: Summary Financial Information

(in thousands of dollars)

Description	2024	2023	2022	2021	2020
Primary revenue sources					
Private gifts	\$1,298,412	\$2,241,726	\$1,980,697	\$1,310,945	\$1,301,479
Primary expenses					
Grants to campuses	1,903,810	1,846,139	1,528,788	1,350,578	1,292,075
Change in net position	1,170,005	1,695,516	(150,838)	3,670,980	647,424
Financial position					
Investments, at fair value	16,003,395	14,824,345	13,274,035	13,910,200	10,224,313
Pledges receivable, net	1,572,120	1,650,698	1,228,442	927,869	842,167
Net position	17,474,974	16,304,969	14,609,453	14,760,291	11,089,311

University of California Retirement System: Summary Financial Information

(in thousands of dollars, except for retirement plan membership information)

Description	2024	2023	2022	2021	2020
Plan participation					
Plan membership	365,844	349,254	333,293	320,401	314,854
Retirees and beneficiaries currently receiving payments	89,186	87,282	85,466	83,012	80,745
Primary revenue sources					
Contributions ¹	\$6,685,653	\$6,123,368	\$6,009,511	\$5,615,851	\$5,107,118
Interest, dividends and other investment income, net	2,962,318	5,572,589	1,778,104	3,023,265	1,589,132
Net appreciation (depreciation) in the fair value of investments	13,883,079	5,808,449	(16,450,328)	25,738,318	978,372
Primary expenses					
Benefit payments	4,981,862	4,626,420	4,363,593	4,144,612	3,800,561
Participant and member withdrawals	2,425,490	2,315,919	2,097,185	1,834,962	1,680,533
Change in net position	16,017,840	10,482,009	(15,212,142)	28,328,964	2,122,138
Financial position					
Investments, at fair value	134,618,075	118,799,215	109,139,801	124,576,493	97,278,282
Members' defined pension plan benefits	98,764,294	88,262,774	81,428,052	91,826,002	70,977,922
Participants' defined contribution plan benefits	39,097,313	33,580,993	29,933,706	34,747,898	27,267,014
Actuarial information (as of the beginning of the year)					
Actuarial value of assets	90,044,950	85,720,233	80,812,073	73,318,652	70,170,196
Actuarial accrued liability	110,057,241	102,715,788	97,243,831	93,088,224	87,782,652

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

University of California Retiree Health Benefit Trust: Summary Financial Information

(in thousands of dollars, except for retirement plan membership information)

Description	2024	2023	2022	2021	2020
Plan participation					
Plan membership	205,652	195,669	190,380	186,726	179,752
Retirees and beneficiaries currently receiving payments	50,291	49,252	47,765	46,751	44,944
Primary revenue sources					
Contributions	\$414,775	\$371,631	\$355,137	\$350,774	\$340,726
Interest, dividends and other investment income, net	9,987	7,345	345	208	2,281
Primary expenses					
Insurance premiums	386,180	360,771	343,198	331,810	338,567
Change in net position	33,062	13,350	7,853	14,803	(91)
Financial position					
Investments, at fair value	196,916	176,766	164,240	148,451	141,872
Net position for retiree health benefits	225,886	192,824	179,474	171,621	156,818
Actuarial information (as of the beginning of the year)					
Actuarial value of assets	192,824	179,474	171,621	156,818	156,909
Actuarial accrued liability	21,860,662	19,750,973	24,380,432	23,303,096	19,401,053

Campus Facts in Brief (Unaudited)

University of California Population: Berkeley – Merced Campuses

Population segment	Berkeley	Davis	Irvine	Los Angeles	Merced
Students					
Undergraduate fall enrollment	33,078	31,797	29,503	33,040	8,372
Graduate fall enrollment	12,621	9,051	7,842	15,010	775
Total fall enrollment	45,699	40,848	37,345	48,050	9,147
University Extension course enrollments ¹	34,745	59,312	14,094	80,175	2,273
Degrees conferred²					
Bachelor	9,216	8,283	8,438	9,221	1,804
Advanced	5,267	2,571	2,770	5,370	215
Cumulative	730,618	351,404	266,652	661,507	18,358
Faculty and staff (full-time equivalents)³	15,729	29,563	21,466	44,990	2,729
Library collection (volumes)⁴	14,565,817	6,067,616	4,911,377	11,227,326	2,594,244
Campus land area (in acres)	8,168	7,192	1,582	704	7,658

¹Total courses enrolled in by University Extension students for academic year 2023–2024.

²As of academic year 2022–2023.

³As of April 30, 2024.

⁴As of June 30, 2023.

Campus Financial Facts: Berkeley – Merced Campuses (in thousands of dollars)

Description	Berkeley	Davis	Irvine	Los Angeles	Merced
Operating expenses by function					
Instruction	\$1,093,098	\$1,328,614	\$1,169,259	\$3,718,678	\$98,746
Research	777,769	925,960	416,202	1,191,241	61,151
Public service	114,339	180,502	17,541	265,002	10,021
Academic support	148,916	325,491	370,362	1,399,101	37,874
Student services	369,224	212,461	137,363	242,811	48,071
Institutional support	464,603	53,888	134,722	387,791	81,118
Operation and maintenance of plant	153,841	794,960	85,528	144,864	43,602
Student financial aid	209,929	127,147	99,337	178,467	18,919
Medical centers		2,802,908	2,273,143	3,534,859	
Auxiliary enterprises	184,076	90,463	152,965	497,780	69,663
Depreciation and amortization	271,876	590,570	316,521	574,600	87,619
Other ¹	17,342	38,346	18,092	5,618	9,931
Total	\$3,805,013	\$7,471,310	\$5,191,035	\$12,140,812	\$566,715
Grants and contracts revenue					
Federal government	\$466,118	\$588,437	\$364,212	\$875,420	\$52,708
State government	129,078	145,641	35,834	166,963	
Local government	7,002	17,244	3,720	97,936	1,435
Private	253,285	276,873	151,718	388,994	8,658
Total	\$855,483	\$1,028,195	\$555,484	\$1,529,313	\$62,801
University endowments					
Nonspendable endowments	\$430,078	\$136,056	\$13,665	\$337,290	\$26,307
Other endowments	4,440,052	1,489,802	575,677	3,781,970	58,816
Annual income distribution	179,482	60,942	22,183	98,143	3,959
Campus foundations' endowments					
Nonspendable endowments and gifts	1,879,882	432,193	529,542	2,102,256	16,425
Other endowments	1,296,224	341,024	369,814	1,427,289	16,256
Capital assets					
Capital assets, at net book value	4,569,263	6,587,027	5,572,891	8,699,487	1,650,594
Capital expenditures	891,873	1,198,248	1,374,269	1,513,070	13,973

¹Includes impairment of capital assets, noncapitalized expenses associated with capital projects and write-off, cancellation and bad debt expenses for loans.

University of California Population: Riverside through Santa Cruz campuses, with Systemwide

Population segment	Riverside	San Diego	San Francisco	Santa Barbara	Santa Cruz	Systemwide ¹
Students						
Undergraduate fall enrollment	22,646	33,792		23,232	17,812	
Graduate fall enrollment	3,905	9,542	5,073	2,836	1,952	
Total fall enrollment	26,551	43,334	5,073	26,068	19,764	
University Extension course enrollments ²	12,780	82,884		7,578	38,370	
Degrees conferred³						
Bachelor	5,772	8,535		6,563	4,526	
Advanced	1,367	3,536	944	897	590	
Cumulative	158,273	270,662	59,999	279,327	150,248	
Faculty and staff (full-time equivalents)⁴	6,328	31,677	28,757	7,174	5,818	3,171
Library collection (volumes)⁵	4,653,145	5,642,748	1,826,098	5,601,863	3,779,843	
Campus land area (in acres)	1,942	2,206	218	1,127	6,088	67,022

¹Full-time equivalents count includes employees at all campuses involved in systemwide activities, including Agriculture and Natural Resources.

²Total courses enrolled in by University Extension students for academic year 2023–2024.

³As of academic year 2022–2023.

⁴As of April 30, 2024.

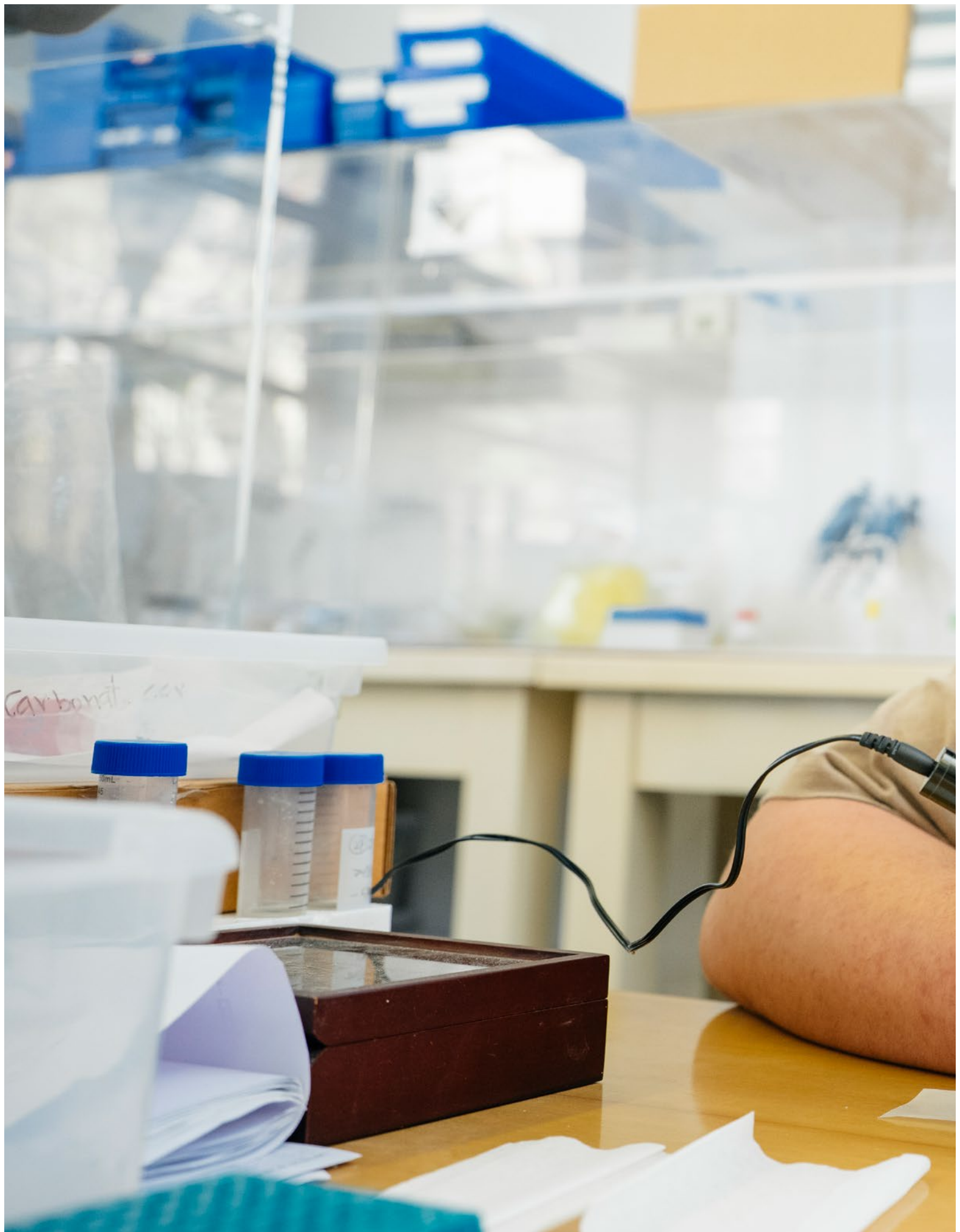
⁵As of June 30, 2023.

Campus Financial Facts: Riverside through Santa Cruz campuses, with Systemwide (in thousands of dollars)

Description	Riverside	San Diego	San Francisco	Santa Barbara	Santa Cruz	Systemwide ¹
Operating expenses by function						
Instruction	\$423,335	\$1,181,971	\$347,515	\$457,118	\$281,281	\$245,996
Research	213,864	1,291,762	1,403,023	275,923	200,541	232,375
Public service	13,116	45,073	290,932	17,159	60,440	185,361
Academic support	102,199	1,354,276	517,720	115,817	73,065	186,491
Student services	166,642	265,127	34,274	120,667	130,882	46,481
Institutional support	89,545	164,904	368,004	30,040	56,611	529,338
Operation and maintenance of plant	91,951	63,786	127,217	71,659	62,293	22,329
Student financial aid	75,530	47,884	15,931	111,571	36,038	7,650
Medical centers		3,344,776	6,752,114			135,816
Auxiliary enterprises	118,572	227,479	43,684	137,958	128,955	22,721
Depreciation and amortization	115,359	464,293	473,514	96,422	83,877	127,415
Department of Energy laboratories						1,146,576
Other ²	(26,039)	35,263	17,689	5,794	12,013	(188,415)
Total	\$1,384,074	\$8,486,594	\$10,391,617	\$1,440,128	\$1,125,996	\$2,700,134
Grants and contracts revenue						
Federal government	\$105,954	\$1,046,258	\$996,623	\$152,981	\$107,455	\$4,445
State government	35,716	123,000	158,013	10,151	13,569	39,475
Local government	4,039	23,631	313,611	2,029	2,326	83
Private	56,285	487,248	566,857	72,942	45,541	3,898
Total	\$201,994	\$1,680,137	\$2,035,104	\$238,103	\$168,891	\$47,901
University endowments						
Nonspendable endowments	\$16,707	\$63,240	\$161,992	\$37,617	\$12,262	\$81,354
Other endowments	494,833	1,323,691	3,807,742	184,472	121,498	1,647,872
Annual income distribution	19,675	50,316	112,325	7,974	4,614	41,001
Campus foundations' endowments						
Nonspendable endowments and gifts	154,110	783,818	1,232,050	213,479	67,049	
Other endowments	122,972	773,997	1,371,526	230,565	97,903	
Capital assets						
Capital assets, at net book value	1,739,630	8,390,807	7,757,702	1,592,434	1,457,198	555,384
Capital expenditures	256,422	1,468,129	915,373	89,611	115,179	37,775

¹Includes expenses for systemwide and research programs, systemwide support services and administration.

²Includes impairment of capital assets, noncapitalized expenses associated with capital projects and write-off, cancellation and bad debt expenses for loans.





University of California Management's Discussion and Analysis *(Unaudited)*

The objective of this Management's Discussion and Analysis is to help readers of the University of California's financial statements better understand the financial position and operating activities for the year ended June 30, 2024, with selected comparative information for the years ended June 30, 2023 and 2022. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes to the financial statements. Unless otherwise indicated, years (2022, 2023 and 2024, etc.) in this discussion refer to the fiscal years ended June 30.

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

The University of California

The University of California, one of the largest and most acclaimed institutions of higher learning in the world, is dedicated to excellence in teaching, research, health care and public service. The University encompasses 10 campuses, five medical centers, four law schools and a statewide Division of Agriculture and Natural Resources. The University is also involved in the operation and management of three national laboratories for the U.S. Department of Energy (DOE).

Campuses. The 10 campuses are located in Berkeley, Davis, Irvine, Los Angeles, Merced, Riverside, San Diego, San Francisco, Santa Barbara and Santa Cruz. All of the campuses, except San Francisco, offer undergraduate, graduate and professional education; the San Francisco campus is devoted exclusively to graduate and professional education in health sciences.

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

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

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

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

National laboratories. Under contract with the DOE, the University operates and manages the Ernest Orlando Lawrence Berkeley National Laboratory (LBNL) in California. The University is also a member in two separate joint ventures, Triad National Security, LLC (Triad) and Lawrence Livermore National Security, LLC (LLNS) that operate and manage the Los Alamos National Laboratory (LANL) and Lawrence Livermore National

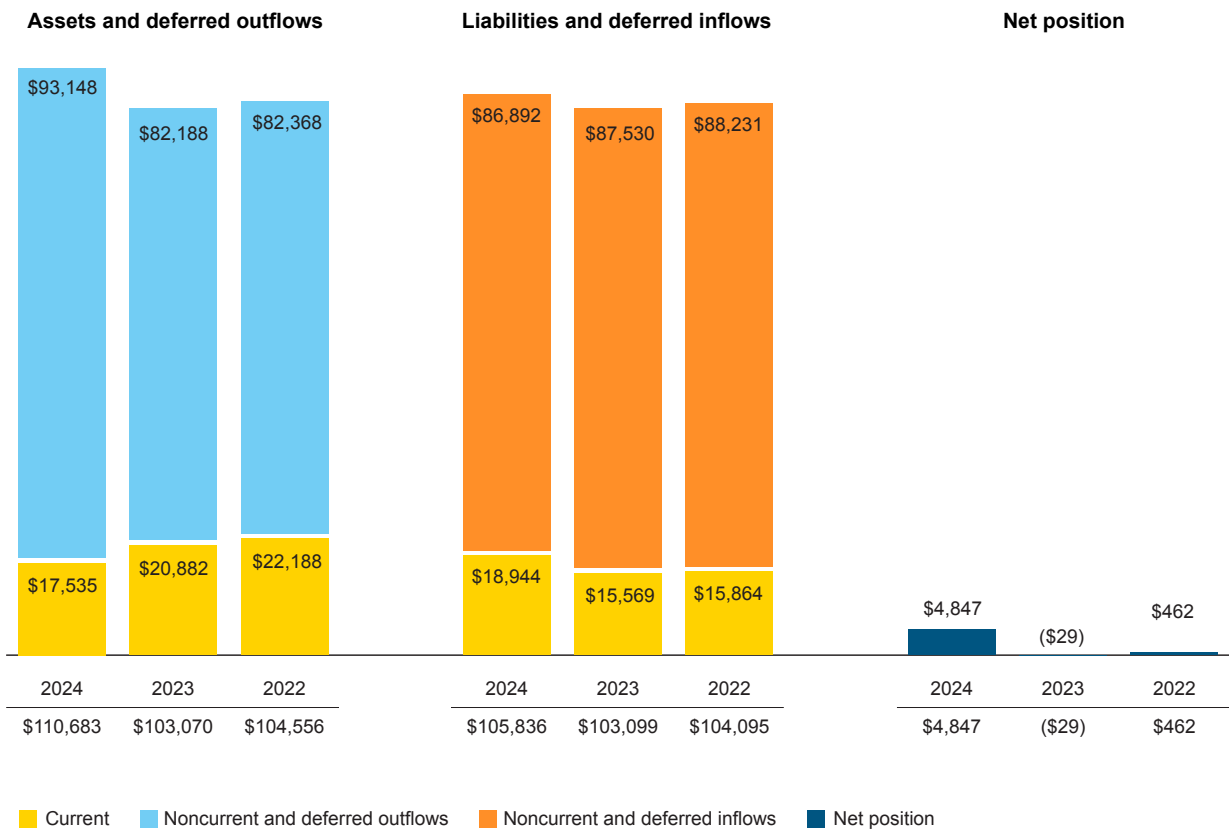
Laboratory (LLNL), respectively, under contracts directly with the DOE. The laboratories conduct broad and diverse basic and applied research in nuclear science, energy production, national defense and environmental and health areas.

The University's Financial Position

The University's financial position by component for 2024, 2023 and 2022 is presented in **Display 1**

The statements of net position present the financial position of the University at the end of each fiscal year. They display all of the University's assets, deferred outflows, liabilities, deferred inflows and net position. The difference between assets, deferred outflows, liabilities and deferred inflows is net position. The major components of the statements of net position as of June 30, 2024, 2023 and 2022 are presented on [page 14](#) in **Table MDA.1**.

Display 1: The University's Financial Position *(in millions of dollars)*



The University's Assets and Deferred Outflows

The University's total assets and deferred outflows of resources have fluctuated since 2022, at \$110.7 billion in 2024, compared to \$103.1 billion in 2023 and \$104.6 billion in 2022. Capital assets have increased due to continued investments in facilities in excess of depreciation. Investments increased in 2024 due to positive financial market returns. Deferred outflows have fluctuated primarily due to changes in the University's net pension and retiree health benefits liabilities.

Investments

Investments held by the University are principally carried in the following investment pools: the Short Term Investment Pool (STIP), the Total Return Investment Pool (TRIP), the Blue

and Gold Pool (BGP) and the General Endowment Pool (GEP). Cash for operations and bond proceeds for construction expenditures are invested in STIP. The University uses STIP to meet operational liquidity needs. TRIP provides the opportunity to enhance returns on long-term capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. The University maximizes its use of TRIP while still maintaining sufficient funds in STIP to meet operational and liquidity needs. BGP was created to enhance returns by passively investing funds in the equity and fixed-income markets while still maintaining liquidity. The investment policy for TRIP is balanced between equities and fixed income while the investment policy for BGP is more heavily weighted toward equities. GEP is a balanced portfolio and the primary investment vehicle for individual endowments and funds functioning as endowments.

Table MDA.1: The University's Net Position *(in millions of dollars)*

Net position	2024	2023	2022
Assets			
Investments	\$39,914	\$37,609	\$37,341
Investment of cash collateral	2,299	1,914	2,163
Accounts receivable, net	8,226	6,930	6,124
Capital assets, net	48,572	43,804	41,893
Other assets	5,100	5,119	5,537
Total assets	104,111	95,376	93,058
Deferred outflows of resources	6,571	7,694	11,499
Liabilities			
Debt, including commercial paper	37,909	36,341	35,930
Securities lending collateral	2,299	1,914	2,163
Net pension liability	17,495	20,385	21,403
Net retiree health benefits liability	20,911	22,328	20,172
Other liabilities	14,605	12,637	12,996
Total liabilities	93,219	93,605	92,664
Deferred inflows of resources	12,616	9,495	11,430
Net position			
Net investment in capital assets	18,602	13,778	11,833
Restricted: Nonexpendable	1,349	1,336	1,307
Restricted: Expendable	12,994	11,639	11,527
Unrestricted	(28,098)	(26,782)	(24,205)
Total net position	\$4,847	(\$29)	\$462

The University utilizes asset allocation strategies that are intended to optimize investment returns over time in accordance with investment objectives and at acceptable levels of risk. GEP had returns of 11.7 percent in 2024, 8.2 percent in 2023 and (7.6) percent in 2022. BGP had returns of 15.7 percent in 2024, 13.3 percent in 2023 and (15.2) percent in June 30, 2022. TRIP had returns of 12.1 percent, 8.6 percent and (11.3) percent in 2024, 2023 and 2022, respectively. STIP had returns of 4.2 percent, 2.8 percent and 0.4 percent in 2024, 2023 and 2022, respectively.

Capital assets, net

The University’s enrollment growth and continuing needs for renewal, modernization and seismic correction of existing facilities are the key drivers of capital investments. Capital spending continued at a brisk pace in order to provide the facilities necessary to support the University’s teaching, research and public service mission and for patient care. Capital spending includes constructing and renovating academic buildings, research laboratories, libraries, student services, parking structures and infrastructure projects at all 10 campuses and five medical centers. The University has a goal to increase affordable campus housing for more students, given escalating living costs in many of the surrounding campus communities. The largest capital asset additions in 2024 were related to the medical center acquisitions and construction of housing and research facilities at various campuses. The largest capital asset additions in 2023 were related to the construction of housing, classroom, parking and research facilities at various campuses and expansion of medical center facilities. The largest capital asset additions in 2022 were related to the construction of housing

and research facilities at various campuses and expansion of medical center facilities. Total additions of capital assets were \$7.9 billion in 2024 as compared to \$5.0 billion in 2023 and \$4.3 billion in 2022.

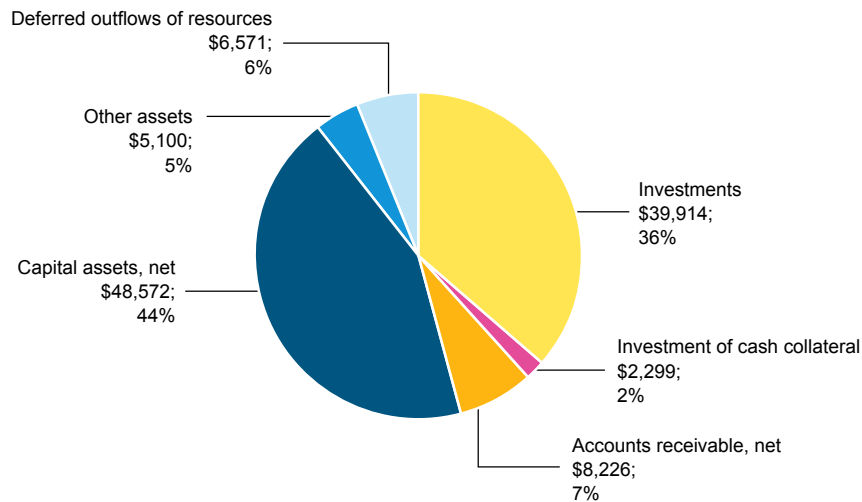
Other assets

Other assets include cash, investments held by trustees, pledges receivable, notes and mortgages receivable, inventories and receivables from the DOE. The noncurrent receivable from the DOE, which fluctuates with the net pension and retiree health benefits liabilities due to the DOE’s continuing responsibility to contribute for retired and terminated vested members of LLNL and LANL, decreased by \$122.7 million in 2024 and increased by \$22.5 million in 2023.

Deferred outflows of resources

Changes in the fair value of the University’s interest rate swaps that are determined to be hedging derivatives, losses on debt refundings, asset retirement obligations, excess of consideration from acquisitions and certain changes in the net pension and net retiree health benefits liabilities are reported as deferred outflows of resources. In 2024, deferred outflows decreased due to changes in the pension obligations as a result of actual earnings more than expected and changes in assumptions for retiree health benefits partially offset by increases due to acquisitions for the Irvine and Los Angeles medical centers. In 2023, deferred outflows decreased due to higher than expected investment returns for the UCRP portfolio. The major components of the University’s assets and deferred outflows for 2024 are presented in **Display 2**.

Display 2: The University’s Assets and Deferred Outflows for 2024 *(in millions of dollars)*



The University's Liabilities and Deferred Inflows

The University's liabilities and deferred inflows of resources increased to \$105.8 billion in 2024 as compared to \$103.1 billion in 2023, and \$104.1 billion in 2022.

The major components of the University's liabilities and deferred inflows for 2024 are presented in **Display 3**.

Debt, including commercial paper

Capital assets are financed from a variety of sources, including state support, gifts, revenue bonds, bank loans and leases or structures that involve separate legal entities.

Commercial paper and bank loans provide interim financing for capital assets during the construction period. Outstanding debt increased by \$1.6 billion and \$0.4 billion in 2024 and 2023, respectively. A summary of the debt activity in 2024 and 2023 is displayed on [page 17](#) in **Table MDA.2**.

The University's debt, which is used primarily to finance capital assets, includes \$1.6 billion, \$0.9 billion and \$0.9 billion of commercial paper outstanding at the end of 2024, 2023 and

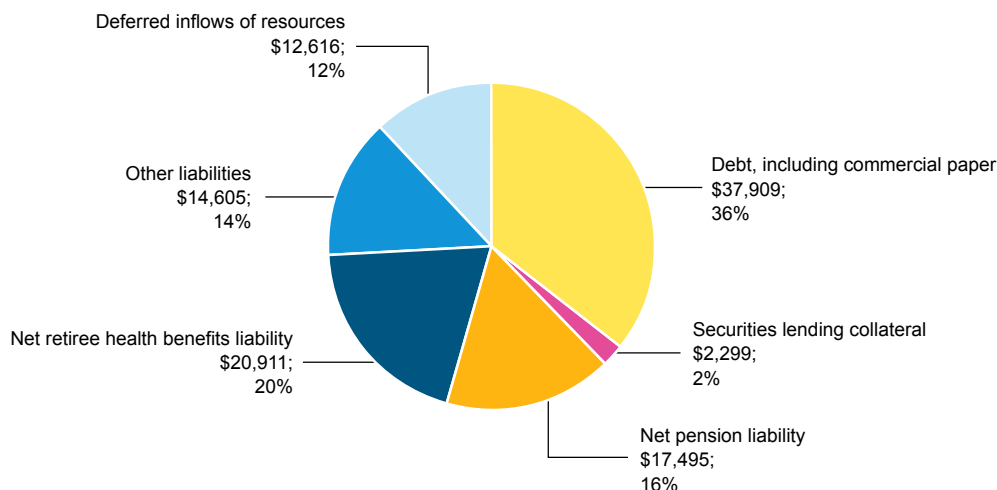
2022, respectively. Total debt outstanding was \$37.9 billion at the end of 2024 compared to \$36.3 billion and \$35.9 billion at the end of 2023 and 2022, respectively.

In 2024, General Revenue Bonds totaling \$3.2 billion were issued to finance the acquisition, construction, improvement and renovation of certain facilities of the University and refund general revenue bonds totaling \$1.6 billion and limited project revenue bonds totaling \$0.5 billion.

In 2023, General Revenue Bonds totaling \$3.3 billion, including \$2.8 billion in tax-exempt bonds, were issued to finance the acquisition, construction, improvement and renovation of certain facilities of the University and refund general revenue bonds totaling \$2.0 billion and medical center pooled revenue bonds totaling \$0.3 billion.

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

Display 3: The University's Liabilities and Deferred Inflows for 2024 (in millions of dollars)



Commercial paper borrowings increased by \$702.5 million in 2024 as compared to 2023 and decreased by \$60.0 million in 2023 compared to 2022. Commercial paper is primarily used as interim financing for construction projects and short-term financing for other needs. Commercial paper fluctuates based upon the timing of refinancing construction projects with the issuance of long-term revenue bonds. The University has various revolving credit agreements totaling \$700.0 million with major financial institutions for the purpose of providing additional liquidity for certain variable-rate demand bonds, commercial paper and other liquidity needs.

Net pension liability and retiree health benefits

The University has financial responsibility for pension benefits associated with its defined benefit plans and for retiree health benefits. The University's net pension liability was \$17.5 billion, \$20.4 billion and \$21.4 billion in 2024, 2023 and 2022, respectively. The changes were driven primarily by investment returns for the UCRP portfolio. In both 2024 and 2023 market performance was favorable compared to expected returns. The total investment rate of return for UCRP was 12.2 percent in 2024, 10.1 percent in 2023 and (10.8) percent in 2022. The discount rate used to estimate the net pension liability was 6.75 percent for 2024, 2023 and 2022, respectively.

LBNL participates in the University's defined benefit pension plan, although the DOE has ongoing financial responsibility to reimburse the University for LBNL's share of the obligation to UCRP. In addition, under certain circumstances, the University makes contributions to UCRP for LANL and LLNL retirees and, based upon contractual arrangements with the DOE, is reimbursed by the DOE. The University recorded receivables from the DOE of \$0.5 billion for each of 2024, 2023 and 2022, respectively, representing the DOE's share of the net pension liability.

The University's net retiree health benefits liability was \$20.9 billion, \$22.3 billion and \$20.2 billion in 2024, 2023 and 2022, respectively. While retiree health benefits are not a legal obligation of the University and can be canceled or modified at any time, accounting standards require the University to recognize a net retiree health benefits liability based on the current practices of providing such benefits. The University funds the retiree health benefits through UCRHBT on a pay-as-you-go basis. Since the assets in the trust are not currently sufficient to fund retiree health benefits, the Bond Buyer 20-year tax-exempt general obligation municipal bond index rate is used to discount the retiree health benefits liability. The decrease in the net retiree health benefits liabilities in 2024 was primarily driven by changes in actuarial assumptions including an increase in the discount rate and a decrease in plan participation and

Table MDA.2: Summary of Debt Activity *(in millions of dollars)*

Debt activity	2024	2023
Additions to outstanding debt		
General Revenue Bonds	\$3,195	\$3,254
Medical Center Pooled Revenue Bonds		
Blended Component Unit Revenue Bonds		
Limited Project Revenue Bonds		
Financing obligations, leases and SBITAs	450	516
Commercial paper, net	703	
Other borrowings	132	
Bond premium, net	443	309
Additions to outstanding debt	4,923	4,079
Reductions from outstanding debt		
Refinancing and prepayments	(2,082)	(2,430)
Scheduled principal payments	(1,036)	(926)
Payments on other borrowings	(75)	(95)
Commercial paper, net		(60)
Amortization of bond premium	(161)	(157)
Reductions from outstanding debt	(3,354)	(3,668)
Net increase in outstanding debt	\$1,569	\$411

health care cost trend assumptions. The changes in the net retiree health benefits liabilities in 2023 were primarily driven by an actuarial loss from higher than projected health care premium rates. The discount rates as of June 30, 2024, 2023 and 2022 were 3.93 percent, 3.65 percent and 3.54 percent, respectively.

LBNL participates in the University’s retiree health benefits plans and, based on contractual arrangements with the DOE, the University is reimbursed for retiree health benefits costs associated with LBNL retirees. The University recorded receivables from the DOE of \$715.1 million, \$710.0 million and \$708.6 million for 2024, 2023 and 2022, respectively, representing the DOE’s share of the net retiree health benefits liability.

Other liabilities

Other liabilities consist of accounts payable, accrued salaries, other employee benefits, unearned revenue, DOE laboratories’ liabilities, federal refundable loans, self-insurance liabilities and obligations under split-interest agreements held by the University. Accrued salaries changes were due to the timing of payroll and benefit payments. Self-insurance liabilities increased by \$451.6 million and decreased by \$336.6 million in 2024 and 2023, respectively, due to changes in claims and changes in estimates.

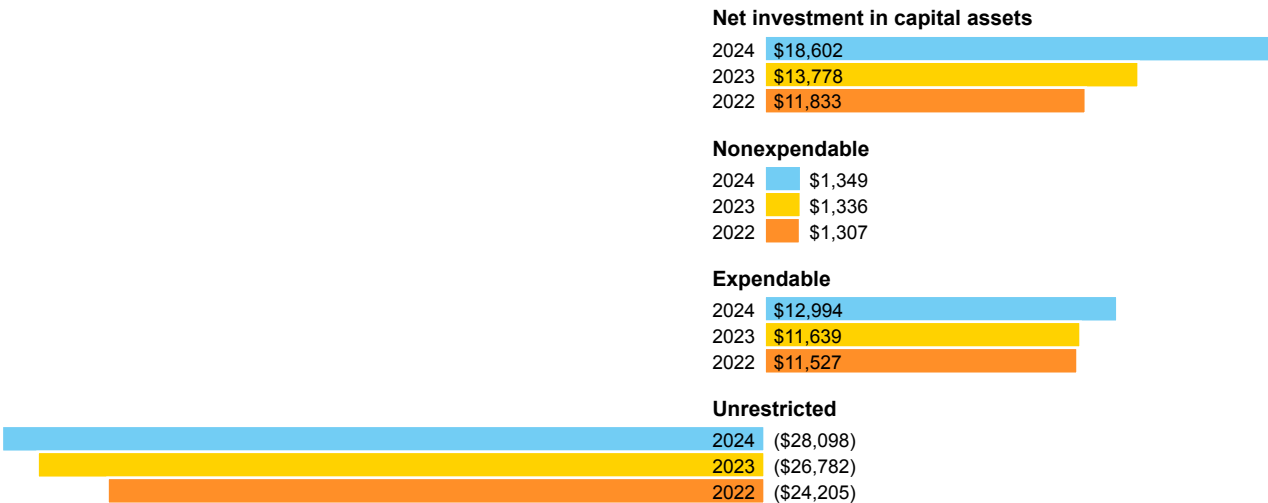
Deferred inflows of resources

Deferred inflows of resources are related to the University’s service concession arrangements, gains on debt refunding, sales of certain future patent royalty revenues, changes in the estimated future value of irrevocable split-interest agreements and certain changes in the net pension and net retiree health benefits liabilities. Changes in deferred inflows of resources were primarily due to fluctuations in the net pension liability related to investment market performance and the retiree health liability as a result of changes in the discount rate.

The University’s Net Position

Net position represents the residual interest in the University’s assets and deferred outflows after all liabilities and deferred inflows are deducted. The University’s net position was \$4.8 billion in 2024 compared to \$0.0 billion in 2023 and \$0.5 billion in 2022. Net position is reported in the following categories: net investment in capital assets, restricted nonexpendable, restricted expendable and unrestricted, which are presented in **Display 4**.

Display 4: The University’s Net Position (in millions of dollars)



Net investment in capital assets

The portion of net position invested in capital assets, net of accumulated depreciation and the related outstanding debt used to finance the acquisition, construction or improvement of these capital assets, was \$18.6 billion in 2024 compared to \$13.8 billion in 2023 and \$11.8 billion in 2022. To support its growth, the University continues to invest in its physical facilities, and financing with debt is used for a significant portion of the investments. Net investment in capital assets increased by \$4.8 billion and \$1.9 billion in 2024 and 2023, respectively, as the University continues to invest in its physical facilities.

Restricted nonexpendable

Restricted nonexpendable net position includes the corpus of the University's permanent endowments as well as minority interests. In 2024 and 2023, the increase in restricted nonexpendable net position was principally due to the receipt of new gifts.

Restricted expendable

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

Unrestricted

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

The University's Results of Operations

The statements of revenues, expenses and changes in net position present the University's operating results and indicate whether the financial condition has improved or deteriorated. In accordance with GASB requirements, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the University are required to be recorded as nonoperating revenues, including state educational appropriations, private gifts and investment income. A summarized comparison of the operating results for 2024, 2023 and 2022, arranged in a format that matches the revenue supporting the primary activities of the University with the expenses associated with these primary activities, is shown on [page 20](#) in **Table MDA.3**.

Table MDA. 3: The University's Results of Operations *(in millions of dollars)*

Primary activities	2024 Operating	2024 Non- operating	2024 Total	2023 Operating	2023 Non- operating	Total	2022 Operating	2022 Non- operating	2022 Total
Revenues									
Student tuition and fees, net	\$5,663		\$5,663	\$5,515		\$5,515	\$5,441		\$5,441
State educational appropriations		\$4,714	4,714		\$4,387	4,387		\$4,297	4,297
Direct government grants		5	5		128	128		843	843
Federal Pell Grants		442	442		448	448		444	444
Grants and contracts, net	8,403		8,403	7,615		7,615	7,055		7,055
Medical centers, net	22,051	72	22,123	19,160	42	19,202	17,467	40	17,507
Educational activities, net	6,188		6,188	5,890		5,890	5,351		5,351
Auxiliary enterprises, net	2,018		2,018	1,851		1,851	1,646		1,646
Department of Energy laboratories	1,190		1,190	1,147		1,147	1,031		1,031
Private gifts, net		2,024	2,024		1,826	1,826		1,737	1,737
Other revenues	1,045	1,718	2,763	1,024	1,168	2,192	904	632	1,536
Revenues supporting primary activities	46,558	8,975	55,533	42,202	7,999	50,201	38,895	7,993	46,888
Expenses									
Salaries and wages	24,444		24,444	21,880		21,880	19,887		19,887
Pension benefits	3,375		3,375	4,892		4,892	4,338		4,338
Retiree health benefits	994		994	1,108		1,108	1,238		1,238
Other employee benefits	5,810		5,810	5,213		5,213	4,615		4,615
Scholarships and fellowships	964		964	893		893	1,182		1,182
Supplies and materials	6,410		6,410	5,922		5,922	5,361		5,361
Depreciation and amortization	3,202		3,202	2,830		2,830	2,695		2,695
Department of Energy laboratories	1,147		1,147	1,104		1,104	991		991
Interest expense		1,226	1,226		1,158	1,158		1,130	1,130
Other expenses	8,356	(217)	8,139	7,327	58	7,385	7,033		7,033
Expenses associated with primary activities	54,702	1,009	55,711	51,169	1,216	52,385	47,340	1,130	48,470
Income (loss) from primary activities	(\$8,144)	\$7,966	(\$178)	(\$8,967)	\$6,783	(\$2,184)	(\$8,445)	\$6,863	(\$1,582)
Other nonoperating activities									
Net appreciation (depreciation) in fair value of investments			4,294			1,218			(3,149)
(Loss) before other changes in net position			4,116			(966)			(4,731)
Other changes in net position									
State capital appropriations			106			105			1
Capital gifts and grants, net			648			340			311
Additions to permanent endowments			20			30			31
Change in net position			4,890			(491)			(4,388)
Net position									
Beginning of year, as previously reported			(29)			462			4,850
Change in reporting entity			(11)						
Beginning of year, as restated			(40)			462			4,850
End of year			\$4,850			(\$29)			\$462

Revenues Supporting Core Activities

Revenues to support the University's primary activities, including those classified as nonoperating revenues, were \$55.5 billion, \$50.2 billion and \$46.9 billion in 2024, 2023 and 2022, respectively. These diversified sources of revenue increased by \$5.3 billion in 2024 and \$3.3 billion in 2023.

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

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

Revenues by category for 2024, 2023 and 2022 are presented in **Display 5**.

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

Display 5: The University's Revenues by Category *(in millions of dollars)*

Student tuition and fees, net

2024	\$5,663
2023	\$5,515
2022	\$5,441

State educational appropriations

2024	\$4,714
2023	\$4,387
2022	\$4,297

Grants and contracts, net

2024	\$8,403
2023	\$7,615
2022	\$7,055

Medical Centers, net

2024	\$22,123
2023	\$19,202
2022	\$17,507

Educational activities and auxiliary, enterprise, net

2024	\$8,206
2023	\$7,741
2022	\$6,997

DOE laboratories and other operating expenses

2024	\$2,235
2023	\$2,171
2022	\$1,935

Other nonoperating revenues (Pell Grants, private gifts, net investment income and other)

2024	\$4,188
2023	\$3,569
2022	\$3,655

Categories of both operating and nonoperating revenue that supported the University’s primary activities in 2024 are presented in **Display 6**.

Student tuition and fees, net

Net student tuition and fees were \$5.7 billion, \$5.5 billion and \$5.4 billion in 2024, 2023 and 2022, respectively. Scholarship allowances, or financial aid, are the difference between the stated charge for tuition and fees and the amount that is paid by the student and third parties on behalf of the student. Scholarship allowances, netted against student tuition and fees, were \$1.5 billion in each of 2024, 2023 and 2022, respectively. Student tuition and fees, net of scholarship allowances, increased by \$148.6 million in 2024 and by \$74.4 million in 2023, respectively.

In 2023–24, the University enrolled its largest-ever cohort of California resident first-year students, contributing to an increase of 6,538 full-time equivalent (FTE) resident undergraduates compared to the previous year, and an increase of 7,788 FTE over 2021–22, on par with the growth goal of 7,800 FTE included in the Budget Act of 2023. Consistent with the Tuition Stability Plan approved by the Regents in July 2021, which authorizes increases to mandatory systemwide fees applicable to the incoming cohort of undergraduate students, undergraduates who first enrolled in 2024–25 are assessed a mandatory tuition level that is 4.97% higher than the prior cohort. For graduate students in state-supported programs, adjustments to mandatory tuition and fees are pegged to the rate of inflation beginning with the 2022–23 academic year. Professional Degree Supplemental Tuition varies

by discipline, with fee levels approved on a regular interval as existing plans expire; the latest increases for certain programs were approved by the Regents for 2024.

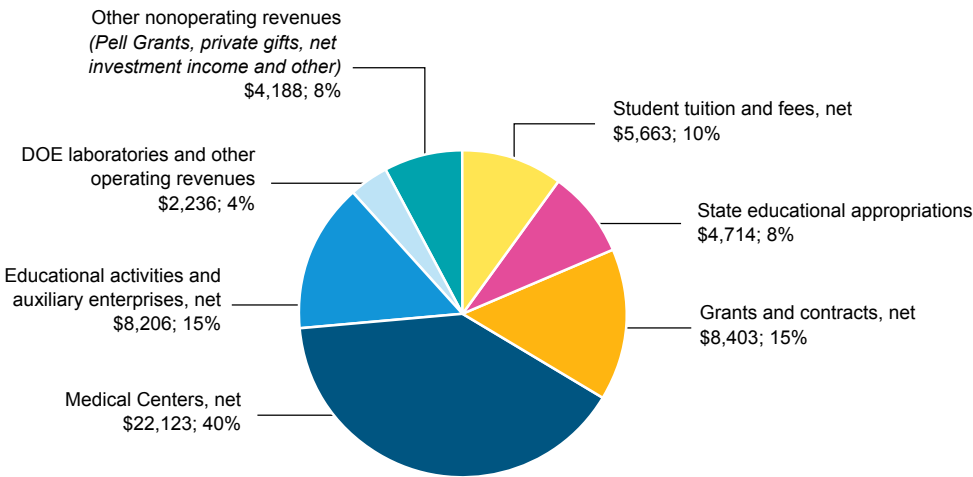
State educational appropriations

Educational appropriations from the state of California were \$4.7 billion, \$4.4 billion and \$4.3 billion in 2024, 2023 and 2022, respectively. State educational appropriations increased by \$0.3 billion and \$0.1 billion in 2024 and 2023 due to a restoration of state support cut during prior years, a further base budget increase and new one-time funds for deferred maintenance and other purposes.

Direct government grants

The University received funds under certain provisions of the American Rescue Plan Act (ARPA) and CARES Act to minimize the impacts of lost revenues and increased expenses related to COVID-19. The campuses received \$70.6 million and \$642.7 million in 2023 and 2022, respectively, in grants to provide emergency financial aid to students and to mitigate the impacts of lost revenue and additional technology expenses associated with moving to online education. The medical centers received \$57.3 million and \$52.8 million in 2023 and 2022, respectively, in CARES Act provider relief funding for lost health care revenues and additional expenses for treating patients with COVID-19. In 2022, the medical centers received designated public hospital grants of \$147.9 million in support of their health care expenditures.

Display 6: The University’s Operating and Nonoperating Revenues in 2024 *(in millions of dollars)*



Grants and contracts, net

Revenue from federal, state, private and local government grants and contracts, including facilities and administration cost recovery of \$1.7 billion, \$1.6 billion and \$1.4 billion in 2024, 2023 and 2022, respectively, was \$8.4 billion, \$7.6 billion and \$7.1 billion in 2024, 2023 and 2022, respectively.

In 2024, federal grants and contracts revenue increased \$374.0 million, or 8.5 percent, compared to 2023. In 2023, federal grants and contracts revenue increased \$338.0 million, or 8.3 percent, compared to 2022. Federal grants and contracts include federal facilities and administrative cost recovery of \$1.1 billion, \$1.1 billion and \$981.0 million in 2024, 2023 and 2022, respectively. Changes in the federal budget impact the University's revenue from federal grants and contracts. Grants and contracts revenue, including grants for research related to COVID-19 in 2024, 2023 and 2022, is from a variety of federal agencies as indicated in

Table MDA.4.

Medical centers, net

Medical center revenue, net of allowances, increased \$2.9 billion, or 15.2 percent, in 2024 and \$1.7 billion, or 9.7 percent, in 2023. Revenue growth in 2024 and 2023 was the result of increases in both inpatient and outpatient volumes.

Educational activities and auxiliary enterprises, net

Revenue from educational activities, primarily medical professional fees, net of allowances, increased by \$297.8 million, or 5.1 percent, in 2024 and \$538.9 million, or 10.1 percent, in 2023, due to higher patient volumes.

Auxiliary enterprises include housing, food service, parking, bookstores, student centers, unions and child-care centers. Revenue from auxiliary enterprises, net of allowances, increased by \$167.2 million, or 9.0 percent, in 2024 and by \$204.3 million, or 12.4 percent, in 2023 in line with the University's initiative to expand campus housing while minimizing increases in housing costs for students.

Table MDA.4: Grants and Contracts Revenue Sources *(in millions of dollars)*

Sources	2024	2023	2022
Department of Health and Human Services	\$2,962	\$2,808	\$2,595
National Science Foundation	568	566	532
Department of Education	142	92	94
Department of Defense	320	306	312
National Aeronautics and Space Administration	141	142	114
Department of Energy (excluding national laboratories)	187	175	155
Other federal agencies	441	298	247
Federal grants and contracts net revenue	\$4,761	\$4,387	\$4,049

Expenses associated with primary activities

Expenses associated with the University's primary activities, including those classified as nonoperating expenses, were \$55.7 billion, \$52.4 billion and \$48.5 billion in 2024, 2023 and 2022, respectively. These expenses increased in 2024 by \$3.3 billion and in 2023 by \$3.9 billion. The University's operations continued to grow, principally at the medical centers, and expenses

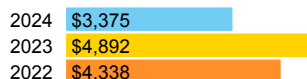
increased consistent with the overall growth in operations. Pension expenses have caused significant fluctuations in total expenses due to the performance of the financial markets. Retiree health benefits expenses decreased in 2024 and 2023 due to the changes in the discount rate. Expenses in the various categories are presented in **Display 7**. Categories of both operating and nonoperating expenses related to the University's primary activities in 2024 are shown on [page 25](#) in **Display 8**.

Display 7: The University's Expenses by Category *(in millions of dollars)*

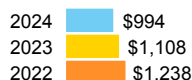
Salaries and wages



Pension benefits



Retiree health benefits



Other employee benefits



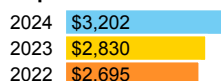
Scholarships and fellowships



Supplies and materials



Depreciation and amortization



DOE laboratories, utilities and other operating expenses



Interest expense and other nonoperating expenses



Salaries and benefits

Approximately two-thirds of the University's expenses are related to salaries and benefits. There were 197,400 full-time equivalent (FTE) employees in 2024, excluding employees who were associated with LBNL, whose salaries and benefits were included as laboratory expenses, as compared to 189,700 FTEs in 2023. Total salaries and benefits expense increased by 4.6 percent in 2024, primarily driven by the increase in salaries and wages of \$2.6 billion and pension expense of \$(1.5) billion. Total salaries and benefits expense increased by 10.0 percent in 2023, primarily driven by the increase in salaries and wages of 2.0 billion and pension expense of \$.6 billion.

In 2024, salaries increased by 11.7 percent, comprised of an increase of 4.1 percent in the number of FTEs and a 7.4 percent increase in the average salary per FTE. In 2024, employee benefits, excluding pension and retiree health benefits, increased by \$597.4 million, or 11.5 percent. Pension expense decreased by \$1.5 billion due to changes in actuarial assumptions related to the experience study. Retiree health benefits expense decreased by \$114.0 million or 10.3 percent due to an increase in the discount rate.

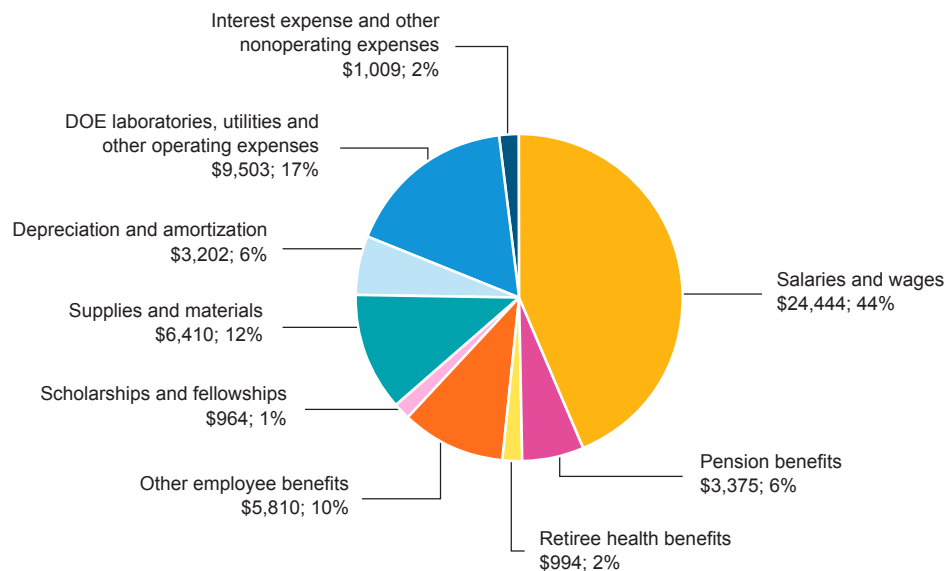
In 2023, salaries increased by 10.0 percent, comprised of an increase of 5.3 percent in the number of FTEs and a 4.5 percent increase in the average salary per FTE. In 2023, employee benefits, excluding pension and retiree health benefits, increased by \$597.7 million, or 13 percent. Pension expense increased by \$0.6 billion due to changes in actuarial assumptions

related to the experience study. Retiree health benefits expense decreased by \$130.2 million or 10.5 percent due to an increase in the discount rate.

Scholarships and fellowships

The University places a high priority on student financial aid as part of its commitment to affordability. The University's practice is to minimize the impact of cost increases on first-generation and low-income students. Financial aid in all forms awarded by the University was \$2.8 billion, \$2.7 billion and \$2.9 billion in 2024, 2023 and 2022, respectively. Scholarship allowances which are netted against student tuition and fees were \$1.8 billion, \$1.8 billion and \$1.7 billion in 2024, 2023 and 2022, respectively. Scholarships and fellowships expense, representing payments of financial aid made directly to students and reported as an operating expense were \$1.0 billion, \$0.9 billion and \$1.2 billion in 2024, 2023 and 2022, respectively. On a combined basis, as the University continues its commitment to provide financial support for needy students, financial aid in all forms increased by \$0.1 million, or 3.1 percent, in 2024 as compared to 2023, and by \$0.2 million, or 8.3 percent, in 2023 as compared to 2022. Increases in financial aid, scholarships and fellowships are consistent with increases in enrollment, tuition, fees and housing costs. Financial aid includes direct payments to students of \$0 million, \$19.5 million and \$333.0 million in 2024, 2023 and 2022, respectively, related to funds received under the CARES Act.

Display 8: Expenses Related to Primary Activities in 2024 (in millions of dollars)



Supplies and materials

In recent years, there has been inflationary pressure on the costs for medical supplies and laboratory instruments and higher costs for general supplies necessary to support expanded medical patient volumes. The University continues to find opportunities to manage the costs of supplies and materials. During 2024 and 2023, supplies and materials costs increased by \$487.9 million, or 8.2 percent and \$560.9 million, or 10.5 percent, respectively. The largest increases occurred at the medical centers due to increased patient volumes. In 2024 and 2023, supplies costs increased for research activities related to increased federal contract and grant activities.

Other expenses

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

Operating gains and losses

In accordance with GASB's reporting standards, operating losses were \$8.1 billion, \$9.0 billion and \$8.4 billion in 2024, 2023 and 2022, respectively. The operating losses in 2024, 2023 and 2022 were offset by \$8.0 billion, \$6.8 billion and \$6.9 billion, respectively, of net nonoperating revenue that supports primary operating activities of the University. Expenses exceeded revenues associated with primary activities by \$0.2 billion, \$2.2 billion and \$1.6 billion in 2024, 2023 and 2022, respectively. These fluctuations have been primarily driven by changes in pension and retiree health benefits expenses.

Other nonoperating activities

The University's other nonoperating activities, consisting of net appreciation or depreciation in the fair value of investments, are noncash transactions and, therefore, are not available to support operating expenses. In 2024 and 2023, the University recognized net appreciation in the fair value of investments of \$4.3 billion and \$1.2 billion, respectively. In 2022, the University recognized net depreciation in the fair value of investments of \$(3.1) billion. The University's portfolio returns fluctuate with the overall performance in the investment markets. In 2022, the University recognized net depreciation in the fair value of investments of \$(3.1) billion.

Other changes in net position

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

Looking Forward — Factors Impacting Future Periods

Governor Newsom signed Senate Bill 108 on June 29, 2024. This bill, together with Assembly Bill 107, which the Governor signed on June 26, constitute the Budget Act of 2024. For 2024–25, State funding allocated to the University totals \$4.9 billion, including \$134.8 million in new, ongoing funding (an increase of 2.9 percent over 2023–24) and \$2.4 million of one-time funding for research at the Nutrition Policy Institute in Agriculture and Natural Resources.

The budget provides the University with an increase of \$227.8 million, consistent with the multi-year compact, \$31.0 million for the replacement of nonresident students with resident undergraduates at the Berkeley, Los Angeles, and San Diego campuses, and \$14.5 million to cover debt service costs for a medical educational building at the Merced campus. However, the budget also reflects a reduction of \$125 million to the University's base budget and reduces support for Graduate Medical Education programming by \$13.5 million.

The Budget Act reflects the third year of the Governor's multi-year compact with the University. Under the compact, the Governor will propose annual base budget increases of five percent for the University in 2022–23 through 2026–27. The University, in turn, has committed to specific and ambitious goals related to increasing access to the University of California, improving student success and advancing equity, increasing the affordability of a UC education, increasing intersegmental collaboration, supporting workforce preparedness and providing access to online course offerings.

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

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

Cautionary Note Regarding Forward-Looking Statements

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

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







Report of Independent Auditors

To The Regents of the University of California

Opinions

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of the University of California (the "University"), a component unit of the State of California, as of and for the years ended June 30, 2024 and 2023, including the related notes, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of the University as of June 30, 2024 and 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement, when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 27 and the required supplementary information on pages 108 through 123 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises pages 6 through 9, but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

PricewaterhouseCoopers LLP

San Francisco, California
November 18, 2024

Financial Statements

Statements of Net Position At June 30, 2024 and 2023

(in thousands of dollars)

Description	University of California 2024	University of California 2023	Campus Foundations 2024	Campus Foundations 2023
Assets				
Cash and cash equivalents	\$510,362	\$549,988	\$255,142	\$272,370
Short-term investments	5,105,163	9,946,972	1,562,469	1,788,817
Investment of cash collateral	2,203,923	1,833,062		
Investments held by trustees	179,524	345,834		
Accounts receivable, net	8,226,291	6,929,913	30,332	39,999
Pledges receivable, net	29,061	34,964	311,690	307,168
Current portion of notes and mortgages receivable, net	31,000	66,737		
Inventories	438,656	397,407		
Department of Energy receivable	222,359	178,365		
Other current assets	588,283	598,977	11,972	2,655
Current assets	17,534,622	20,882,219	2,171,605	2,411,009
Investments	34,809,290	27,662,435	14,440,926	13,035,528
Investment of cash collateral	95,416	80,824		
Investments held by trustees	164,374	99,091		
Pledges receivable, net	41,250	18,800	1,260,430	1,343,530
Notes and mortgages receivable, net	448,105	329,987	250	250
Department of Energy receivable	1,232,727	1,355,389		
Capital assets, net	48,572,417	43,803,907		
Other noncurrent assets	1,213,812	1,143,371	171,717	107,575
Noncurrent assets	86,577,391	74,493,804	15,873,323	14,486,883
Total assets	104,112,013	95,376,023	18,044,928	16,897,892
Deferred outflows of resources	6,570,718	7,694,282		
Liabilities				
Accounts payable	3,218,340	3,579,443	16,669	23,879
Accrued salaries	1,817,454	805,549		
Employee benefits	1,470,455	1,026,661		
Unearned revenue	2,162,184	1,943,846	20,279	39,440
Collateral held for securities lending	2,299,343	1,913,858		
Commercial paper	1,587,500	885,000		
Current portion of long-term debt	3,113,605	2,602,168		
Department of Energy laboratories' liabilities	233,294	189,122		
Other current liabilities	3,041,403	2,623,851	100,363	139,675
Current liabilities	18,943,578	15,569,498	137,311	202,994
Federal refundable loans	174,486	161,866		
Self-insurance	1,632,855	1,392,511		
Obligations under life income agreements	32,491	32,891	136,581	135,177
Long-term debt	33,208,243	32,853,607		
Net pension liability	17,494,965	20,385,317		
Net retiree health benefits liability	20,911,103	22,327,431		
Other noncurrent liabilities	822,166	881,779	45,319	44,130
Noncurrent liabilities	74,276,309	78,035,402	181,900	179,307
Total liabilities	93,219,887	93,604,900	319,211	382,301
Deferred inflows of resources	12,615,883	9,494,694	250,743	210,622
Net position				
Net investment in capital assets	18,601,613	13,777,714		
Restricted: Nonexpendable: Endowments and gifts	1,316,568	1,290,807	7,424,469	6,907,145
Restricted: Nonexpendable: Reserved for minority interests	32,591	45,436		
Restricted: Expendable	12,994,201	11,639,236	8,616,153	8,067,172
Unrestricted	(28,098,012)	(26,782,482)	1,434,352	1,330,652
Total net position	\$4,846,961	(\$29,289)	\$17,474,974	\$16,304,969

See accompanying notes to financial statements.

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2024 and 2023 (in thousands of dollars)

Description	University of California 2024	University of California 2023	Campus Foundations 2024	Campus Foundations 2023
Operating revenues				
Student tuition and fees, net	\$5,663,450	\$5,514,899		
Grants and contracts, net: Federal	4,760,611	4,387,081		
Grants and contracts, net: State	857,440	793,594		
Grants and contracts, net: Private	2,312,299	1,984,963		
Grants and contracts, net: Local	473,056	449,279		
Medical centers, net	22,050,727	19,160,460		
Educational activities, net	6,187,696	5,889,864		
Auxiliary enterprises, net	2,018,183	1,850,937		
Department of Energy laboratories	1,190,174	1,147,115		
Campus foundation private gifts			\$1,298,412	\$2,241,726
Other operating revenues, net	1,045,359	1,024,373	745	2,165
Total operating revenues	46,558,995	42,202,565	1,299,157	2,243,891
Operating expenses				
Salaries and wages	24,444,384	21,879,739		
Pension benefits	3,375,398	4,891,821		
Retiree health benefits	994,256	1,108,240		
Other employee benefits	5,810,379	5,213,015		
Supplies and materials	6,410,253	5,922,349		
Depreciation and amortization	3,202,066	2,829,698		
Department of Energy laboratories	1,146,576	1,104,266		
Scholarships and fellowships	963,827	892,943		
Utilities	422,983	529,740		
Campus foundation grants			1,903,810	1,846,139
Other operating expenses	7,933,306	6,797,133	46,961	50,307
Total operating expenses	54,703,428	51,168,944	1,950,771	1,896,446
Operating income (loss)	(8,144,433)	(8,966,379)	(651,614)	347,445
Nonoperating revenues (expenses)				
State educational appropriations	4,713,643	4,387,338		
State hospital fee grants	71,774	41,883		
Direct government grants	5,141	127,874		
Build America Bonds federal interest subsidies	48,085	53,834		
Federal Pell Grants	441,616	447,641		
Private gifts, net	2,023,566	1,825,635		
Investment income: Short term investment pool and other, net	678,208	711,486		
Investment income: Endowment, net	149,340	302,891		
Investment income: Securities lending, net	(14,154)	(8,420)		
Investment income: Campus foundations			183,114	137,383
Investment income: Net appreciation in fair value of investments	4,293,507	1,218,317	1,180,425	772,813
Interest expense	(1,225,704)	(1,158,643)		
Gain (loss) on disposal of capital assets	217,043	(58,211)		
Other nonoperating revenues	856,197	108,240	61	61
Net nonoperating revenues (expenses)	12,258,262	7,999,865	1,363,600	910,257
Income (loss) before other changes in net position	4,113,829	(966,514)	711,986	1,257,702
Other changes in net position				
Capital gifts and grants	647,560	339,658		
State capital appropriations	105,714	105,328		
Additions to permanent endowments	20,428	30,416	458,019	437,814
Change in net position	4,887,531	(491,112)	1,170,005	1,695,516
Net position				
Beginning of year	(29,289)	461,823	16,304,969	14,609,453
Change to or within financial reporting entity	(11,281)			
Beginning of year, restated	(40,570)	461,823	16,304,969	14,609,453
End of year	\$4,846,961	(\$29,289)	\$17,474,974	\$16,304,969

See accompanying notes to financial statements.

Statements of Cash Flows

Years ended June 30, 2024 and 2023 (in thousands of dollars)

Description	University of California 2024	University of California 2023
Cash flows from operating activities		
Student tuition and fees	\$5,789,726	\$5,512,640
Grants and contracts	7,290,492	7,776,067
Medical centers	21,364,069	18,680,849
Educational activities	6,077,254	5,819,997
Auxiliary enterprises	1,996,689	1,866,352
Collection of loans from students and employees	158,809	8,681
Payments to employees	(23,624,242)	(23,214,793)
Payments to suppliers and utilities	(14,175,643)	(12,948,944)
Payments for pension benefits	(3,047,569)	(2,701,794)
Payments for retiree health benefits	(518,495)	(432,897)
Payments for other employee benefits	(4,914,804)	(4,254,948)
Payments for scholarships and fellowships	(963,827)	(892,943)
Loans issued to students and employees	(241,189)	(8,747)
Other receipts (payments)	809,031	(1,106,820)
Net cash used by operating activities	(3,999,699)	(5,897,300)
Cash flows from noncapital financing activities		
State educational appropriations	4,712,940	4,411,505
Federal Pell Grants	437,644	450,181
Direct government grants	5,141	127,874
State hospital fee grants	71,774	41,883
Gifts received for other than capital purposes: Private gifts for endowment purposes	90,745	31,391
Gifts received for other than capital purposes: Other private gifts	1,975,417	1,831,605
Receipt of retiree health contributions from UCRP	130,407	127,772
Payment of retiree health contributions to UCRHBT	(133,042)	(169,201)
Receipts from UCRHBT	442,314	416,594
Payments for retiree health benefits made on behalf of UCRHBT	(471,928)	(433,424)
Student direct lending receipts	529,656	531,156
Student direct lending payments	(446,260)	(529,178)
Commercial paper financing: Proceeds from issuance	786	807
Commercial paper financing: Payments of principal	(24,351)	(8,208)
Interest paid on debt	(37,990)	(37,694)
Other receipts	557,560	176,877
Net cash provided by noncapital financing activities	7,840,813	6,969,940
Cash flows from capital and related financing activities		
Commercial paper financing: Proceeds from issuance	1,567,884	981,662
Commercial paper financing: Payments of principal	(841,819)	(1,034,262)
Commercial paper financing: Interest paid	(34,703)	(24,292)
State capital appropriations	105,651	104,028
Build America Bonds federal interest subsidies	52,835	75,124
Capital gifts and grants	82,846	280,892
Proceeds from debt issuance	3,771,001	3,566,604
Proceeds from the sale of capital assets	28,210	11,698
Purchase of capital assets	(6,030,397)	(4,115,155)
Cash paid for acquisitions, net of cash acquired	(1,477,462)	
Refinancing or prepayment of outstanding debt	(2,081,989)	(2,429,970)
Scheduled principal paid on debt	(1,110,538)	(1,013,537)
Interest paid on debt	(885,727)	(1,147,279)
Other receipts	376,865	79,108
Net cash used by capital and related financing activities	(6,477,343)	(4,665,379)

See accompanying notes to financial statements.

Statements of Cash Flows

Years ended June 30, 2024 and 2023 (in thousands of dollars) continued

Description	University of California 2024	University of California 2023
Cash flows from investing activities		
Proceeds from sales and maturities of investments	\$152,848,128	\$249,716,361
Purchase of investments	(151,346,808)	(247,548,563)
Investment income, net of investment expenses	1,095,283	894,164
Net cash provided by investing activities	2,596,603	3,061,962
Net change in cash and cash equivalents	(39,626)	(530,777)
Cash and cash equivalents, beginning of year	549,988	1,080,765
Cash and cash equivalents, end of year	\$510,362	\$549,988
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	(\$8,144,433)	(\$8,966,379)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization expense	3,202,066	2,829,698
Allowance for uncollectible accounts	852,879	424,388
Loss on impairment of capital assets	48,675	45,090
Changes in assets and liabilities:		
Investments held by trustees	(26,604)	(1,754)
Accounts receivable	(2,543,199)	(1,540,592)
Inventories	(41,249)	(14,724)
Other assets	(136,655)	(190,932)
Accounts payable	623,035	129,048
Accrued salaries	1,011,905	(587,205)
Employee benefits	483,865	(328,700)
Unearned revenue	(32,572)	21,570
Department of Energy	122,840	(22,380)
Self-insurance	451,555	(336,579)
Net pension liability	252,614	2,200,393
Net retiree health benefits liability	306,646	596,235
Other liabilities	(431,067)	(154,477)
Net cash used by operating activities	(\$3,999,699)	(\$5,897,300)
Supplemental noncash activities information		
Capital assets acquired through leases	\$281,952	\$520,974
Capital assets acquired through SBITAs	194,072	85,977
Capital assets acquired with a liability at year end	112,725	208,072
Change in fair value of investments	4,293,507	1,218,317
Change in fair value of interest rate swaps classified as hedging derivatives	8,693	67,016
Gifts of capital assets	496,076	58,699
Other noncash gifts	22,221	19,889
Beneficial interests in irrevocable split-interest agreements administered by third parties	12	4,077

See accompanying notes to financial statements.

Fiduciary Financial Statements

Statements of Fiduciary Net Position

At June 30, 2024 and 2023 (in thousands of dollars)

Description	University of California Retirement System (UCRS) 2024	University of California Retirement System (UCRS) 2023	University of California Retiree Health Benefit Trust (UCRHBT) 2024	University of California Retiree Health Benefit Trust (UCRHBT) 2023	Total UCRS and UCRHBT 2024	Total UCRS and UCRHBT 2023	Custodial External Investment Pool Funds 2024	Custodial External Investment Pool Funds 2023
Assets								
Investments	\$134,618,075	\$118,799,215	\$196,916	\$176,766	\$134,814,991	\$118,975,981	\$630,465	\$595,102
Participants' interests in mutual funds	2,921,181	2,372,880			2,921,181	2,372,880		
Investment of cash collateral	13,310,868	8,621,760			13,310,868	8,621,760		
Participant 403(b) loans	225,426	202,344			225,426	202,344		
Accounts receivable:								
Contributions from University and affiliates	224,866	69,525	37,249	31,674	262,115	101,199		
Investment income	116,650	223,237			116,650	223,237		
Security sales and other	614,202	904,019	888	825	615,090	904,844		
Prepaid insurance premiums			1,847	2,799	1,847	2,799		
Total assets	152,031,268	131,192,980	236,900	212,064	152,268,168	131,405,044	630,465	595,102
Liabilities								
Payable to University			11,014	19,240	11,014	19,240		
Payable for securities purchased	323,960	562,797			323,960	562,797		
Member withdrawals, refunds and other payables	534,850	164,675			534,850	164,675		
Collateral held for securities lending	13,310,851	8,621,741			13,310,851	8,621,741		
Total liabilities	14,169,661	9,349,213	11,014	19,240	14,180,675	9,368,453	—	—
Net position held in trust								
Members' defined benefit plan benefits	98,764,294	88,262,774			98,764,294	88,262,774		
Participants' defined contribution plan benefits	39,097,313	33,580,993			39,097,313	33,580,993		
Retiree health benefits			225,886	192,824	225,886	192,824		
Custodial external investment pool funds							630,465	595,102
Total net position held in trust	\$137,861,607	\$121,843,767	\$225,886	\$192,824	\$138,087,493	\$122,036,591	\$630,465	\$595,102

See accompanying Notes to Financial Statements.

Statement of Changes in Fiduciary Net Position

Years ended June 30, 2024 and 2023 (in thousands of dollars)

Description	University of California Retirement System (UCRS) 2024	University of California Retirement System (UCRS) 2023	University of California Retiree Health Benefit Trust (UCRHBT) 2024	University of California Retiree Health Benefit Trust (UCRHBT) 2023	Total UCRS and UCRHBT 2024	Total UCRS and UCRHBT 2023	Custodial External Investment Pool Funds 2024	Custodial External Investment Pool Funds 2023
Additions								
Contributions: Members and employees	\$3,516,891	\$3,196,194			\$3,516,891	\$3,196,194		
Contributions: University	3,168,762	2,927,174	\$414,775	\$371,631	3,583,537	3,298,805		
Other							\$353,895	\$254,217
Total contributions	6,685,653	6,123,368	414,775	371,631	7,100,428	6,494,999	353,895	254,217
Investment income (loss), net:								
Net appreciation in fair value of investments	13,883,079	5,808,449			13,883,079	5,808,449	267,343	227,363
Interest, dividends and other investment income	2,958,517	5,562,601	9,987	7,345	2,968,504	5,569,946	11,966	11,750
Securities lending income	197,750	336,928			197,750	336,928		
Securities lending fees and rebates	(193,949)	(326,940)			(193,949)	(326,940)		
Net investment income (loss)	16,845,397	11,381,038	9,987	7,345	16,855,384	11,388,383	279,309	239,113
Total additions, net	23,531,050	17,504,406	424,762	378,976	23,955,812	17,883,382	633,204	493,330
Deductions								
Benefit payments:								
Retirement payments	3,538,126	3,363,060			3,538,126	3,363,060		
Member withdrawals	145,122	141,026			145,122	141,026		
Cost-of-living adjustments	875,875	797,574			875,875	797,574		
Lump sum cash-outs	469,517	369,817			469,517	369,817		
Preretirement survivor payments	61,540	59,756			61,540	59,756		
Disability payments	25,070	24,853			25,070	24,853		
Death payments	11,734	11,360			11,734	11,360		
Participant withdrawals	2,280,368	2,174,893			2,280,368	2,174,893		
Total benefit payments	7,407,352	6,942,339	—	—	7,407,352	6,942,339	—	—
Insurance premiums:								
Insured plans			158,992	148,974	158,992	148,974		
Self-insured plans			187,295	179,276	187,295	179,276		
Medicare Part B reimbursements			39,893	32,521	39,893	32,521		
Total insurance premiums, net			386,180	360,771	386,180	360,771	—	—
Other deductions:								
Plan administration and other expenses	105,858	80,058	5,520	4,855	111,378	84,913		
External investment withdrawals							597,841	355,678
Total other deductions	105,858	80,058	5,520	4,855	111,378	84,913	597,841	355,678
Total deductions	7,513,210	7,022,397	391,700	365,626	7,904,910	7,388,023	597,841	355,678
Change in net position held in trust	16,017,840	10,482,009	33,062	13,350	16,050,902	10,495,359	35,363	137,652
Net position held in trust								
Beginning of year	121,843,767	111,361,758	192,824	179,474	122,036,591	111,541,232	595,102	457,450
End of year	\$137,861,607	\$121,843,767	\$225,886	\$192,824	\$138,087,493	\$122,036,591	\$630,465	\$595,102

See accompanying Notes to Financial Statements.

Notes to Financial Statements

Years ended June 30, 2024 and 2023

1. Organization and Summary of Significant Accounting Policies

Organization

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

Financial Reporting Entity

The University’s financial statements include the 10 campuses, five medical centers, a statewide agricultural extension program and the operations of most student government or associated student organizations as part of the primary financial reporting entity because The Regents has certain oversight responsibilities for these organizations. Organizations that are not significant or for which the University is not financially accountable, such as booster and alumni organizations, are not included in the reporting entity.

Fiat Lux Risk and Insurance Company (Fiat Lux), the University’s wholly owned captive insurance company, is a blended component unit of the University. The Regents is the sole corporate and voting member of Children’s Hospital & Research Center at Oakland (CHRCO), a private, not-for-profit Internal Revenue Code section 501(c)(3) corporation. Children’s Hospital & Research Center Foundation, a not-for-profit public benefit corporation, is organized and operated for the purpose of supporting CHRCO. CHRCO, combined with its foundation, is a blended component unit of the University. In addition, the financial position and operating results of certain other legally separate organizations are included in the University’s financial reporting entity on a blended basis if The Regents is determined to be financially accountable for the organization. These include legally separate organizations that provide research and housing services entirely, or almost entirely, to the University or otherwise exclusively, or almost exclusively, to benefit the University.

The University has 11 legally separate, tax-exempt, affiliated foundations, one for each campus and the Lawrence Berkeley National Laboratory (LBNL). The economic resources received or held by the foundations are entirely for the benefit of the campuses. Because of the nature and significance of their relationship with the University, including their ongoing financial support, the campus foundations are reported under GASB requirements as discretely presented component units of the University.

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

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

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

Acquisitions

In 2024, the University completed the purchase of six hospitals, physician practice groups, outpatient facilities for its Irvine, Los Angeles and San Diego medical centers, in exchange for \$1.5 billion. The acquisition of these facilities added 1,400 beds and 6,000 employees to expand the University's growing network of clinics and hospitals to better serve patients with safe, timely and equitable access to high-quality health care. The acquired assets became part of the Regents of the University of California.

Basis of Presentation

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

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. As a public institution, the University is considered a special-purpose government engaged primarily in a business-type activity under the provisions of GASB Statements Nos. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* and 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities—an amendment of GASB Statement No. 34*. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Significant Accounting Policies

The significant accounting policies of the University are as follows:

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

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

Investments also include private equities, private credit, absolute return funds, real estate, real asset and certain corporate asset-backed securities. Private equities include venture capital partnerships, buyouts, real assets and international funds. Fair values for interests in private equity, absolute return partnerships and real estate partnerships are based on valuations provided by the general partners of the respective partnerships. The valuations are primarily based on the most recent net asset value (NAV) of the underlying investments. The NAV is reported by the external investment managers, including general partners, in accordance with their policies as described in their respective financial statements and offering memoranda. The most recent NAV is adjusted for capital calls, distributions and significant known valuation changes, if any, of its related portfolio through June 30, 2024 and 2023.

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

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

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

management evaluates specific features of the investment and utilizes supplemental fair value information provided by the external manager along with any relevant market data to measure the investment's fair value.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital assets, net. Land, infrastructure, buildings and improvements, intangible assets, equipment, libraries, collections and special collections are recorded at cost at the date of acquisition, or estimated acquisition value at the date of donation in the case of gifts. Estimates of acquisition value involve assumptions and estimation methods that are uncertain and, therefore, the estimates could differ from actual value. Intangible assets include easements, land rights, trademarks, patents, right-to-use lease assets, right-to-use subscription-based information technology arrangement (SBITA) assets and other similar arrangements. Leases and SBITAs are recorded at the estimated present value of future payments, net of amounts paid in advance and capitalizable implementation costs. Significant additions, replacements, major repairs and renovations to infrastructure and buildings are generally capitalized if the cost equals or exceeds \$35,000 and if they have a useful life of more than one year. Minor renovations are considered operating expenses. Equipment with a cost equal to or in excess of \$5,000 and a useful life of more than one year is capitalized. Incremental costs, including salaries and employee benefits, directly related to the acquisition, development and installation of major software projects are included in the cost of the capital assets. All costs of land, library collections and special collections are capitalized.

Depreciation is calculated using the straight-line method over the estimated useful life of the asset. Assets under leases and SBITAs are amortized over the shorter of the lease or subscription term or the estimated useful life of the asset. Leasehold improvements are amortized using the straight-line method over the shorter of the life of the applicable lease or the useful life of the asset.

Estimated useful lives are shown in **Table 1.1:**

Table 1.1: Estimated Useful Lives

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

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

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

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

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

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

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

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

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

Pollution remediation obligations. Upon an obligating event, the University estimates the components of any expected pollution remediation costs and recoveries from third parties. The costs, estimated using the expected cash flow technique, are accrued as a liability. Pollution remediation liabilities generally involve groundwater, soil and sediment contamination at certain sites where state and other regulatory agencies have indicated that the University is among the responsible parties. The liabilities are reviewed annually and may increase or decrease the cost of recovery from third parties, if any, as a result of additional information that refines the estimates, or from payments made from revenue sources that support the activity. There were no expected recoveries at June 30, 2024 and 2023 reducing the pollution remediation liability.

Asset retirement obligations. Upon an obligating event, the University records the costs of any expected tangible capital asset retirement obligations using the best estimate of the current value of outlays expected to be incurred. The liabilities are reviewed annually and may change as a result of additional information that refines the estimates. Actual asset retirement obligation costs may vary from these estimates as a result of changes in assumptions such as asset retirement dates, regulatory requirements, technology and costs of labor, materials and equipment. The estimated remaining useful lives of these assets range from 1 to 26 years.

Deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources and deferred inflows of resources represent a consumption and acquisition of net position that apply to a future period, respectively. The University classifies gains on refunding of debt, increases in the fair value of hedging derivatives, payments received or to be received from service concession arrangements, changes in irrevocable split-interest agreements and certain lease payments to be received as deferred inflows of resources. The University classifies losses on refunding of debt, decreases in the fair value of hedging derivatives and certain asset retirement obligations as deferred outflows of resources. The difference between the net position acquired and consideration provided for acquisitions are reported as deferred outflow of resources and are recognized over the expected remaining service life of capital assets acquired, when acquisitions are largely based on the expected use of those capital assets. Gains or losses on refunding of debt are amortized as a component of interest expense over the remaining life of the old debt, or the new debt, whichever is shorter. Asset

retirement obligations are recognized over the remaining useful life of the related asset. Revenues from split interest agreements are recognized when the resources become available to spend. Lease revenues are recognized over the lease term.

Changes in the net pension and net retiree health liabilities not included in expenses are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension and retiree health liabilities are reported as deferred outflows of resources.

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

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

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

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

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

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

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

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

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

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

Nonoperating revenues and expenses also include state financing appropriations, state hospital fee grants, direct government grants from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Build America Bond federal interest subsidies, net appreciation (depreciation) in the fair value of investments, interest expense and the gain (loss) on the disposal of capital assets.

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

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

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

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

Scholarship allowances are netted against student tuition and fees in the statements of revenues, expenses and changes in net position for the years ended June 30 as shown in **Table 1.2:**

Table 1.2: Scholarship Allowances (in thousands of dollars)

Description	2024	2023
Student tuition and fees	\$1,531,090	\$1,448,823
Auxiliary enterprises	245,909	317,042
Other operating revenues	18,517	17,794
Scholarship allowances	\$1,795,516	\$1,783,659

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

Grant and contract revenue. The University receives grant and contract revenue from governmental and private sources. The University recognizes revenue associated with the direct costs of sponsored programs as the related expenditures are incurred. Recovery of facilities and administrative costs of federally sponsored programs is at cost reimbursement rates negotiated with the University's federal cognizant agency, the U.S. Department of Health and Human Services. For the year ended June 30, 2024, the facilities and administrative cost recovery totaled \$1.7 billion, which consisted of \$1.1 billion from federally sponsored programs and \$561.6 million from other sponsors. For the year ended June 30, 2023, the facilities and administrative cost recovery totaled \$1.6 billion, which consisted of \$1.1 billion from federally sponsored programs and \$509.9 million from other sponsors.

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

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

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

Both current employees and retirees at LBNL participate in UCRP. The University makes contributions to UCRP for LBNL employees based upon rates authorized by The Regents and is reimbursed by the DOE. The University also makes contributions to UCRP for LANL and LLNL retirees and terminated vested members, whose benefits were retained in UCRP at the time the joint ventures were formed. The University records a receivable for the net pension liability that is expected to be collected from the DOE. The University deposits

funds in UCRP when the DOE makes payments for these contributions. The contributions from the DOE and deposits into UCRP on behalf of the DOE are included as DOE laboratory revenue in the statements of revenues, expenses and changes in net position.

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

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

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

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

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

University of California Retiree Health Benefit Trust. UCRHBT receives the University's contributions toward retiree health benefits from campuses, medical centers and University affiliates. The University receives retiree health contributions from University affiliates and campus and medical center retirees that are deducted from their UCRP benefit payments or are received from the retiree through direct pay and then remitted to UCRHBT.

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

Since LBNL does not participate in UCRHBT, the DOE has no interest in its assets.

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

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

Custodial external investment pool funds. Custodial funds represent assets held in the University's investment pools on behalf of associated organizations that are not part of the University's financial reporting entity. As a result, these funds are reported as fiduciary activities in the University's financial statements.

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

Use of estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and

expenditures during the reporting period. Although management believes the estimates and assumptions are reasonable, they are based upon information available at the time the estimate or judgment is made and actual amounts could differ from those estimates.

New Accounting Pronouncements

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022* (GASB 99). The Statement addresses issues that have been identified during implementation and application of certain GASB Statements. Upon the issuance of GASB 99, the University adopted the requirements related to extension of the use of London Interbank Offered Rate (LIBOR), accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of non-monetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in GASB 34, as amended, and terminology updates related to GASB 53 and GASB 63. The requirements related to leases, public-private and public-public partnerships (PPPs), and subscription-based information technology arrangements (SBITAs) were adopted by the University in 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB 53 were adopted by the University in 2024.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62* (GASB 100), effective for the University's fiscal year beginning July 1, 2023. The Statement requires disclosures of descriptive information about accounting changes and error corrections and addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information and supplementary information. During 2024, the University's ownership of a blended component unit decreased such that the component unit no longer qualified to be blended, but was now to be accounted for under the equity method of accounting. Accordingly, under GASB 100, this constituted a change in the financial reporting entity and the University reported a change in the beginning balance of net position for 2024.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences* (GASB 101), effective for the University's fiscal year beginning July 1, 2024. The Statement replaces Statement No. 16, *Accounting for Compensated Absences*, to align recognition and measurement guidance for all types of compensated absences under a unified model. GASB 101 requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The Statement also establishes guidance for measuring a liability for leave that has not been used. As of June 30, 2024, the University reported compensated absences liability of \$1.4 billion. Under GASB 101, the University's compensated absences liability is expected to increase. The University is evaluating the full effect that GASB 101 will have on its financial statements.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures* (GASB 102), effective for the University's fiscal year beginning July 1, 2024. GASB 102 requires the University to assess whether a concentration or constraint makes the University vulnerable to the risk of a substantial impact and whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The University is evaluating the effect these requirements will have on its financial statements.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements* (GASB 103), effective for the University's fiscal year beginning July 1, 2025. GASB 103 changes some of the reporting requirements issued in Statements No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* and Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*. GASB 103 adds a section for noncapital subsidies in the Statement of Revenues, Expenses, and Changes in Net Position (SRECNP). This means state appropriations will move from nonoperating revenue to the new noncapital subsidies section, with a required subtotal described as "Operating income (loss) and noncapital subsidies." Other provisions of GASB 103 (1) clarify guidance for management's discussion and analysis, (2) define operating and nonoperating revenues and expenses, (3) move items in the other changes in net position into the other nonoperating revenues and expenses section, (4) replace extraordinary items and special items into a new "unusual or infrequent items" category. The University is evaluating the full effect that GASB 103 will have on its financial statements.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets* (GASB 104), effective for the University's fiscal year beginning July 1, 2025. GASB 104 requires certain types of capital assets to be disclosed separately. The Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if the University has decided to pursue the sale of the capital asset and it is probable that the sale will be finalized within one year of the financial statement date. The University is evaluating the full effect that GASB 104 will have on its financial statements.

2. Cash and Cash Equivalents

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

Under University policy, deposits are only held at financial institutions that maintain an issuer rating on long-term debt of A3 or higher by Moody's Investors Service (Moody's), A- or higher by Standard & Poor's (S&P) or an Asset Peer Group rating of 65 or higher as defined by Sheshunoff Bank Rating Reports. At June 30, 2024 and 2023, the carrying amount of the University's cash and cash equivalents, generally held in five nationally recognized banking institutions, was \$0.5 billion and \$0.6 billion, respectively, compared to bank balances of \$277.9 million and \$257.7 million, respectively. Deposits in transit and cash awaiting investment are the primary differences. The University's deposits are uninsured and uncollateralized except for bank balances insured by the Federal Deposit Insurance Corporation (FDIC) up to applicable statutory limits.

The University does not have significant exposure to foreign currency risk in demand deposit accounts. Accounts held in foreign countries maintain minimum operating balances with the intent to reduce potential foreign exchange risk while providing an adequate level of liquidity to meet the obligations of the academic programs established abroad. The equivalent U.S. dollar balances required to support research groups and education abroad programs in foreign countries was \$2.9 million at June 30, 2024 and \$20.2 million at June 30, 2023.

The carrying amount of the campus foundations' cash and cash equivalents at June 30, 2024 and 2023 was \$255.1 million and \$272.4 million, respectively, compared to bank balances of \$103.1 million and \$94.6 million, respectively. Deposits in transit and cash awaiting investment are the primary differences. Included in cash and cash equivalents are deposits in the University's Short Term Investment Pool (STIP) of \$150.4 million at June 30, 2024 and \$176.7 million at June 30, 2023, with the remaining uncollateralized bank balances insured by the Federal Deposit Insurance Corporation (FDIC) up to applicable statutory limits. Uncollateralized bank balances include \$7.8 million and \$44.9 million in excess of the FDIC limits at June 30, 2024 and 2023, respectively. The campus foundations do not have exposure to foreign currency risk in their cash and cash equivalents.

3. Investments

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

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

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

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

BGP is an investment pool whose objective is to provide a low-cost, liquid, diversified investment vehicle to invest long-term excess reserves to earn a higher return than would otherwise be expected from STIP and TRIP. To achieve liquidity, transparency and minimal expense, a passive investment strategy in equities and bonds is used.

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

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

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

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

The Regents has also authorized certain employee account balances in defined contribution plans included as part of UCRS' investments to be invested in mutual funds. The participants' interests in mutual funds are not managed by the OCIO and totaled \$2.9 billion and \$2.4 billion at June 30, 2024 and 2023, respectively.

Investments authorized by The Regents for the UCRHBT are restricted to a portfolio of high-quality money market instruments in a commingled fund that is managed externally. The average credit quality of the portfolio is A-1/P-1 with an average maturity of 14 days and 15 days at June 30, 2024 and 2023, respectively. The fair values of UCRHBT's investment in this portfolio were \$196.9 million and \$176.8 million at June 30, 2024 and 2023, respectively. These are measured at net asset value as of June 30, 2024 and 2023, respectively.

The composition of investments, by investment type at June 30 is shown in **Table 3.1**:

Table 3.1: Composition of Investments by Investment Type (in thousands of dollars)

Description	University of California 2024	University of California 2023	Campus Foundations 2024	Campus Foundations 2023	University of California Retirement System (UCRS) 2024	University of California Retirement System (UCRS) 2023
Equity securities	\$20,272,963	\$15,479,559	\$207,303	\$85,519	\$72,487,939	\$58,291,786
U.S. government-guaranteed:						
U.S. Treasury bills, notes and bonds	4,678,906	6,369,175	459,894	546,959	7,425,508	6,043,002
U.S. Treasury strips	414,381	494,506	4,120	220	72,438	273,583
U.S. TIPS			13,029	1,961	1,380,675	1,345,010
U.S. government-backed securities			8,813	9,189		
U.S. government-backed mortgage-backed securities			6,398	6,684	121,898	291,765
U.S. government-guaranteed	5,093,287	6,863,681	492,254	565,013	9,000,519	7,953,360
Other U.S. dollar-denominated						
Corporate bonds	1,516,702	1,842,575	230,668	218,795	5,257,199	5,101,068
Commercial paper	4,240,634	5,736,866			338,980	
U.S. agencies	114,979	2,454,450	7,576	8,115	2,742,743	3,349,663
U.S. agencies — asset-backed securities	887	1,096	75,290	66,824	441,136	1,044,556
Corporate — asset-backed securities			36,378	17,865	32,017	28,918
Supranational/foreign	791,323	959,302			2,065,615	2,436,884
Other	4,843	2,620	61,741	58,773	13,746	18,591
Other U.S. dollar-denominated	6,669,368	10,996,909	411,653	370,372	10,891,436	11,979,680
Foreign currency-denominated				934		
Government/sovereign						
Foreign currency-denominated				934		
Commingled funds						
Absolute return funds	904,680	1,014,215	3,344,044	3,059,939	1,845,464	1,779,371
Non-U.S. equity funds	1,303,338	1,633,719	855,618	848,191	3,296,006	4,101,538
Private equity	4,866,898	4,619,151	3,161,609	2,838,595	9,743,822	9,232,758
Private credit	939,761	1,066,727			2,278,817	3,084,346
Money market funds	1,202,918	400,554	1,811,420	1,967,321	5,323,090	5,347,602
U.S. equity funds	3,447	3,204	2,103,962	1,817,247	5,213,097	2,880,961
Real estate investment trusts	2,705,633	2,485,523	245,774	239,205	6,078,038	6,167,824
Real assets	593,136	747,767	59,314	80,324	3,154,240	4,032,506
U.S. bond funds	157,865	4,822	122,573	175,045	1,555,295	14,475
Non-U.S. bond funds	119	73	31,247	20,180		11
Balanced funds	321,842	315,156	3,197,494	2,805,385		
Commingled funds	12,999,637	12,290,911	14,933,055	13,851,432	38,487,869	36,641,392
Other investments						
Investment derivatives	495	2,451	64	48	4,012	15,235
Publicly traded real estate investment trusts	431,333	376,971			2,295,247	2,126,913
Mortgage loans	1,408,454	934,755				
Real estate	127,343	190,344	324,795	308,288	875,979	1,242,310
Other investments	169,554	151,556	362,527	348,700	575,074	548,539
Campus foundations' investments with the University	(3,673,607)	(4,717,138)				
UCRS investment in STIP	(2,953,909)	(4,365,490)				
Custodial investment funds	(630,465)	(595,102)	(728,256)	(705,961)		
Other investments	(5,120,802)	(8,021,653)	(40,870)	(48,925)	3,750,312	3,932,997
Total investments	39,914,453	37,609,407	16,003,395	14,824,345	134,618,075	\$118,799,215
Less: Current portion	(5,105,163)	(9,946,972)	(1,562,469)	(1,788,817)		
Noncurrent portion	\$34,809,290	\$27,662,435	\$14,440,926	\$13,035,528		

Investment Risk Factors

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

Credit risk

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

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

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

The investment guidelines for STIP recognize that a limited amount of credit risk, properly managed and monitored, is prudent and provides incremental risk-adjusted return over its benchmark. The combined benchmark for STIP is a 50/50 weighted average of the yield on a constant maturity one-year U.S. Treasury Note and U.S. 30-day Treasury Bills.

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

The core fixed-income benchmark for UCRSP is the Bloomberg MSCI US Aggregate ex-Tobacco ex-Fossil Fuels Index, comprised of 24.5 percent corporate bonds, 3.9 percent non-corporate bonds and 27.6 percent mortgage/asset-backed bonds, all of which carry some degree of credit risk. The remaining 44.0 percent is government-issued bonds. The core fixed-income benchmark for TRIP, BGP, UCRP and GEP is the Bloomberg 1–5 Year US Government/Credit Index, comprised of 25.5 percent corporate bonds and 5.3 percent non-corporate bonds, all of which carry some degree of credit risk. The remaining 69.2 percent is government-issued bonds.

Credit risk is managed primarily by diversifying across issuers. The University monitors and reviews its exposures on an ongoing basis and will maintain a high-quality portfolio within its investment guidelines.

The credit risk profile for fixed- or variable-income securities at June 30 is shown in **Table 3.2**:

Table 3.2: Credit Risk Profile *(in thousands of dollars)*

Description	University of California 2024	University of California 2023	Campus Foundations 2024	Campus Foundations 2023	University of California Retirement System (UCRS) 2024	University of California Retirement System (UCRS) 2023
Fixed- or variable-income securities						
U.S. government-guaranteed	\$5,093,287	\$6,863,681	\$492,254	\$565,013	\$9,000,519	\$7,953,360
Other U.S. dollar-denominated: AAA	268,379	755,713	97,827	101,419	1,215,657	1,314,520
Other U.S. dollar-denominated: AA	293,487	1,170,961	12,239	1,174	2,506,535	2,993,842
Other U.S. dollar-denominated: A	855,677	1,018,435	13,315	14,708	1,839,179	1,706,959
Other U.S. dollar-denominated: BBB	999,773	1,210,656	36,470	31,861	2,320,142	2,231,120
Other U.S. dollar-denominated: BB	7,862	8,894	99,963	80,548	1,039,782	1,206,753
Other U.S. dollar-denominated: B			62,946	76,568	798,524	1,072,912
Other U.S. dollar-denominated: CCC or below			2,848	8,973	240,890	278,493
Other U.S. dollar-denominated: Not rated	4,244,190	6,832,250	86,045	55,121	930,727	1,175,081
Foreign currency-denominated: BBB				934		
Commingled funds						
U.S. bond funds: not rated	157,865	4,822	122,573	175,045	1,555,295	14,475
Non-U.S. bond funds: not rated	119	73	31,247	20,180		11
Money market funds: not rated	1,202,918	400,554	1,811,420	1,967,321	5,323,090	5,347,602
Other investments						
Mortgage loans: not rated	1,408,454	934,755				

Custodial credit risk

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

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

Concentration of credit risk

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

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

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

At June 30, 2024 and 2023, no single issuer comprised more than 5 percent of investments held by the University, campus foundations or UCRS, excluding US government securities.

Interest rate risk

Interest rate risk is the risk that the value of fixed-income securities will decline because of changing interest rates. The prices of fixed-income securities with a longer time to maturity, measured by effective duration, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. Effective duration is the approximate change in price of a security resulting from a 1-percentage-point change in the level of interest rates. Interest rate risk for STIP is managed by constraining the maturity of all individual securities to be less than or equal to three years. There is no restriction on weighted average maturity of the portfolio as it is managed relative to the liquidity demands of the investors. The nature and maturity of individual securities in STIP allow for the use of weighted average maturity as an effective risk management tool, rather than the more complex measure, effective duration.

The portfolio guidelines constrain the potential price movement due to interest rate changes of the portfolio being similar to that of the benchmark. There are similar restrictions for the high-yield and emerging market debt portfolios relative to their benchmarks.

The effective durations for fixed- or variable-income securities at June 30 are shown in **Table 3.3**:

Table 3.3: Effective Durations for Fixed- or Variable-Income Securities (in years)

Securities	University of California 2024	University of California 2023	Campus Foundations 2024	Campus Foundations 2023	University of California Retirement System (UCRS) 2024	University of California Retirement System (UCRS) 2023
Fixed- or variable-income securities — U.S. government granted						
U.S. Treasury bills, notes and bonds	2.5	2.2	2.2	1.2	4.8	4.4
U.S. Treasury strips	1.6	2.2	12.4	11.6	1.1	1.5
U.S. TIPS			4	3.7	4.8	4.8
U.S. government-backed mortgage-backed securities, Other U.S. dollar-denominated					5.1	5.3
Corporate bonds	2.7	2.6	1.7	1.5	3.2	3.6
U.S. agencies	0.5	0.4	4.1	0.9	1.1	1.8
U.S. agencies — asset-backed securities	3.1	3.0			5.1	5.5
Corporate — asset-backed securities					2.7	3.2
Supranational/foreign	2.7	2.6			2.9	3.8
Other	2.0	2.2	3.5	1.5	5.8	6.6
Commingled funds						
U.S. bond funds	3.8	6.5	5.6	4.1	3.0	12.8
Non-U.S. bond funds			7.5	7.2		7.3
Money market funds*			0.2	0.2		

*Foundation investment in STIP

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

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

At June 30, the fair values of such investments are shown in **Table 3.4**:

Table 3.4: Fair Value of Certain Investments (in thousands of dollars)

Investments	University of California 2024	University of California 2023	Campus Foundations 2024	Campus Foundations 2023	University of California Retirement System (UCRS) 2024	University of California Retirement System (UCRS) 2023
Mortgage-backed securities	\$887	\$1,096	\$19,615	\$17,561	\$551,656	\$1,317,804
Collateralized mortgage obligations			61,854	55,947	39,592	38,834
Other asset-backed securities			20,293	17,811	320,917	8,603
Variable-rate securities	1,486,920	477,247			3,274,876	969,924
Callable bonds	1,493,945	3,188,258			8,552,739	8,882,743
Structured notes	189,820	475,549			517,812	2,123,743
Convertible bonds					9,265	5,558
Total	\$3,171,572	\$4,142,150	\$101,762	\$91,319	\$13,266,857	\$13,347,209

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

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

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

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

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

At June 30, the effective durations for these securities are shown in **Table 3.5**:

Table 3.5: Effective Durations for Certain Securities (in years)

Description	University of California 2024	University of California 2023	Campus Foundations 2024	Campus Foundations 2023	University of California Retirement System (UCRS) 2024	University of California Retirement System (UCRS) 2023
Mortgage-backed securities	3.1	3.0	3.9	3.9	5.0	5.5
Collateralized mortgage obligations			2.5	2.7	3.7	4.9
Other asset-backed securities			1.2	1.0	0.1	2.3
Structured notes	2.7	2.9			3.0	4.1
Variable-rate securities	0.7	2.9			0.9	3.4
Callable bonds	2.6	1.8			2.6	3.0
Convertible bonds					1.5	2.7

Foreign currency risk

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

At June 30, the foreign currency risk expressed in U.S. dollars, organized by currency denomination and investment type, is shown in **Table 3.6**:

Table 3.6: Foreign Currency Risk (in thousands of dollars)

Description	University of California 2024	University of California 2023	Campus Foundations 2024	Campus Foundations 2023	University of California Retirement System (UCRS) 2024	University of California Retirement System (UCRS) 2023
Equity securities						
Euro	\$1,296,877	\$1,017,777			\$4,819,475	\$4,140,709
British Pound	537,197	377,956			1,959,161	1,572,528
Japanese Yen	969,169	634,106			3,594,100	2,777,226
Canadian Dollar	430,449	288,019			1,589,364	1,259,656
Swiss Franc	382,550	289,691			1,386,611	1,190,684
Australian Dollar	258,231	172,971			952,003	750,052
Hong Kong Dollar	393,814	308,053			1,394,759	1,263,430
Swedish Krona	162,393	131,074			605,268	501,419
Singapore Dollar	46,951	30,289			176,521	128,444
Danish Krone	166,110	87,870			618,245	383,130
Norwegian Krone	30,447	19,150			109,119	81,231
South Korean Won	238,104	154,155			831,154	620,747
Brazilian Real	70,473	59,632			236,433	242,620
Indian Rupee	576,251	348,233	\$21,584	\$19,614	1,809,608	1,159,985
Taiwan New Dollar	399,717	204,663			1,398,843	837,109
South African Rand	56,109	38,475			196,222	149,216
Thai Baht	26,980	21,340			96,127	88,964
Mexican Peso	38,922	31,070			135,152	122,041
Chinese Yuan Renminbi	55,489	40,154			198,567	181,082
Other	265,263	189,070	64	19	902,388	755,048
Subtotal	6,401,496	4,443,748	21,648	19,633	23,009,120	18,205,321
Fixed-income securities						
Mexican Peso				934		
Subtotal				934		
Commingled funds (various currency denominations)						
Absolute return funds	2,960	3,493	1,560,254	955,057	260,692	
Non-U.S. equity funds	1,303,338	1,633,719	855,618	834,984	3,296,006	4,101,538
Private equity	34,688	21,991	549,599	546,022	273,072	227,961
Private credit						307,747
Real estate investment trusts			10,215	12,632		
Real assets	9,661	13,809	120,886	136,016	54,744	78,254
Non-U.S. bond funds	119	73	31,247	20,180		11
Balanced funds			239,379	150,497		
Subtotal	1,350,766	1,673,085	3,367,198	2,655,388	3,884,514	4,715,511
Investment derivatives						
Australian Dollar						1
Canadian Dollar	9	10			66	73
Japanese Yen				11		
Hong Kong Dollar	17				38	
Euro	30	30		15	49	89
Other	18	7		22	59	30
Subtotal	74	47		48	212	193
Publicly traded real estate investment trusts						
Australian Dollar	22,005	13,877			82,744	58,495
Euro	10,674	7,428			38,830	30,323
British Pound	14,174	9,030			49,692	36,886
Japanese Yen	21,104	17,090			65,544	66,701
Singapore Dollar	9,202	7,148			33,691	30,718
Canadian Dollar	4,233	3,821			13,737	15,261
Other	8,506	13,951			28,315	43,506
Subtotal	89,898	72,345			312,553	281,890
Total exposure to foreign currency risk	\$7,842,234	\$6,189,225	\$3,388,846	\$2,676,003	\$27,206,399	\$23,202,915

The University's Investment Pools

The composition of the University's investments at June 30, 2024, by investment pool, is shown in **Table 3.7a**:

Table 3.7a: Composition of University's Investments by Investment Pool at June 30, 2024 (in thousands of dollars)

Description	STIP	TRIP	BGP	GEP	Other	Total
Equity securities		\$5,090,829	\$5,750,667	\$9,326,642	\$104,825	\$20,272,963
U.S. government-guaranteed	\$652,573	2,921,264	636,037	860,679	22,734	5,093,287
Other U.S. dollar-denominated	4,336,402	1,500,215	315,036	511,768	5,947	6,669,368
Commingled funds	940,531	121,747	62,774	11,254,593	619,992	12,999,637
Investment derivatives		160	134	173	28	495
Publicly traded real estate investment trusts		111,894	126,551	191,143	1,745	431,333
Mortgage loans	1,408,454					1,408,454
Real estate				95,163	32,180	127,343
Other investments				159,359	10,195	169,554
Subtotal	7,337,960	9,746,109	6,891,199	22,399,520	797,646	47,172,434
Campus foundations' investments with the University	(406,261)			(3,024,147)	(243,199)	(3,673,607)
UCRS investment in STIP	(2,953,909)					(2,953,909)
Custodial investment funds	(353,602)	(50,852)		(226,011)		(630,465)
Total investments	\$3,624,188	\$9,695,257	\$6,891,199	\$19,149,362	\$554,447	\$39,914,453

The composition of the University's investments at June 30, 2023, by investment pool, is shown in **Table 3.7b**:

Table 3.7b: Composition of University's Investments by Investment Pool at June 30, 2023 (in thousands of dollars)

Description	STIP	TRIP	BGP	GEP	Other	Total
Equity securities		\$6,771,581	\$2,137,502	\$6,462,027	\$108,449	\$15,479,559
U.S. government-guaranteed	\$1,514,632	4,141,788	321,488	863,330	22,443	6,863,681
Other U.S. dollar-denominated	8,171,583	2,214,902	179,687	421,732	9,005	10,996,909
Commingled funds	198,732	121,373	26,435	11,340,980	\$603,391	12,290,911
Investment derivatives		1,470	409	540	32	2,451
Publicly traded real estate investment trusts		171,719	52,538	150,917	1,797	376,971
Mortgage loans	934,755					934,755
Real estate				157,738	32,606	190,344
Other investments				141,352	10,204	151,556
Subtotal	10,819,702	13,422,833	2,718,059	19,538,616	787,927	47,287,137
Campus foundations' investments with the University	(1,876,336)			(2,624,525)	(216,277)	(4,717,138)
UCRS investment in STIP	(4,365,490)					(4,365,490)
Custodial investment funds	(337,951)	(46,293)		(210,858)		(595,102)
Total investments	\$4,239,925	\$13,376,540	\$2,718,059	\$16,703,233	\$571,650	\$37,609,407

The total investment returns based upon unit values, representing the combined income plus net appreciation or depreciation in the fair value of investments, for the year ended June 30, 2024 were 12.1 percent for TRIP, 15.7 percent for BGP, 11.7 percent for GEP and 12.2 percent for UCRP. The total investment returns based upon unit values, representing the combined income plus net appreciation or depreciation in the fair value of investments, for the year ended June 30, 2023, were 8.6 percent for TRIP, 13.3 percent for BGP, 8.2 percent for GEP and 10.1 percent for UCRP. The investment return for STIP distributed to participants, representing combined income and realized gains or losses, during the same periods, was 4.2 percent and 2.8 percent, respectively. Other investments consist of numerous small portfolios of investments or individual securities, each with its own individual rate of return.

Related Party Relationships with the University

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

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

Campus Foundations

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

The fair value of the campus foundations' cash and cash equivalents and investments that are invested with the University, by investment pool, at June 30 are shown in **Table 3.8**:

Table 3.8: Fair Value of the Foundations' Cash, Cash Equivalents, Investments *(in thousands of dollars)*

Description	Campus Foundations 2024	Campus Foundations 2023
STIP	\$406,261	\$1,876,336
GEP	3,024,147	2,624,525
Other investment pools	243,199	216,277
Campus foundations' investments with the University	3,673,607	4,717,138
Classified as cash and cash equivalents by campus foundations	(147,742)	(175,874)
Classified as investments by campus foundations	\$3,525,865	\$4,541,264

Investment income in the University's statements of revenues, expenses and changes in net position is net of income earned by, and distributed to, the campus foundations totaling \$49.9 million and \$69.1 million for the years ended June 30, 2024 and 2023, respectively.

UCRS

UCRS had \$3.0 billion and \$4.4 billion invested in STIP at June 30, 2024 and 2023, respectively. These investments are excluded from the University's statements of net position and are included in UCRS' statements of fiduciary net position. They are categorized as commingled money market funds in the composition of investments for UCRS. STIP investment income in the University's statements of revenues, expenses and changes in net position is net of income earned by, and distributed to, UCRS totaling \$136.8 million and \$115.8 million for the years ended June 30, 2024 and 2023, respectively.

External Investment Pools

STIP and GEP are external investment pools. The composition of their net position at June 30 is shown in **Table 3.9**:

Table 3.9: Composition of Net Position for STIP and GEP (in thousands of dollars)

Description	STIP 2024	STIP 2023	GEP 2024	GEP 2023
Investments	\$7,337,960	\$10,819,702	\$22,399,520	\$19,538,616
Investment of cash collateral			810,073	636,169
Securities lending collateral			(810,073)	(636,169)
Other assets, net	5,843,743	5,530,511	201,180	1,043,224
Net position	\$13,181,703	\$16,350,213	\$22,600,700	\$20,581,840

Participants purchase or redeem shares in STIP at a constant value of \$1 per share and purchase or redeem shares in GEP at the unitized value of the portfolio at the time of purchase or redemption. Actual income earned is allocated to participants based upon the number of shares held.

Other assets include amounts receivable for pension benefits from the campuses and medical centers of \$5.9 billion and \$5.5 billion at June 30, 2024 and 2023, respectively.

The changes in net position for STIP and GEP for the year ended June 30 shown in **Table 3.10**:

Table 3.10: Changes in Net Position for STIP and GEP (in thousands of dollars)

Description	STIP 2024	STIP 2023	GEP 2024	GEP 2023
Net position, beginning of year	\$16,350,213	\$16,876,193	\$20,581,840	\$18,227,737
Investment income	576,010	496,962	179,409	222,471
Net appreciation (depreciation) in fair value of investments	12,175	(11,702)	2,130,895	1,354,299
Net transfer to TRIP		(749,101)		
Net transfer to BGP	(2,987,621)	(150,000)		
Participant contributions (withdrawals)	(769,074)	(112,139)	(291,444)	777,333
Net position, end of year	\$13,181,703	\$16,350,213	\$22,600,700	\$20,581,840

4. Securities Lending

The University and UCRS jointly participate in a securities lending program as a means to augment income. Securities are lent to selected brokerage firms for which collateral received equals or exceeds the fair value of such investments lent during the period of the loan. Securities loans immediately terminate upon notice by either the University or the borrower. Collateral may be cash or securities issued by the U.S. government or its agencies, or the sovereign or provincial debt of foreign countries. Securities collateral cannot be pledged or sold by the University unless the borrower defaults.

Loans of domestic equities and all fixed-income securities are initially collateralized at 102 percent of the fair value of securities lent. Loans of foreign equities are initially collateralized at 105 percent. All borrowers are required to provide additional collateral by the next business day if the value of the collateral falls to less than 100 percent of the fair value of securities lent.

Cash collateral received from the borrower is invested by lending agents, as agents for the University, in investment pools in the name of the University, with guidelines approved by the University. These investments are shown as investment of cash collateral in the statement of net position. At June 30, 2024 and 2023, the securities in these pools had a weighted average maturity of 11 days and 3 days, respectively. The University records a liability for the return of the cash collateral shown as collateral held for securities lending in the statements of net position. Securities collateral received from the borrower is held in investment pools by the University's custodial bank.

At June 30, 2024 and 2023, the University had insignificant exposure to borrowers because the amounts the University owed the borrowers were substantially the same as the amounts the borrowers owed the University. The University is indemnified by its lending agents against any losses incurred as a result of borrower default.

The composition of the securities lending programs at June 30 is shown in **Table 4.1**:

Table 4.1: Composition of the Securities Lending Program *(in thousands of dollars)*

Description	University of California 2024	University of California 2023	University of California Retirement System (UCRS) 2024	University of California Retirement System (UCRS) 2023
Securities lent				
For cash collateral:				
Equity securities:				
Domestic	\$1,349,360	\$1,260,717	\$8,002,493	\$5,454,648
Foreign	429,580	207,478	1,302,812	772,168
Fixed-income securities:				
U.S. government-guaranteed	9,404	48,251	773,870	811,410
U.S. agency	118,604	43,502	1,590,842	638,693
Other U.S. dollar-denominated	327,079	317,106	1,308,721	775,060
Foreign currency-denominated				2,426
Lent for cash collateral	2,234,027	1,877,054	12,978,738	8,454,405
For securities collateral:				
Equity securities:				
Domestic	299	14		34
Foreign	2,168	275	2,161	67
Publicly traded real estate investment trusts:				
Publicly traded real estate investment trust				
Fixed-income securities:				
U.S. government-guaranteed	46,481	5,290	3,583,205	2,773,493
Other U.S. dollar-denominated				
Foreign currency-denominated				
Lent for securities collateral	48,948	5,579	3,585,366	2,773,594
Total securities lent	\$2,282,975	\$1,882,633	\$16,564,104	\$11,227,999
Collateral received				
Cash	\$2,299,343	\$1,913,858	\$13,310,851	\$8,621,742
Total cash collateral received	2,299,343	1,913,858	13,310,851	8,621,742
Securities	53,841	6,137	3,943,813	3,431,453
Total collateral received	\$2,353,184	\$1,919,995	\$17,254,664	\$12,053,195
Investment of cash collateral				
Fixed-income securities:				
Other U.S. dollar-denominated:				
Corporate bonds	\$25,777	\$27,232	\$149,223	\$122,678
Commercial paper	194,918	54,171	1,128,376	244,037
Repurchase agreements	1,645,503	1,195,531	9,525,781	5,385,771
Certificates of deposit/time deposits	369,251	645,778	2,137,588	2,909,169
Supranational/foreign	64,494	9,443	373,357	42,539
Other liabilities, net*	(604)	(18,269)	(3,457)	(82,434)
Investment of cash collateral	2,299,339	1,913,886	\$13,310,868	\$8,621,760
Less: Current portion	(2,203,923)	(1,833,062)		
Noncurrent portion	\$95,416	\$80,824		

*Other liabilities, net is comprised of pending settlements of cash collateral investments.

Investment Risk Factors

There are a variety of potential risk factors involved in a securities lending program. Risks associated with the investment of cash collateral may include the credit risk from fixed-income securities, concentration of credit risk, interest rate risk and foreign currency risk. In addition, there may be custodial credit risk associated with both cash and securities received as collateral for securities lent.

The University's and UCRS' investment guidelines and other information related to each of these risks are summarized below. Campus foundations that participate in a securities lending program may have their own individual investment policies designed to limit the same risks.

Credit risk

The University's and UCRS' investment guidelines for the investment of cash collateral maintained in separately managed collateral pools restrict the credit rating of issuers at the time of purchase to no less than A-1, P-1 or F-1 for short-term securities and no less than A2/A for long-term securities. Asset-backed securities must have a rating of AAA at the time of purchase.

The credit risk profile for fixed- or variable-income securities associated with the investment of cash collateral at June 30 is shown in **Table 4.2:**

Table 4.2: Credit Risk Profile (in thousands of dollars)

Description	University of California 2024	University of California 2023	University of California Retirement System (UCRS) 2024	University of California Retirement System (UCRS) 2023
Fixed- or variable-income securities:				
Other U.S. dollar-denominated:				
AAA	\$35,298	\$6,150	\$204,340	\$27,704
AA-	128,959	155,382	746,540	699,983
A+	203,583	302,612	1,178,536	1,363,237
A	98,395	100,831	569,604	454,236
A-1+	27,176	62,709		282,498
A-1 / A-2 / P-1/ F-1	131,384	105,647	920,506	475,929
Not rated	29,196	3,293	169,017	14,835
Other liabilities, net*: not rated	(604)	(18,269)	(3,457)	(82,434)

*Other liabilities, net is comprised of pending settlements of cash collateral investments.

Custodial credit risk

Cash collateral received for securities lent is invested in pools by the University's lending agents. The University's and UCRS' securities related to the investment of cash collateral are registered in the University's name by the lending agents. Securities collateral received for securities lent are held in investment pools by the University's lending agents. As a result, custodial credit risk is remote.

Concentration of credit risk

The University's and UCRS' investment guidelines with respect to the concentration of credit risk associated with the investment of cash collateral in the separately managed collateral pools restricts investments in any single issuer of corporate debt securities, time deposits, certificates of deposit, banker's acceptances and money market funds to no more than 5 percent of the portfolio value at the time of purchase. Campus foundations that directly participate in a securities lending program do not have specific investment policies related to concentration of credit risk, although the lending agreements with the agents establish restrictions for the type of investments, as well as minimum credit ratings.

Investments in issuers other than U.S. government-guaranteed securities that represent 5 percent or more of the total investment of cash collateral at June 30 are shown in **Table 4.3:**

Table 4.3: Investment in Issuers Other Than U.S. Government-Guaranteed Securities that Represent 5 percent or more of the Total Investment of Cash Collateral *(in thousands of dollars)*

Description	University of California 2024	University of California 2023	University of California Retirement System (UCRS) 2024	University of California Retirement System (UCRS) 2023
Goldman Sachs & Co.	\$181,176	\$132,609	\$1,048,823	\$597,391
Citigroup Global Markets Inc.	337,352	151,735	1,952,931	683,549
Bank of America Corporation	138,460		801,541	
JP Morgan Securities LLC	125,203		724,799	
Barclays Bank PLC	142,437	296,637	824,564	1,336,321

Interest rate risk

The nature of individual securities in the collateral pools allows for the use of weighted average maturity as an effective risk management measure. The University's and UCRS' investment guidelines with respect to the interest rate risk associated with the investment of cash collateral in the separately managed collateral pools require the weighted average maturity of the entire collateral pool to be less than 120 days. The maturity of securities issued by the U.S. government and asset-backed securities must be less than five years, corporate debt obligations must be less than two years and time deposits must be less than 190 days.

The weighted average maturity expressed in days for fixed- or variable-income securities associated with the investment of cash collateral at June 30 is shown in **Table 4.4:**

Table 4.4: Weighted Average Maturity *(in days)*

Description	University of California 2024	University of California 2023	University of California Retirement System (UCRS) 2024	University of California Retirement System (UCRS) 2023
Fixed- or variable-income securities:				
Other U.S. dollar-denominated:				
Corporate bonds	150	1	150	1
Commercial paper	38	39	38	39
Repurchase agreements	2	2	2	2
Certificates of deposit/time deposits	25	4	26	4
Supranational/foreign	43	17	43	17

Investment of cash collateral may include various asset-backed securities, structured notes and variable-rate securities that may be considered to be highly sensitive to changes in interest rates due to the existence of prepayment or conversion features, although the weighted average maturity may be short.

At June 30, the fair value of investments that are considered to be highly sensitive to changes in interest rates is shown in **Table 4.5**:

Table 4.5: Fair Value of Investments Highly Sensitive to Interest Rate Changes *(in thousands of dollars)*

Description	University of California 2024	University of California 2023	University of California Retirement System (UCRS) 2024	University of California Retirement System (UCRS) 2023
Other asset-backed securities	\$60,812	\$9,443	\$352,039	\$42,539
Variable-rate investments	1,519,212	1,597,069	8,794,688	7,194,641
Total	\$1,580,024	\$1,606,512	\$9,146,727	\$7,237,180

At June 30, 2024 and 2023, the weighted average maturity expressed in days for asset-backed securities was 2 days and less than a day, respectively. For both June 30, 2024 and June 30, 2023, the weighted average maturity expressed in days for variable-rate investments was 1 day.

Foreign currency risk

The University's and UCRS' investment policy with respect to the foreign currency risk associated with the investment of cash collateral maintained in separate collateral pools restricts investments to U.S. dollar-denominated securities. Therefore, there is no foreign currency risk.

5. Derivative Financial Instruments

The University may use derivatives including futures, forward contracts, options and interest rate swap contracts as a substitute for investing in equity and fixed-income securities to reduce the effect of fluctuating foreign currencies on foreign currency-denominated investments, or to limit its exposure of variable-rate bonds to changes in market interest rates. The Board of Trustees for each campus foundation may also authorize derivatives in its investment policy.

The University enters into futures contracts for the purpose of acting as a substitute for investing in equity and fixed-income securities. A futures contract is an agreement between two parties to buy and sell a security or financial index, interest rate or foreign currency at a set price on a future date. They are standardized contracts that can be easily bought and sold and are exchange-traded. Upon entering into such a contract, the University is required to pledge to the broker an amount of cash or securities equal to the minimum initial margin requirements of the exchange on which the contract is traded. Pursuant to the contract, the University agrees to receive from, or pay to, the counterparty an amount of cash equal to the daily fluctuation in the value of the contract. These contracts are settled on a daily basis, with the resulting realized gain or loss included in the statements of revenues, expenses and changes in net position. The settlement amount at the end of each day for each of the contracts, or variation margin, is included in investments and represents the fair value of the contracts.

Forward contracts are similar to futures contracts, although they are not exchange-traded. Foreign currency exchange contracts are forward contracts used to hedge against foreign currency exchange rate risks on non-U.S. dollar-denominated investment securities and to increase or decrease exposure to various foreign currencies.

An options contract gives the University the right to buy or sell a specified security or index at a fixed price during a specified period for a nonrefundable fee (the "premium"). The maximum loss to the University is limited to the premium originally paid for covered options. The University initially records premiums paid for the purchase of these options in the statements of net position as an investment which is subsequently adjusted to reflect the fair value of the options, with unrealized gains and losses included in the statements of revenues, expenses and changes in net position.

Rights and warrants provide the holder the right to buy a stock at a predetermined price for a finite period of time. Warrants usually have a longer time period to expiration. The holder of a right or warrant is permitted to buy at a price that may be below the actual market price for that stock. Warrants and rights cease to exist and become worthless if not used by their expiration date.

An interest rate swap is a contractual agreement entered into between the University and a counterparty under which each agrees to exchange periodic fixed or variable payments for an agreed period of time based upon a notional amount of principal or value of the

underlying contract. The payments correspond to an equity index, an interest rate or currency. A credit default swap is an agreement whereby the seller will compensate the buyer in the event of a loan default. A swaption is an option granting its owner the right to enter into an underlying swap. The University considers its futures, forward contracts, options, credit default swaps, swaptions, rights, warrants and certain interest rate swaps to be investment derivatives.

As a means to lower the University's borrowing costs, when compared against fixed-rate bonds at the time of issuance, the University entered into interest rate swap agreements in connection with certain of its variable-rate Medical Center Pooled Revenue Bonds and General Revenue Bonds. The University determined certain of its interest rate swaps are derivative instruments that meet the criteria for an effective hedge. Certain of the interest rate swaps are considered hybrid instruments since, at the time of execution, the fixed rate on each of the swaps was off-market and the University received an upfront payment. As such, these swaps are each comprised of a derivative instrument, an at-the-market swap that is an effective hedge and a companion borrowing represented by the upfront payment. The unamortized amount of the borrowing under the companion instruments was \$63.2 million and \$66.7 million at June 30, 2024 and 2023, respectively.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, categorized by type, and the changes in fair value of such derivatives are shown in **Tables 5.1a, 5.1b and 5.1c:**

University

Table 5.1a: Fair Value Balances and Notional Amounts of Derivative Instruments Outstanding for the University

(in thousands of dollars)

Category	Notional amount 2024	Notional amount 2023	Fair value classification	Fair value 2024	Fair value 2023	Changes in fair value classification	Changes in fair value 2024	Changes in fair value 2023
Investment derivatives								
Futures contracts:								
Domestic equity futures:								
Domestic equity futures: Long positions	\$125,036	\$100,670	Investments	\$378	\$2,374	Net appreciation	\$14,575	\$12,217
Foreign equity futures: Long positions	1,970	643	Investments	15	10	Net appreciation	10	105
Futures contracts	127,006	101,313		393	2,384		14,585	12,322
Foreign currency exchange contracts: Long positions	22	23	Investments			Net appreciation (depreciation)	(18)	38
Foreign currency exchange contracts: Short positions	3,052	3,512	Investments	20	11	Net appreciation (depreciation)	127	(93)
Foreign currency exchange contracts	3,074	3,535		20	11		109	(55)
Other: Stock rights/warrants			Investments	82	56	Net appreciation (depreciation)	(167)	302
Other				82	56		(167)	302
Total investment derivatives	\$130,080	\$104,848		\$495	\$2,451		\$14,527	\$12,569
Cash flow hedges								
Effective interest rate swaps: Pay fixed, receive variable	\$1,148,715	\$1,760,550	Other (liabilities)	\$97,416	\$63,152	Deferred inflows	\$34,264	\$64,330

Campus Foundations

Table 5.1b: Fair Value Balances and Notional Amounts of Derivative Instruments Outstanding for Campus Foundations

(in thousands of dollars)

Category	Notional amount 2024	Notional amount 2023	Fair value classification	Fair value 2024	Fair value 2023	Changes in fair value classification	Changes in fair value 2024	Changes in fair value 2023
Investment derivatives								
Futures contracts: Domestic equity futures:								
Futures contracts: Long positions			Investments			Net appreciation		\$2,535
Foreign equity futures: Long positions		\$10,885	Investments		\$48	Net appreciation	\$947	997
Domestic fixed income futures: Long positions	\$30,129		Investments	\$64		Net depreciation	(2,434)	
Other: Swaps	205,848	212,355	Investments			Net appreciation	27,747	24,271
Total investment derivatives	\$235,977	\$223,240		\$64	\$48		\$26,260	\$27,803

UCRS

Table 5.1c: Fair Value Balances and Notional Amounts of Derivative Instruments Outstanding for UCRS (in thousands of dollars)

Category	Notional amount 2024	Notional amount 2023	Fair value classification	Fair value 2024	Fair value 2023	Changes in fair value classification	Changes in fair value 2024	Changes in fair value 2023
Investment derivatives								
Futures contracts: Domestic equity futures:								
Futures contracts: Long positions	\$737,499	\$604,474	Investments	\$1,951	\$13,503	Net appreciation	\$76,873	\$75,090
Foreign equity futures: Long positions	33,386	49,890	Investments	226	643	Net appreciation	4,828	7,826
Foreign equity futures: Short positions						Net appreciation		202
Futures contracts	770,885	654,364		2,177	14,146		81,701	83,118
Foreign currency exchange contracts: Long positions	10,125	10,939	Investments	(161)	(225)	Net appreciation (depreciation)	(2,481)	3,014
Foreign currency exchange contracts: Short positions	268,869	309,399	Investments	1,740	1,005	Net appreciation (depreciation)	11,140	(8,477)
Foreign currency exchange contracts	278,994	320,338		1,579	780		8,659	(5,463)
Other: Stock rights/warrants			Investments	256	309	Net appreciation (depreciation)	(1,402)	1,692
Other				256	309		(1,402)	1,692
Total investment derivatives	\$1,049,879	\$974,702		\$4,012	\$15,235		\$88,958	\$79,347

Objectives and Terms of Hedging Derivative Instruments

The objectives and terms of the hedging derivative instruments outstanding at June 30, along with the credit rating of the associated counterparty, are shown in **Table 5.2**:

Table 5.2: Objectives and Terms of the Hedging Derivative Instruments Outstanding for the University *(in thousands of dollars)*

Type	Objective	Notional amounts 2024	Notional amount 2023	Effective date	Maturity date	Cash paid or received	Terms	Counterparty credit rating	Fair value 2024	Fair value 2023
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	\$40,470	\$44,760	2020	2032	None	Pay fixed 3.5897%; receive 58% of Federal Funds Rate + 0.564%	Aa1/A+	(\$1,022)	(\$1,515)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	24,730	28,245	2020	2030	None	Pay fixed 4.55%; receive 67% of Federal Funds Rate + 0.76%	Aa2/A+	(818)	(1,174)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	38,670	38,670	2020	2037	None	Pay fixed 4.625%; receive 67% of Federal Funds Rate + 0.797%	Aa2/A+	(3,928)	(5,176)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	54,495	54,495	2020	2043	None	Pay fixed 4.6935%; receive 67% of Federal Funds Rate + 0.861%	Aa2/A+	(6,045)	(8,938)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	50,000	50,000	2020	2043–2047	None	Pay fixed 4.741%; receive 67% of Federal Funds Rate + 0.902%	Aa2/A+	(9,041)	(12,151)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Revenue Bonds	500,000	500,000	2023	2039	None	Pay fixed 1.9817%; receive 70% of Federal Funds Rate	Aa2/AA-	40,816	22,757
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Revenue Bonds	100,000	100,000	2023	2039	None	Pay fixed 1.899%; receive 70% of Federal Funds Rate	Aa2/A+	8,981	5,487
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Revenue Bonds	340,350	344,380	2023	2048	None	Pay fixed 0.926% - 1.238%; receive 70% of Federal Funds Rate	A2/A,A2/A+	68,473	60,137
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Revenue Bonds		400,000	2019	2023	None	Pay fixed 1.8982%; receive 70% of Federal Funds Rate + 0.0925%	Aa2/AA-		2,484
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Revenue Bonds		100,000	2019	2023	None	Pay fixed 1.9057%; receive 70% of Federal Funds Rate + 0.0925%	Aa2/AA-		619
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Revenue Bonds		100,000	2019	2023	None	Pay fixed 1.8980%; receive 70% of Federal Funds Rate + 0.0975%	Aa2/A+		622
Interest rate swaps, net		\$1,148,715	\$1,760,550						\$97,416	\$63,152

Hedging Derivative Instrument Risk Factors

Credit risk

The University could be exposed to credit risk if the interest rate swap counterparties to the contracts are unable to meet the terms of the contracts. Contracts with positive fair values are exposed to credit risk. The University faces a maximum possible loss equivalent to the amount of the derivative's fair value, less any collateral held by the University provided by the counterparty. Contracts with negative fair values are not exposed to credit risk.

Although the University has entered into interest rate swaps with creditworthy financial institutions to hedge its variable-rate debt, there is credit risk for losses in the event of nonperformance by counterparties or unfavorable interest rate movements.

There are no collateral requirements related to the interest rate swap with the \$40.5 million notional amount. Depending on the fair value and the counterparty credit rating for the swaps related to the Medical Center Pooled Revenue Bonds with the counterparty that is currently rated Aa2/A+ with a combined notional amount of \$167.9 million, the University may be entitled to receive collateral to the extent the positive fair value exceeds \$20.0 million. At June 30, 2024 and 2023, there was no collateral required.

Depending on the fair value and the counterparty credit rating for the swaps related to the General Revenue Bonds with a combined notional amount of \$340.4 million, the University may be entitled to receive collateral. At June 30, 2024 and 2023, there was no collateral required.

Depending on the fair value and the counterparty credit rating for the swap related to the General Revenue Bonds with the counterparty that is currently rated Aa2/A+ with a notional amount of \$100.0 million, the University may be entitled to receive collateral to the extent the positive fair value with the counterparty exceeds \$20.0 million. At June 30, 2024 and 2023, there was no collateral required.

Interest rate risk

There is a risk that the value of the interest rate swaps will decline because of changing interest rates. The values of the interest rate swaps with longer maturities tend to be more sensitive to changing interest rates and, therefore, more volatile than those with shorter maturities.

Basis risk

There is a risk that the basis for the variable payment received on interest rate swaps will not match the variable payment on the bonds. This exposes the University to basis risk whenever the interest rates on the bonds are reset. The interest rate on the bonds is a tax-exempt interest rate, while the basis of the variable receipt on the interest rate swaps is taxable. Tax-exempt interest rates can change without a corresponding change in the Federal Funds Rate due to factors affecting the tax-exempt market which do not have a similar effect on the taxable market.

Termination risk

There is termination risk for interest rate swaps associated with variable-rate bonds in the event of nonperformance by counterparties in an adverse market, resulting in cancellation of the synthetic interest rate and returning the interest rate payments to the variable interest rates on the bonds. In addition, depending on the agreement, certain interest rate swaps may be terminated if a counterparty's credit quality rating, as issued by Moody's or S&P, falls below certain thresholds. For the interest rate swap with the \$40.5 million notional amount, the termination threshold is reached when the credit quality rating for either the underlying Medical Center Pooled Revenue Bonds or swap counterparty falls below Baa2 or BBB. For the swaps with the combined \$167.9 million notional amount, the termination threshold is reached when the credit quality rating for the underlying Medical Center Pooled Revenue Bonds falls below Baa3/BBB-, or the interest rate swap counterparty's rating falls below Baa2 or BBB. For the swaps with a combined notional amount of \$340.4 million with counterparties that are currently rated A2/A+ and A2/A, the termination threshold is reached when either the credit quality rating for the Medical Center Pooled Revenue Bonds or the swap counterparty's rating falls below Baa2 or BBB. Upon termination, the University may also owe a termination payment if there is a realized loss based on the fair value of each interest rate swap.

For the swap with notional amounts of \$500.0 million with a counterparty that is currently rated Aa2/AA-, the termination threshold is reached when the credit quality rating for the underlying General Revenue Bonds falls below Baa2 or BBB, or the swap counterparty's rating falls below A3 or A-. For the swap with a notional amount of \$100.0 million with a counterparty that is currently rated Aa2/A+, the termination threshold is reached when the credit quality rating for the underlying General Revenue Bonds falls below Baa2 or BBB, or the swap counterparty's rating falls below A3 or A-. Upon termination, the University may also owe a termination payment if there is a realized loss based on the fair value of each interest rate swap.

Rollover risk

The University is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, the University will be re-exposed to the risks being hedged by the hedging derivative instruments. The University is exposed to rollover risk on the interest rate swaps that mature in March 2039 and June 2039 because the hedged debt is scheduled to mature in May 2048.

6. Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities reported at fair value are organized into a hierarchy based on the levels of inputs observable in the marketplace that are used to measure fair value. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 — Prices based on unadjusted quoted prices in active markets that are accessible for identical assets or liabilities are classified as Level 1. Level 1 investments include equity securities, commingled funds (exchange traded funds and mutual funds) and other publicly traded securities.

Level 2 — Quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly, are classified as Level 2. Level 2 investments include fixed- or variable-income securities, commingled funds, certain derivatives and other assets that are valued using market information. Swaps are classified as level 2 on the fair value hierarchy.

Level 3 — Investments, variable rate investment contracts, and other assets classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value of these financial instruments are based upon the best information in the circumstance and may require significant management judgment. Level 3 financial instruments include private equity investments, real estate and beneficial interests in irrevocable split-interest agreements. The inputs into the determination of fair value of these investments are based upon the best information in the circumstance and may require significant management judgment. Level 3 investments include private equity investments, real assets and real estate.

Net Asset Value (NAV) — Investments whose fair value is measured at NAV are excluded from the fair value hierarchy. Investments in nongovernmental entities that do not have a readily determinable fair value may be valued at NAV. Investments measured at NAV include hedge funds, private equity investments and commingled funds.

Not Leveled — Cash and cash equivalents including pending trades and settlements within various pools are not measured at fair value and, thus, are not subject to the fair value disclosure requirements.

Tables 6.1a, 6.1b and 6.1c summarize the investments and other assets reported at fair value within the fair value hierarchy as of June 30, 2024:

Table 6.1a: Investments and Other Assets Reported at Fair Value for the University as of June 30, 2024 *(in thousands of dollars)*

Description	Total	Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)	Net Asset Value (NAV)	Not leveled
Equity securities	\$20,272,963	\$20,272,737	\$26	\$200		
Fixed- or variable-income securities: U.S. government-guaranteed	5,093,287		5,093,287			
Fixed- or variable-income securities: Other U.S. dollar-denominated	6,669,368		6,669,368			
Commingled funds	12,999,637	1,148,539	152,905	2,452,000	\$9,167,205	\$78,988
Investment derivatives	495	82	413			
Publicly traded real estate investment trusts	431,333	431,333				
Mortgage loans	1,408,454			1,408,454		
Real estate	127,343			127,343		
Other investments	169,554			169,554		
Campus foundations' investments with the University	(3,673,607)					(3,673,607)
UCRS investment in STIP	(2,953,909)					(2,953,909)
Custodial investment funds	(630,465)					(630,465)
Total investments	\$39,914,453	\$21,852,691	\$11,915,999	\$4,157,551	\$9,167,205	(\$7,178,993)
Securities lending investments of cash collateral	\$2,299,339		\$2,299,943			(\$604)
Investments held by trustees	\$343,898	\$114,473	\$101,386		\$2,197	\$125,842
Beneficial interests included in other noncurrent assets	\$54,768			\$54,768		

Table 6.1b: Investments and Other Assets Reported at Fair Value for the Foundations as of June 30, 2024 *(in thousands of dollars)*

Description	Total	Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)	Net Asset Value (NAV)	Not leveled
Equity securities	\$207,303	\$175,044	\$1,425	\$30,834		
Fixed- or variable-income securities: U.S. government-guaranteed	492,254		492,254			
Fixed- or variable-income securities: Other U.S. dollar-denominated	411,653		411,599	54		
Commingled funds	14,933,055	1,228,769	410	163,813	\$13,467,951	\$72,112
Investment derivatives	64	64				
Real estate	324,795			42,403	282,392	
Other investments	352,312	4,266		1,780	343,673	2,593
Futures and options contracts	10,215		10,215			
Custodial investment funds	(728,256)	(24,863)	(13,265)	(1,655)	(346,362)	(342,111)
Total investments	\$16,003,395	\$1,383,280	\$902,638	\$237,229	\$13,747,654	(\$267,406)
Beneficial interests included in other noncurrent assets	\$99,698			\$99,698		

Table 6.1c: Investments and Other Assets Reported at Fair Value for UCRS as of June 30, 2024 *(in thousands of dollars)*

Description	Total	Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)	Net Asset Value (NAV)	Not leveled
Equity securities	\$72,487,939	\$72,483,258		\$4,681		
Fixed- or variable-income securities: U.S. government-guaranteed	9,000,519		\$9,000,519			
Fixed- or variable-income securities: Other U.S. dollar-denominated	10,891,436	3,679	10,887,757			
Commingled funds	38,487,869	3,283,462		4,883,383	\$29,921,317	\$399,707
Investment derivatives	4,012	256	3,756			
Publicly traded real estate investment trusts	2,295,247	2,295,247				
Other investments	575,074			399,912	175,162	
Real estate	875,979			477,150	398,829	
Total investments	\$134,618,075	\$78,065,902	\$19,892,032	\$5,765,126	\$30,495,308	\$399,707
Securities lending investments of cash collateral	\$13,310,868		\$13,314,325			\$(3,457)

Tables 6.2a, 6.2b and 6.2c summarize the investments and other assets reported at fair value within the fair value hierarchy as of June 30, 2023:

Table 6.2a: Investments and Other Assets Reported at Fair Value for the University as of June 30, 2023 *(in thousands of dollars)*

Description	Total	Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)	Net Asset Value (NAV)	Not leveled
Equity securities	\$15,479,559	\$15,478,254	\$25	\$1,280		
Fixed- or variable-income securities: U.S. government-guaranteed	6,863,681		6,863,681			
Fixed- or variable-income securities: Other U.S. dollar-denominated	10,996,909		10,996,909			
Commingled funds	12,290,911	414,089	(21)	2,049,545	\$9,795,861	\$31,437
Investment derivatives	2,451	77	2,374			
Publicly traded real estate investment trusts	376,971	376,971				
Mortgage loans	934,755			934,755		
Real estate	190,344			33,127	157,217	
Other investments	151,556			151,556		
Campus foundations' investments with the University	(4,717,138)					(4,717,138)
UCRS investment in STIP	(4,365,490)					(4,365,490)
Custodial investment funds	(595,102)					(595,102)
Total investments	\$37,609,407	\$16,269,391	\$17,862,968	\$3,170,263	\$9,953,078	(\$9,646,293)
Securities lending investments of cash collateral	\$1,913,886		\$1,932,156			(\$18,270)
Investments held by trustees	\$444,925	\$183,267	\$100,730		\$2,157	\$158,771
Beneficial interests included in other noncurrent assets	\$54,756			\$54,756		

Table 6.2b: Investments and Other Assets Reported at Fair Value for the Foundations as of June 30, 2023 *(in thousands of dollars)*

Description	Total	Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)	Net Asset Value (NAV)	Not leveled
Equity securities	\$85,519	\$56,471	\$297	\$28,751		
Fixed- or variable-income securities: U.S. government-guaranteed	565,013		565,013			
Fixed- or variable-income securities: Other U.S. dollar-denominated	370,372		370,318	54		
Foreign currency-denominated	934		934			
Commingled funds	13,851,432	937,256	403	116,166	\$12,693,459	\$104,148
Investment derivatives	48	48				
Real estate	308,288			38,193	270,095	
Other investments	338,641	4,303		1,964	330,524	1,850
Futures and options contracts	10,059		10,059			
Custodial investment funds	(705,961)	(9,024)	(12,896)	(1,613)	(347,455)	(334,973)
Total investments	\$14,824,345	\$989,054	\$934,128	\$183,515	\$12,946,623	(\$228,975)
Beneficial interests included in other noncurrent assets	\$74,071			\$74,071		

Table 6.2c: Investments and Other Assets Reported at Fair Value for UCRS as of June 30, 2023 *(in thousands of dollars)*

Description	Total	Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)	Net Asset Value (NAV)	Not leveled
Equity securities	\$58,292,012	\$58,287,558		\$4,454		
Fixed- or variable-income securities: U.S. government-guaranteed	7,953,360		\$7,953,360			
Fixed- or variable-income securities: Other U.S. dollar-denominated	11,979,680	3,966	11,975,714			
Commingled funds	36,641,392	2,608,925	(14,927)	4,275,136	\$30,988,707	(\$1,216,449)
Investment derivatives	15,235	4,817	10,418			
Publicly traded real estate investment trusts	2,126,913	2,126,913				
Other investments	548,539			367,396	181,143	
Real estate	1,242,310			845	1,241,465	
Total investments	\$118,799,441	\$63,032,179	\$19,924,565	\$4,647,831	\$32,411,315	(\$1,216,449)
Securities lending investments of cash collateral	\$8,621,760		\$8,704,194			(\$82,434)

Tables 6.3a, 6.3b and 6.3c present significant terms of certain investments at June 30, 2024:

Table 6.3a: Significant Terms of Investments for the University *(in thousands of dollars)*

Investment type	Fair value	Unfunded commitments	Remaining life (years)	Redemption terms and restrictions
Absolute return	\$904,680			Not eligible for redemption and lock-up provisions ranging from 0 to 3 years. For securities not eligible for redemption, the underlying assets are estimated to be liquidated within 3 to 5 years. For securities eligible for redemption, after initial lock-up expires, the redemption is available on a rolling basis and requires 30 to 365 days' prior notification.
Private equity	4,866,898	\$1,186,197	0 to 15	Not eligible for redemption.
Private credit	939,761	127,852	0 to 10	Not eligible for redemption and lock-up provisions ranging from 0 to 10 years. For securities not eligible for redemption, the underlying assets are estimated to be liquidated within 3 to 7 years. For securities eligible for redemption, after initial lock-up expires, the redemption is available on a rolling basis and requires 30 to 365 days' prior notification before winding down.
Real assets	593,136	113,513	0 to 15	Not eligible for redemption.
Real estate and real estate investment trusts	2,832,976	189,225	0 to 10	Closed-end funds are not eligible for redemption. For open-end funds, redemption is generally on a quarterly basis where the redemption date is the last day of each quarter. Payments of withdrawal requests are generally made within four quarters.
U.S. equity funds	3,447			Redemption generally requires at least 0 to 90 days' written notice of intention to terminate as of a date specified in the notice. Payments of withdrawal requests are generally made within 0 to 120 days.
Non-U.S. equity funds	1,303,338			Redemption requires at least 0 to 180 days' written notice of intention to terminate as of a date determined by the legal agreement between the investment manager and The Regents. Withdrawals may occur on the last business day of the month and are subject to certain withdrawal guidelines.
Balanced funds	321,842			Redemption requires at least 12 months' prior written notice of intention to terminate as of a date specified in the notice. Withdrawals will occur on the last business day of the month and are subject to certain withdrawal guidelines.

Table 6.3b: Significant Terms of Investments for the Foundations *(in thousands of dollars)*

Investment type	Fair value	Unfunded commitments	Remaining life (years)	Redemption terms and restrictions
Absolute return	\$3,344,044	\$260,437	0 to 1	Generally, lock-up provisions ranging from 0 to 3 years. After initial lock-up expires, redemptions are available and require 30 to 180 days' prior notification.
Private equity	3,161,609	1,414,187	0 to 15	Generally, lock-up provisions ranging from 0 to 16 years. After initial lock-up expires, redemptions are available and require 30 to 180 days' prior notification.
Real assets	59,314	40,795	0 to 12	Not eligible for redemption.
Real estate and real estate investment trusts	570,569	295,022	0 to 12	Not eligible for redemption.
U.S. equity and non-U.S. equity funds	2,959,580	32,667	0 to 15	Generally, lock-up provisions ranging from 0 to 4 years. After initial lock-up expires, redemptions are available and require 0 to 365 days' prior notification.

Table 6.3c: Significant Terms of Investments for UCRS *(in thousands of dollars)*

Investment Type	Fair value	Unfunded commitments	Remaining life (years)	Redemption terms and restrictions
Absolute return	\$1,845,464			Not eligible for redemption and lock-up provisions ranging from zero to three years. For securities not eligible for redemptions the underlying assets are estimated to be liquidated within three to five years. For securities eligible for redemptions, after initial lock-up expires, redemptions are available on a rolling basis and require 30 to 365 days' prior notification.
Private equity	9,743,822	\$3,032,429	0 to 15	Not eligible for redemption.
Private credit	2,278,817	520,303	0 to 10	Not eligible for redemption and lock-up provisions ranging from zero to ten years. For securities not eligible for redemptions the underlying assets are estimated to be liquidated within three to seven years. For securities eligible for redemptions, after initial lock-up expires, redemptions are available on a rolling basis and require 30 to 365 days' prior notification before winding down.
Real assets	3,154,240	643,239	0 to 15	Not eligible for redemption.
U.S. equity funds	5,213,097			Redemption generally requires at least zero to 90 days' written notice of intention to terminate as of a date specified in the notice. Payments of withdrawal requests are generally made within 0 to 120 days.
Non-U.S. equity funds	3,296,006			Redemption requires at least zero to 180 days' written notice of intention to terminate as of a date determined by the legal agreement between the investment manager and The Regents. Withdrawals may occur on the last business day of the month and are subject to certain withdrawal guidelines.
Real estate and real estate investment trusts	6,954,017	375,305	0 to 10	Closed-end funds are not eligible for redemption. For open-end funds, redemptions are generally on a quarterly basis where the redemption date is the last day of each quarter. Payments of withdrawal requests are generally made within four quarters.

7. Investments Held by Trustees

The University has entered into agreements with trustees to maintain trusts for compliance with the University's long-term debt requirements, capital projects and certain other requirements.

Capital Projects

Proceeds from the sale of bonds for the design and construction of third-party blended component unit housing facilities are held by trustees. The fair value of these investments was \$78.4 million and \$271.5 million at June 30, 2024 and 2023, respectively. Substantially all of these investments are of a highly liquid, short-term nature.

8. Accounts Receivable

Accounts receivable and the allowance for uncollectible accounts at June 30, 2024 and 2023 are shown in **Table 8.1a** and **8.1b**, respectively:

Table 8.1a: Accounts Receivable and the Allowance for Uncollectible Accounts at June 30, 2024 *(in thousands of dollars)*

Description	University of California state and federal government	University of California Medical Centers	University of California investment sales	University of California private grants and contracts	University of California Medical professional fees	University of California other	University of California total	Campus Foundations
Accounts receivable	\$1,442,568	\$4,622,410	\$171,911	\$806,873	\$750,897	\$1,636,707	\$9,431,366	\$30,332
Allowance for uncollectible accounts	(17,319)	(875,745)		(46,180)	(182,686)	(83,145)	(1,205,075)	
Accounts receivable, net	\$1,425,249	\$3,746,665	\$171,911	\$760,693	\$568,211	\$1,553,562	\$8,226,291	\$30,332

Table 8.1b: Accounts Receivable and the Allowance for Uncollectible Accounts at June 30, 2023 *(in thousands of dollars)*

Description	University of California state and federal government	University of California Medical Centers	University of California investment sales	University of California private grants and contracts	University of California Medical professional fees	University of California other	University of California total	Campus Foundations
Accounts receivable	\$1,001,618	\$3,716,381	\$594,299	\$711,559	\$695,098	\$1,139,966	\$7,858,921	\$39,999
Allowance for uncollectible accounts	(18,359)	(607,888)		(49,341)	(186,888)	(66,532)	(929,008)	
Accounts receivable, net	\$983,259	\$3,108,493	\$594,299	\$662,218	\$508,210	\$1,073,434	\$6,929,913	\$39,999

The University's other accounts receivable are primarily related to investment income, tuition and fees, auxiliary enterprises, insurance rebates and legal settlements.

The campus foundations' accounts receivable are primarily related to investment income.

The allowance for uncollectible accounts has changed the following revenues for the University for the years ended June 30 as shown in **Table 8.2**:

Table 8.2: Allowance for Uncollectible Accounts *(in thousands of dollars)*

Description	2024	2023
Student tuition and fees	(\$7,506)	(\$9,426)
Grants and contracts: Federal	2,434	(1,383)
Grants and contracts: State	(1,391)	(7,751)
Grants and contracts: Private	3,150	(5,782)
Grants and contracts: Local	(726)	29
Medical centers	(817,446)	(339,734)
Educational activities	(24,899)	(50,310)
Auxiliary enterprises	(1,276)	(3,864)
Other operating revenues	(5,219)	(6,167)
Allowance for uncollectible accounts	(\$852,879)	(\$424,388)

9. Pledges Receivable

The composition of pledges receivable at June 30 is summarized in **Table 9.1**:

Table 9.1: Composition of Pledges Receivable (in thousands of dollars)

Description	University of California 2024	University of California 2023	Campus Foundations 2024	Campus Foundations 2023
Total pledges receivable outstanding	\$82,561	\$64,197	\$1,809,303	\$1,900,812
Unamortized discount to present value	(1,422)	(372)	(156,048)	(170,341)
Allowance for uncollectible pledges	(10,828)	(10,061)	(81,135)	(79,773)
Total pledges receivable, net	70,311	53,764	1,572,120	1,650,698
Current portion of pledges receivable	(29,061)	(34,964)	(311,690)	(307,168)
Noncurrent portion of pledges receivable	\$41,250	\$18,800	\$1,260,430	\$1,343,530

Future receipts under pledge agreements for each of the five fiscal years subsequent to June 30, 2024 and thereafter are shown in **Table 9.2**:

Table 9.2: Future Receipts Under Pledge Agreements (in thousands of dollars)

Year Ending June 30	University of California	Campus Foundations
2025	\$38,552	\$421,929
2026	13,205	293,849
2027	4,960	271,158
2028	11,794	225,828
2029	3,350	195,327
2030–2034	10,451	178,674
Beyond 2034	249	222,538
Total payments on pledges receivable	\$82,561	\$1,809,303

10. Notes and Mortgages Receivable

The University's notes and mortgages receivable at June 30, 2024 and 2023 are shown in **Table 10.1a** and **10.1b**, respectively:

Table 10.1a: Notes and Mortgage Receivable at June 30, 2024 (in thousands of dollars)

Description	Current	Noncurrent notes	Noncurrent mortgages	Noncurrent total
Notes and mortgages receivable	\$34,923	\$417,624	\$37,409	\$455,033
Allowance for uncollectible amounts	(3,923)	(6,742)	(186)	(6,928)
Notes and mortgages receivable, net	\$31,000	\$410,882	\$37,223	\$448,105

Table 10.1b: Notes and Mortgage Receivable at June 30, 2023 (in thousands of dollars)

Description	Current	Noncurrent notes	Noncurrent mortgages	Noncurrent total
Notes and mortgages receivable	\$68,757	\$324,984	\$24,518	\$349,502
Allowance for uncollectible amounts	(2,020)	(19,364)	(151)	(19,515)
Notes and mortgages receivable, net	\$66,737	\$305,620	\$24,367	\$329,987

11. Capital Assets

The University's capital asset activity for the years ended June 30 is shown in **Table 11.1**:

Table 11a: University's Capital Assets at Original Cost *(in thousands of dollars)*

Original cost	2022	Additions/ transfers	Disposals	2023	Additions/ transfers	Disposals	2024
Land	\$1,544,105	\$187,975	(\$12,706)	\$1,719,374	\$408,323	(\$12,201)	\$2,115,496
Infrastructure	964,002	95,739		1,059,741	27,500		1,087,241
Buildings and improvements	49,887,356	1,456,693	(\$29,340)	51,314,709	3,894,835	(120,176)	55,089,368
Equipment, software and intangibles	9,775,592	789,688	(369,929)	10,195,351	964,614	(442,173)	10,717,792
Leases	3,068,485	520,974	(293,660)	3,295,799	281,952	(134,417)	3,443,334
Subscription-based IT arrangements	319,298	85,977	(9,155)	396,120	194,072	(60,879)	529,313
Libraries and collections	4,772,471	162,519	(20,648)	4,914,342	185,196	(63,568)	5,035,970
Special collections	618,141	30,690	(1,638)	647,193	10,803	(14)	657,982
Construction in progress	4,626,978	1,671,615	(33,630)	6,264,963	1,906,627	(7,784)	8,163,806
Capital assets, at original cost	\$75,576,428	\$5,001,870	(\$770,706)	\$79,807,592	\$7,873,922	(\$841,212)	\$86,840,302

Table 11b: University's Net Capital Assets and Accumulated Depreciation and Amortization *(in thousands of dollars)*

Accumulated depreciation and amortization	2022	Depreciation and amortization	Disposals	2023	Depreciation and amortization	Disposals	2024
Infrastructure	\$509,229	\$32,471		\$541,700	\$35,497		\$577,197
Buildings and improvements	21,842,900	1,551,388	(\$67,813)	23,326,475	1,819,533	(\$308,750)	24,837,258
Equipment, software and intangibles	6,920,208	717,228	(332,626)	7,304,810	787,450	(455,835)	7,636,425
Leases	762,521	289,968	(94,328)	958,161	293,915	(61,664)	1,190,412
Subscription-based IT arrangements	68,263	97,060	(9,155)	156,168	123,653	(60,981)	218,840
Libraries and collections	3,579,883	141,583	(5,095)	3,716,371	142,018	(50,636)	3,807,753
Accumulated depreciation and amortization	\$33,683,004	\$2,829,698	(\$509,017)	\$36,003,685	\$3,202,066	(\$937,866)	38,267,885
Capital assets, net	\$41,893,424			\$43,803,907			\$48,572,417

Service concession arrangements, reported as buildings and improvements, are \$278.7 million of original cost and \$55.2 million of accumulated depreciation at June 30, 2024, and are \$278.7 million of original cost and \$51.4 million of accumulated depreciation at June 30, 2023.

12. Self-Insurance and Other Liabilities

The University's self-insurance, obligations under life income agreements and other liabilities at June 30, 2024 and 2023 are shown in **Table 12.1**:

Table 12.1: Self Insurance, Obligations Under Life Income Agreements and Other Liabilities (in thousands of dollars)

Description	University of California current 2024	University of California noncurrent 2024	University of California current 2023	University of California noncurrent 2023	Campus Foundations current 2024	Campus Foundations noncurrent 2024	Campus Foundations current 2023	Campus Foundations noncurrent 2023
Self-insurance programs	\$807,666	\$1,632,855	\$596,454	\$1,392,511				
Obligations under life income agreements	1,276	\$32,491	1,331	\$32,891	\$16,825	\$136,581	\$16,449	\$135,177
Other liabilities:								
Compensated absences	917,924	\$496,781	880,488	\$466,650				
Accrued interest	222,474		217,607					
Fair value of interest rate swaps		36,644		63,151				
Short-term advances			3,955					
Other	797,012	287,840	924,016	351,978	83,538	45,319	123,226	44,130
Total	\$2,746,352	\$821,265	\$2,623,851	\$881,779	\$100,363	\$45,319	\$139,675	\$44,130

Self-insurance Programs

Self-insured liabilities changed as shown in **Table 12.2a** and **12.2b** for the years ended June 30, 2024 and 2023, respectively:

Table 12.2a: Self-Insured Liabilities at June 30, 2024 (in thousands of dollars)

Liabilities	Medical malpractice	Workers' compensation	Employee & student health care	General liability and other	Total
Liabilities at June 30, 2023	\$276,714	\$1,058,806	\$312,756	\$340,689	\$1,988,965
Claims incurred and changes in estimates	202,197	369,416	2,377,879	164,587	3,114,079
Claim payments	(69,505)	(92,947)	(2,378,008)	(122,063)	(2,662,523)
Liabilities at June 30, 2024	\$409,406	\$1,335,275	\$312,627	\$383,213	\$2,440,521
Discount rate	3.0%	3.0%	Undiscounted	3.0%	

Table 12.2b: Self-Insured Liabilities at June 30, 2023 (in thousands of dollars)

Liabilities	Medical malpractice	Workers' compensation	Employee & student health care	General liability and other	Total
Liabilities at June 30, 2022	\$245,162	\$854,774	\$264,042	\$961,566	\$2,325,544
Claims incurred and changes in estimates	97,557	290,242	2,169,974	(68,801)	2,488,972
Claim payments	(66,005)	(86,210)	(2,121,260)	(552,076)	(2,825,551)
Liabilities at June 30, 2023	\$276,714	\$1,058,806	\$312,756	\$340,689	\$1,988,965
Discount rate	3.0%	3.0%	Undiscounted	3.0%	

13. Debt

The University directly finances the construction, renovation and acquisition of facilities and equipment, or such other purposes as authorized by The Regents through the issuance of debt obligations or indirectly through structures that involve legally separate entities reported as blended component units. Commercial paper and bank loans provide interim financing. Long-term financing includes revenue bonds, financing obligations and other borrowings.

The University's outstanding debt at June 30 is shown on **Table 13.1**:

Table 13.1: Outstanding Debt (in thousands of dollars)

Description	Weighted average interest rate	Interest rate range	Maturity years	2024	2023
Interim financing: Commercial paper		3.5–5.5%	2025	\$1,587,500	\$885,000
Long-term financing:					
University of California General Revenue Bonds: Fixed rate	4.6%	0.7–7.6%	2025–2115	15,806,875	14,549,785
University of California General Revenue Bonds: Variable rate	4.7%	4.6–5.4%	2025–2048	1,086,265	1,094,380
University of California Limited Project Revenue Bonds	4.4%	1–5.5%	2025–2058	4,767,780	5,395,150
University of California Medical Center Pooled Revenue Bonds: Fixed rate	4.2%	2.4–6.6%	2025–2120	6,647,560	6,693,845
University of California Medical Center Pooled Revenue Bonds: Variable rate	4.6%	4.6–4.7%	2025 – 2047	205,965	221,905
Unamortized bond premium				1,967,017	1,669,815
University of California revenue bonds	4.4%			30,481,462	29,624,880
Financing obligations		Various	2025–2042	64,893	62,244
Other University borrowings		Various	2025–2091	807,504	750,220
Leases		Various	2025–2120	2,519,174	2,568,717
Subscription-based information technology arrangements		Various	2025–2034	236,471	181,066
Blended component unit revenue bonds, net	4.7%	3–6.5%	2025–2054	2,212,345	2,268,648
Total outstanding debt				37,909,349	36,340,775
Less: Commercial paper				(1,587,500)	(885,000)
Current portion of outstanding debt				(3,113,605)	(2,602,168)
Noncurrent portion of outstanding debt				\$33,208,244	\$32,853,607

The activity with respect to the University's current and noncurrent debt, including the revenue bonds associated with blended component units, for the years ended June 30 is shown in **Table 13.2:**

Table 13.2a: Current and Noncurrent Debt Activity for the year ended June 30, 2024 *(in thousands of dollars)*

Description	University revenue bonds	Financing obligations, leases, and subscription-based IT arrangements	Other university borrowings	Blended component unit revenue bonds	Total
Long-term debt at June 30, 2023	\$29,624,896	\$2,812,011	\$750,220	\$2,268,648	\$35,455,775
New obligations	3,194,785	449,802	132,075		3,776,662
Bond premium, net	443,120				443,120
Refinancing or prepayment of outstanding debt	(2,030,205)	(51,784)			(2,081,989)
Scheduled principal payments	(605,200)	(389,507)	(74,791)	(41,040)	(1,110,538)
Amortization of bond premium	(145,918)			(15,263)	(161,181)
Long-term debt at June 30, 2024	30,481,478	2,820,522	807,504	2,212,345	36,321,849
Less: Current portion	(2,485,980)	(364,244)	(212,224)	(51,157)	(3,113,605)
Noncurrent portion at June 30, 2024	\$27,995,498	\$2,456,278	\$595,280	\$2,161,188	\$33,208,244

Table 13.2b: Current and Noncurrent Debt Activity for the year ended June 30, 2023 *(in thousands of dollars)*

Description	University revenue bonds	Financing obligations, leases, and subscription-based IT arrangements	Other university borrowings	Blended component unit revenue bonds	Total
Long-term debt at June 30, 2022	\$29,066,617	\$2,757,136	\$844,735	\$2,316,393	\$34,984,881
New obligations	3,253,920	515,933			3,769,853
Bond premium, net	308,599				308,599
Refinancing or prepayment of outstanding debt	(2,324,165)	(105,805)			(2,429,970)
Scheduled principal payments	(538,795)	(355,253)	(94,515)	(32,155)	(1,020,718)
Amortization of bond premium	(141,280)			(15,590)	(156,870)
Long-term debt at June 30, 2023	29,624,896	2,812,011	750,220	2,268,648	35,455,775
Less: Current portion	(2,081,078)	(326,183)	(143,940)	(50,967)	(2,602,168)
Noncurrent portion at June 30, 2023	\$27,543,818	\$2,485,828	\$606,280	\$2,217,681	\$32,853,607

Commercial Paper

The University has available a \$2.0 billion commercial paper program, issued in two series, with tax-exempt and taxable components. Commercial paper may be issued for interim financing for capital projects or equipment, financing for working capital for the medical centers, standby or interim financing for gift-financed projects and working capital for the University.

The program's liquidity is primarily supported by available investments in STIP, BGP and TRIP. Commercial paper is collateralized by a pledge of the revenues derived from the ownership or operation of the projects financed and constitutes limited obligations of the University. There is no encumbrance, mortgage or other pledge of property securing commercial paper and the paper does not constitute general obligations of the University.

Commercial paper outstanding, including interest rates, at June 30 is shown in **Table 13.3**:

Table 13.3: Commercial Paper (in thousands of dollars)

Description	Interest rates 2024	Outstanding 2024	Interest rates 2023	Outstanding 2023
Tax-exempt	3.5–3.9%	\$1,401,000	2.6–3.6%	\$550,000
Taxable	5.3–5.5%	186,500	5.1–5.3%	335,000
Total outstanding		\$1,587,500		\$885,000

The expectation is that the University will continue to utilize available investments for liquidity support of the commercial paper program. Alternatively, the University may utilize lines of credit from external banks for the purpose of providing additional liquidity support for the commercial paper program. As of June 30, 2024, the University has two revolving credit agreements totaling \$700.0 million. There were no borrowings against the revolving credit lines as of June 30, 2024.

University of California Revenue Bonds

Revenue bonds have financed various auxiliary, administrative, academic, medical center and research facilities of the University. The bonds generally have annual principal and semiannual or monthly interest payments, serial and term maturities, contain sinking fund requirements and may have optional redemption provisions. Revenue bonds are not collateralized by any encumbrance, mortgage or other pledge of property, except pledged revenues, and do not constitute general obligations of The Regents. Revenue bond indentures require the University to use the facilities in a way which will not cause the interest on the tax-exempt bonds to be included in the gross income of the bondholders for federal tax purposes. The indentures permit the University to issue additional bonds as long as certain conditions are met.

General revenue bonds are collateralized solely by general revenues as defined in the general revenue bond indenture. General revenues are certain operating and nonoperating revenues of the University consisting of gross student tuition and fees; a portion of state appropriations; facilities and administrative cost recovery from contracts and grants; revenues from educational, auxiliary and other activities; and other revenues, including unrestricted investment income. The General revenue bond indenture requires the University to set rates, charges and fees each year sufficient for general revenues to pay for the annual principal and interest on the bonds and certain other covenants. The pledge of general revenues for interest rate swap agreements is on a parity basis with the University's general revenue bonds. General revenues for the years ended June 30, 2024 and 2023 were \$21.7 billion and \$21.2 billion, respectively.

Limited project revenue bonds have been issued to finance auxiliary enterprises and are collateralized by a pledge consisting of the sum of the gross revenues of specific projects. The limited project revenue bond indenture requires the University to achieve the sum of revenues equal to 1.1 times debt service and to maintain certain other covenants. The pledge of revenues for limited project revenue bonds is subordinate to the pledge of revenues for general revenue bonds, but senior to pledges for commercial paper notes. Pledged revenues for the years ended June 30, 2024 and 2023 were \$1.9 billion and \$1.8 billion, respectively.

Medical center pooled revenue bonds have been issued to finance the University's medical center facilities and are collateralized by joint and several pledges of the gross revenues of all five of the University's medical centers. Medical center gross revenues are excluded from general revenues. The medical center pooled revenue bond indenture requires the medical centers to set rates, charges and fees each year sufficient for the medical centers' total operating and nonoperating revenues to pay for the annual principal and interest on the bonds and certain other covenants. The pledge of medical center revenues for interest rate swap agreements may be at parity with, or subordinate to, medical center pooled revenue bonds. Pledged revenues of the medical centers for the years ended June 30, 2024 and 2023 were \$22.2 billion and \$19.5 billion, respectively.

2024 Activity

In March 2024, general revenue bonds totaling \$1.1 billion were issued to refund certain outstanding general revenue bonds and limited project revenue bonds of the University. The bonds mature at various dates through 2045. The fixed-rate tax-exempt bonds have a stated weighted average interest rate of 5.0 percent. The deferred premium of \$199.6 million will be amortized as a reduction to interest expense over the term of the bonds. The refinancing and refunding of previously outstanding bonds resulted in cash flow savings of \$103.1 million and an economic gain of \$46.8 million.

In February 2024, general revenue bonds totaling \$1.4 billion, including \$144.0 million in taxable bonds, were issued to finance or refinance the acquisition, construction, improvement and renovation of certain facilities of the University. The bonds mature at various dates through 2044. The fixed-rate tax-exempt bonds have a stated weighted average interest rate of 5.0 percent. The taxable bonds have a stated weighted average interest rate of 4.9 percent. The deferred premium of \$174.4 million will be amortized as a reduction to interest expense over the term of the bonds. The refinancing and refunding of previously outstanding bonds resulted in cash flow savings of \$149.1 million and an economic gain of \$100.4 million.

In September 2023, general revenue bonds totaling \$706.6 million, including \$586.5 million in tax-exempt bonds, were issued to finance the acquisition, construction, improvement and renovation of certain facilities of the University. The bonds mature at various dates through 2035. Proceeds of the bonds, including a bond premium of \$93.0 million, were used to pay for project construction and issuance costs. The fixed-rate tax-exempt bonds have a stated weighted average interest rate of 5.0 percent. The taxable bonds have a stated weighted average interest rate of 5.1 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

2023 Activity

In February 2023, general revenue bonds totaling \$2.2 billion, including \$2.1 billion in tax-exempt bonds, were issued to finance or refinance the acquisition, construction, improvement and renovation of certain facilities of the University. The bonds mature at various dates through 2048. Proceeds of the bonds, including a bond premium of \$245.6 million, were used to pay for project construction, refinancing and issuance costs. The fixed-rate tax-exempt bonds have a stated weighted average interest rate of 5.0 percent. The taxable bonds have a stated weighted average interest rate of 4.7 percent. The University also issued tax-exempt variable rate bonds for which the interest rate will reset each business day. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds. The refinancing and refunding of previously outstanding bonds resulted in cash flow savings of \$411.4 million and an economic gain of \$324.8 million.

In September 2022, general revenue bonds totaling \$767.5 million, including \$702.3 million in tax-exempt bonds and \$65.2 million in taxable bonds, were issued to finance the acquisition, construction, improvement and renovation of certain facilities of the University. The bonds mature at various dates through 2052. Proceeds of the bonds, including a bond premium of \$121.6 million, were used to pay for project construction and issuance costs. The tax-exempt bonds have a stated weighted average interest rate of 5.0 percent. The taxable bonds have a stated weighted average interest rate of 4.5 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

In August 2022, the University priced \$318.0 million of tax-exempt general revenue bonds that were delivered in February 2023. Proceeds of the bonds, including a bond premium of \$39.9 million, were used to pay for issuance costs and to repay \$348.8 million of outstanding general revenue bonds at the call date. The bonds have a stated weighted average interest rate of 5.0 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds. The refinancing and refunding of previously outstanding bonds resulted in cash flow savings of \$38.6 million and an economic gain of \$34.4 million.

Leases

The University has leases for land, buildings and equipment under agreements that extend through 2120. Some leases include one or more options to renew, with renewal terms that can extend the lease term from one to 39 years. Leases may also include options to terminate the leases.

Certain of the University's lease agreements include rental payments adjusted periodically primarily for inflation. The lease agreements do not contain any material lease incentive received, residual value guarantees, material restrictive covenants or material termination penalties. The University also subleases certain real estate to third parties.

The University measures the lease liability at the present value of payments expected to be made during the lease term. Leases with a term of 12 months or less, real estate leases with cumulative undiscounted payments of less than \$300,000 (including option periods) or equipment leases with cumulative undiscounted payments of less than \$100,000 (including option periods) are recognized as operating expense on a straight-line basis over the lease term. If the interest rate implicit in the lease cannot be readily determined, the University uses an incremental borrowing rate to discount the lease payments, which is an estimate of the interest rate that would be charged for borrowing the lease payment amounts during the lease term.

Future minimum payments on the University's leases with an initial or remaining non-cancelable term in excess of one year are shown in **Table 13.4**:

Table 13.4: Future Minimum Payments on Leases *(in thousands of dollars)*

Year ending June 30	Principal	Interest	Total payments
2025	\$252,558	\$91,610	\$344,168
2026	232,887	83,400	316,287
2027	212,676	74,446	287,122
2028	202,670	66,335	269,005
2029	188,709	58,578	247,287
2030–2034	723,878	198,280	922,158
2035–2039	414,913	86,734	501,647
2040–2044	147,995	32,110	180,105
2045–2049	56,854	16,806	73,660
2050–2054	36,569	9,406	45,975
2055–2059	23,415	5,628	29,043
2060–2064	16,515	2,526	19,041
2065–2069		3,563	3,563
2070–2074		4,050	4,050
2075–2079		4,050	4,050
2080–2084		6,429	6,429
2085–2089		7,088	7,088
2090–2094		7,088	7,088
2095–2099		7,088	7,088
2100–2104		7,088	7,088
2105–2109		7,088	7,088
2110–2114	2,319	4,768	7,087
2115–2119	6,360	727	7,087
2120	118		118
Total	\$2,518,436	\$784,886	\$3,303,322

Subscription-based Information Technology Arrangements

The University has subscription-based information technology arrangements (SBITAs) under agreements that extend through 2037. Some SBITAs include one or more options to renew, with renewal terms that can extend the subscription term from one to ten years. SBITAs may also include options to terminate the subscription. SBITAs do not contain any material incentive received, material restrictive covenants or material termination penalties.

The University measures the SBITA liability at the present value of payments expected to be made during the subscription term. SBITAs with a term of 12 months or less or those with cumulative undiscounted payments of less than \$500,000 (including option periods) are recognized as operating expense on a straight-line basis over the subscription term. If the interest rate implicit in the SBITA cannot be readily determined, the University uses an incremental borrowing rate to discount the SBITA payments, which is an estimate of the interest rate that would be charged for borrowing the SBITA payment amounts during the subscription term.

Future minimum payments on the University's SBITAs with an initial or remaining non-cancelable term in excess of one year are shown in **Table 13.5**:

Table 13.5: Future Minimum Payments on SBITAs *(in thousands of dollars)*

Year ending June 30	Principal	Interest	Total payments
2025	\$91,304	\$7,569	\$98,873
2026	66,233	4,886	71,119
2027	33,027	2,624	35,651
2028	23,347	1,523	24,870
2029	11,339	825	12,164
2030–2034	10,067	948	11,015
2035	1,154	79	1,233
Total	\$236,471	\$18,454	\$254,925

Other University Borrowings

Other University borrowings consist of contractual obligations resulting from the acquisition of land or buildings and the construction and renovation of certain facilities, along with the borrowing component associated with hybrid derivative instruments.

The University may use uncollateralized revolving lines of credit with commercial banks for capital purposes and to provide interim financing for buildings and equipment. Lines of credit commitments for general corporate purposes totaled \$200.0 million at June 30, 2024 and 2023. Outstanding borrowings under these bank lines totaled \$167.0 million and \$100.0 million at June 30, 2024 and 2023, respectively.

Certain of the interest rate swaps are considered hybrid instruments. As such, the interest rate swaps are comprised of a derivative instrument and a companion instrument recorded as a borrowing. The unamortized amount of the borrowing was \$63.2 million and \$66.7 million at June 30, 2024 and 2023, respectively.

In August 2016, the University entered into an agreement with a developer to design, construct, finance, operate and maintain certain auxiliary, administrative, academic and research facilities of one of its campuses through 2055. Construction of all of the facilities was completed in the summer of 2020. Payments under this agreement have two components: the first component of the agreement is related to the operations and maintenance of the facilities; the second component is to service the private debt incurred by the developer. The payments for servicing the private debt are recorded as other borrowings by the University. The operations and maintenance component of the payments will be expensed as incurred. In the event that the operations and maintenance agreement with the developer is terminated, the outstanding portion of the private debt incurred by the developer would become an obligation of the University. The outstanding amount of the borrowing was \$515.0 million and \$551.5 million at June 30, 2024 and 2023, respectively.

Blended Component Unit Revenue Bonds

Student housing

The University has entered into ground leases with legally separate nonprofit corporations that develop and own student housing projects and related amenities and improvements on three University campuses through the use of project limited liability corporations (LLC). Each LLC, through a conduit issuer, has outstanding Student Housing LLC Revenue Bonds to finance the construction of the student housing facilities. Each LLC manages the premises. The University's reversionary interest in the land is not subordinated. All costs associated with the ownership, operation and management of the improvements are the obligation of each LLC. Student rental rates are established in order to provide for operating expenses and to maintain the required debt service coverage ratios. The bonds generally have annual principal and semiannual interest payments, serial and term maturities, certain sinking fund requirements and optional redemption provisions. They are not collateralized by any encumbrance, mortgage or other pledge of property, except pledged revenues of the student housing projects, and do not constitute general obligations of The Regents.

At June 30, 2024 and 2023, the LLCs, through a conduit issuer, have outstanding Student Housing LLC Revenue Bonds totaling \$1.6 billion and \$1.7 billion respectively. The bonds mature at various dates through 2054 and have a weighted average interest rate of 4.5 percent.

Research facilities

The University has a public/private partnership for the purpose of developing, constructing and managing a neuroscience research and laboratory building and a psychiatry youth and family center, with a legally separate, nonprofit corporation (the Corporation). In connection with these facilities, the University entered into ground leases with the Corporation. The Corporation has entered into a sub-ground lease with a developer to construct, own and manage the facilities. The University agreed to lease all of the space in the building from the developer. The University's base rent payments are equal to the principal and interest payments on the bonds that are issued by a conduit issuer, and loaned to the nonprofit corporation to finance the construction of the building. As security on the bonds, the developer has assigned all payments received from the University for the space lease to the bond trustee.

At June 30, 2024, the Corporation, through a conduit issuer, has outstanding tax-exempt revenue bonds totaling \$165.5 million and taxable revenue bonds totaling \$188.0 million. At June 30, 2023, the Corporation, through a conduit issuer, had outstanding tax-exempt revenue bonds totaling \$172.3 million and taxable revenue bonds totaling \$188.0 million. The tax-exempt revenue bonds mature at various dates through 2052 and have a weighted average interest rate of 5.0 percent. The tax-exempt revenue bonds have annual serial maturities, certain sinking fund requirements, semiannual interest payments and optional redemption provisions. The taxable bonds mature through 2049 and have an interest rate of 6.5 percent. The taxable bonds were issued as Build America Bonds, under which the U.S. Treasury was expected at the time of issuance to send the conduit issuer 35.0 percent of the semiannual interest cost on the taxable bonds. As of June 30, 2024, the U.S. Treasury had reduced the subsidy by 5.7 percent for a net subsidy of 33.0 percent and has published its intention to do so through Federal Fiscal Year 2030, making the net interest rate 4.3 percent post-subsidy. The taxable bonds have a term maturity with various certain annual sinking fund requirements, semiannual interest payments and optional redemption provisions.

In addition, the University entered into a ground lease with another legally separate, nonprofit corporation (the Consortium). The Consortium entered into an agreement with a developer to develop and own a research laboratory facility designed to expand collaborative work in stem cell research and facilitate its translation into tools and techniques to diagnose and treat degenerative diseases and other ailments. The developer constructed the research laboratory facility. All costs associated with the ownership, operation and management of the laboratory research facility are the obligation of the Consortium. The University, along with the other collaborative research partners, will lease space in the building.

The Consortium, through a conduit issuer, has outstanding revenue bonds totaling \$42.8 million and \$44.6 million at June 30, 2024 and 2023, respectively. The bonds mature at various dates through 2040 and have a weighted average interest rate of 4.3 percent. The bonds generally have annual principal and semiannual interest payments, serial and term maturities, certain sinking fund requirements and optional redemption provisions. Lease payments from the occupants of the building are pledged as collateral on the bonds. To the extent the lease payments are not sufficient to pay the debt service, the University is obligated to pay the shortfall.

Future Debt Service and Hedging Derivative Interest Rate Swaps

Future debt service payments for the University's fixed- and variable-rate debt, excluding leases and SBITAs, for each of the five fiscal years subsequent to June 30, 2024, and thereafter are presented in **Table 13.6a**. Although not a prediction by the University of the future interest cost of the variable-rate bonds, these amounts assume that current interest rates on variable-rate bonds will not change. As these rates vary, variable-rate bond interest payments will vary.

Table 13.6a: Future Debt Service Payments (in thousands of dollars)

Years ending June 30	Commercial paper	Medical Center revenue bonds	University revenue bonds	Financing obligations	Other university borrowings	Blended component unit revenue bonds	Total payments	Principal	Interest
2025	\$1,603,702	\$370,454	\$1,880,425	\$22,418	\$188,097	\$136,712	\$4,201,808	\$2,858,607	\$1,343,201
2026		368,832	2,113,839	18,209	21,231	138,247	2,660,358	1,371,438	1,288,920
2027		369,844	1,897,476	10,134	21,414	139,977	2,438,845	1,195,187	1,243,658
2028		354,742	1,462,191	8,753	21,627	142,047	1,989,360	781,641	1,207,719
2029		353,997	1,594,684	5,650	21,713	142,798	2,118,842	945,505	1,173,337
2030–2034		2,233,630	8,585,877	6,220	112,399	720,151	11,658,277	6,544,379	5,113,898
2035–2039		1,943,340	6,132,808		124,536	705,329	8,906,013	5,112,177	3,793,836
2040–2044		1,929,279	4,544,049		105,338	576,503	7,155,169	4,510,891	2,644,278
2045–2049		1,824,847	2,965,684		92,920	553,220	5,436,671	3,802,088	1,634,583
2050–2054		1,969,884	1,755,924		90,525	281,993	4,098,326	3,254,040	844,286
2055–2059		193,970	421,086		30,577		645,633	112,629	533,004
2060–2120		1,855,874	4,909,036				6,764,910	2,510,000	4,254,910
Total future debt service	1,603,702	13,768,693	38,263,079	71,384	830,377	3,536,977	58,074,212	\$32,998,582	\$25,075,630
Less: Interest component of future payments	(16,202)	(6,915,168)	(16,602,159)	(6,491)	(22,873)	(1,512,737)	(25,075,630)		
Principal portion of future payments	1,587,500	6,853,525	21,660,920	64,893	807,504	2,024,240	32,998,582		
Adjusted by: unamortized bond premium		145,418	1,821,598			188,106	2,155,122		
Total debt	\$1,587,500	\$6,998,943	\$23,482,518	\$64,893	\$807,504	\$2,212,346	\$35,153,704		

Long-term debt does not include \$3.6 million of defeased liabilities at June 30, 2024. Investments that have maturities and interest rates sufficient to fund retirement of these liabilities are being held in irrevocable trusts for the debt service payments. Neither the assets of the trusts nor the outstanding obligations are included in the University's statement of net position.

General revenue bonds of \$1.1 billion are variable-rate demand bonds which primarily reset daily and, in the event of a failed remarketing, can be put back to The Regents for tender. The University has classified these bonds as current liabilities as of June 30, 2024.

Medical center pooled revenue bonds of \$206.0 million are variable-rate demand bonds which give the debt holders the ability to put the bonds back to The Regents upon demand. The University has classified these bonds as current liabilities as of June 30, 2024.

For the University's cash flow hedges, future debt service payments for the University's variable-rate debt and net receipts or payments on the associated hedging derivative instruments for each of the five fiscal years subsequent to June 30, 2024, and thereafter are as presented below. Although not a prediction by the University of the future interest cost of the variable-rate bonds or the impact of the interest rate swaps, using rates as of June 30, 2024, combined debt service requirements of the variable-rate debt and net swap payments are shown in **Table 13.6b**:

Table 13.6b: Future Debt Service Payments — Hedging Derivative Instruments *(in thousands of dollars)*

Years ending June 30	Variable-rate bonds: Principal	Variable-rate bonds: Interest	Interest rate swap, net	Total payments
2025	\$12,210	\$52,370	(\$19,028)	\$45,552
2026	12,595	52,933	(19,002)	46,526
2027	12,990	52,434	(18,964)	46,460
2028	13,420	51,925	(18,932)	46,413
2029	13,830	51,114	(18,670)	46,274
2030–2034	58,890	246,757	(92,332)	213,315
2035–2039	88,810	234,303	(90,523)	232,590
2040–2044	296,415	200,331	(24,332)	472,414
2045–2049	645,280	73,718	(7,253)	711,745
Total	\$1,154,440	\$1,015,885	(\$309,036)	\$1,861,289

14. Deferred Outflows of Resources and Deferred Inflows of Resources

The University's composition of deferred outflows of resources at June 30 are summarized in **Table 14.1**:

Table 14.1: Deferred Outflows of Resources (in thousands of dollars)

Description	2024	2023
Net pension liability	\$2,419,904	\$2,964,134
Net retiree health benefits liability	3,323,514	4,456,785
Debt refunding	216,839	167,241
Interest rate swap agreements	14,054	22,747
Asset retirement obligations	59,087	82,467
Acquisitions	537,320	908
Total	\$6,570,718	\$7,694,282

The University's composition of deferred inflows of resources at June 30 are summarized in **Table 14.2**:

Table 14.2: Deferred Inflows of Resources (in thousands of dollars)

Description	2024	2023
Service concession arrangements	\$223,504	\$227,323
Net pension liability	2,697,214	93,756
Net retiree health benefits liability	8,617,107	8,027,404
Debt refunding	71,661	47,132
Interest rate swap agreements	111,470	85,898
Royalty sales	191,285	250,911
Irrevocable split-interest agreements	68,817	76,062
Leases	634,825	686,208
Total	\$12,615,883	\$9,494,694

The campus foundations' deferred inflows of resources are primarily related to irrevocable split-interest agreements.

15. Retirement Plans

Most University employees participate in UCRS. UCRS consists of UCRP, a governmental defined benefit plan funded with University and employee contributions; UCRSP, which includes defined contribution plans with options to participate in internally or externally managed investment portfolios generally funded with employee nonelective and elective contributions; and UC-VERIP, a defined benefit plan for University employees who were members of the California Public Employees' Retirement System (CalPERS) who elected early retirement. Other retirement plans include the Children's Hospital and Research Center at Oakland (CHRCO) Pension Plan, a defined benefit plan fully funded with CHRCO contributions and the Orange County Employees' Retirement System (OCERS) retirement plan, a cost-sharing multiemployer defined benefit pension plan for former employees of an Orange County hospital center who chose to remain with OCERS at the time the hospital was acquired by the University. The Regents has the authority to establish and amend UCRS, and administration authority with respect to the UCRS plans is vested with the President of the University as plan administrator. CHRCO administers the CHRCO Pension Plan as the Sponsor and plan assets are held by State Street Bank and Trust Company (Trustee).

Condensed financial information related to each plan in UCRS and CHRCO Pension Plan and the changes in pension liability for UCRP, UC-VERIP and the CHRCO Pension Plan for the year ended June 30, 2024 are shown in **Table 15.1**:

Table 15.1: Condensed Financial Information for Retirement Plans *(in thousands of dollars)*

Description	University of California Retirement Plan	University of California UC-VERIP	Subtotal	University of California Retirement Savings Program	Total	Children's Hospital & Research Center at Oakland Pension Plan
Condensed Statement of Fiduciary Net Position						
Investments at fair value	\$98,618,619	\$74,829	\$98,693,448	\$35,924,627	\$134,618,075	\$690,589
Participants' interests in mutual funds				2,921,181	2,921,181	
Investment of cash collateral	8,707,422	6,562	8,713,984	4,596,884	13,310,868	
Other assets	917,283	449	917,732	263,412	1,181,144	
Total assets	108,243,324	81,840	108,325,164	43,706,104	152,031,268	690,589
Collateral held for securities lending	8,707,410	6,562	8,713,972	4,596,879	13,310,851	
Other liabilities	846,348	550	846,898	11,912	858,810	
Total liabilities	9,553,758	7,112	9,560,870	4,608,791	14,169,661	
Net position held in trust	\$98,689,566	\$74,728	\$98,764,294	\$39,097,313	\$137,861,607	\$690,589
Condensed Statement of Changes in Fiduciary Net Position						
Contributions	\$4,333,837		\$4,333,837	\$2,351,816	\$6,685,653	\$46,500
Net appreciation in fair value of investments	9,155,684	\$7,834	9,163,518	4,719,561	13,883,079	
Investment and other income, net	2,232,010	1,654	2,233,664	728,654	2,962,318	90,743
Total additions, net	15,721,531	9,488	15,731,019	7,800,031	23,531,050	137,243
Benefit payment and participant withdrawals	5,124,238	2,746	5,126,984	2,280,368	7,407,352	65,531
Other deductions	102,512	3	102,515	3,343	105,858	4,979
Total deductions	5,226,750	2,749	5,229,499	2,283,711	7,513,210	70,510
Change in net position held in trust	10,494,781	6,739	10,501,520	5,516,320	16,017,840	66,733
Net position held in trust:						
Beginning of year	88,194,785	67,989	88,262,774	33,580,993	121,843,767	623,856
End of year	\$98,689,566	\$74,728	\$98,764,294	\$39,097,313	\$137,861,607	\$690,589
Changes in total pension liability						
Service cost	\$3,007,048		\$3,007,048			\$14,012
Interest	7,458,897	\$996	7,459,893			45,927
Difference between expected and actual experience	2,324,145	(604)	2,323,541			23,722
Changes of benefit terms						3,805
Changes of assumptions or other inputs						(6,149)
Benefits paid, including refunds of employee contributions	(5,124,238)	(2,746)	(5,126,984)			(65,531)
Net change in total pension liability	7,665,852	(2,354)	7,663,498			15,786
Total pension liability						
Beginning of year	108,565,697	16,739	108,582,436			674,850
End of year	\$116,231,549	\$14,385	\$116,245,934			\$690,636
Net pension liability (asset), end of year	\$17,541,983	(\$60,343)	\$17,481,640			\$47

Additional information on the retirement plans can be obtained from the 2023–2024 annual reports of the UCRS which can be found at <http://reportingtransparency.universityofcalifornia.edu/>.

University of California Retirement Plan

UCRP provides lifetime retirement income, disability protection, death benefits and postretirement and preretirement survivor benefits to eligible employees of the University, its affiliates and their survivors and beneficiaries.

The University's membership in UCRP consisted of the following as shown in **Table 15.2** at June 30, 2024:

Table 15.2: Membership in UCRP

Membership	Campuses and Medical Centers	DOE National Laboratories	Total University of California
Retirees and beneficiaries receiving benefits	76,658	12,528	89,186
Inactive members entitled to, but not receiving benefits	117,911	7,187	125,098
Active members: Vested	86,446	1,751	88,197
Active members: Nonvested	62,642	721	63,363
Total active members	149,088	2,472	151,560
Total membership	343,657	22,187	365,844

Contributions

Contributions to UCRP are based upon rates determined by The Regents. The Regents' funding policy provides for contributions at rates to maintain UCRP on an actuarially sound basis. While the University's independent actuary annually determines the total funding policy contributions, the University is not required to contribute an amount equal to the total funding contribution. The actual contributions and the contribution rates of the University and employees are based on numerous factors, including the availability of funds to the University, the impact of employee contributions on the competitiveness of the University's total remuneration package, and collective bargaining agreements.

The Regents determines the portion of the total contribution to be made by the employer and by the employees, and employee contribution rates for represented employees are subject to collective bargaining. Additional information on UCRP contributions can be obtained from the 2023–2024 annual report of the UCRS.

As of June 30, 2024 and 2023, the University reported \$517.7 million and \$645.4 million, respectively, as other noncurrent Department of Energy receivables for pension liabilities. Contributions of \$108.3 million and \$111.7 million were deposited into UCRP on behalf of the DOE for the years ended June 30, 2024 and 2023, respectively.

Net pension liability

All UCRP assets are available to pay any member's benefit. However, assets and liabilities for the campus and medical center segment of UCRP are internally tracked separately from the DOE national laboratory segments of UCRP. The net pension liability for UCRP at June 30, 2024 and 2023 are shown in **Table 15.3a** and **Table 15.3b**, respectively:

Table 15.3a: Net Pension Liability for UCRP at June 30, 2024 (in thousands of dollars)

Description	Campuses and Medical Centers	DOE National Laboratories	Total University of California
UCRP net position	\$88,857,638	\$9,831,928	\$98,689,566
Total pension liability	106,158,524	10,073,025	116,231,549
Net pension liability	\$17,300,886	\$241,097	\$17,541,983

Table 15.3b: Net Pension Liability for UCRP at June 30, 2023 (in thousands of dollars)

Description	Campuses and Medical Centers	DOE National Laboratories	Total University of California
UCRP net position	\$78,873,984	\$9,320,801	\$88,194,785
Total pension liability	98,431,151	10,134,546	\$108,565,697
Net pension liability	\$19,557,167	\$813,745	\$20,370,912

The University's net pension liability was measured as of June 30 and was calculated using the plan net position valued as of the measurement date and total pension liability determined by rolling forward the total pension liability from the results of the actuarial valuations as of July 1, one year prior to the measurement date. Actuarial assumptions were based upon the results of an experience study conducted for the period July 1, 2018 through June 30, 2022. The University's net pension liability was calculated using the following methods and assumptions as shown in **Table 15.4**:

Table 15.4: Actuarial Assumptions Used to Calculate Net Pension Liability (shown as a percentage)

Description	2024	2023
Inflation	2.50%	2.50%
Investment rate of return	6.75	6.75
Projected salary increases	3.65–5.95	3.65–5.95
Cost-of-living adjustments	2.00	FYE 6/30/2023: 2.90% Future years: 2.00%

Mortality rates used to calculate the net pension liability are shown in **Table 15.5**:

Table 15.5: Mortality Rates Valuation Basis For Net Pension Liability

Description	Actuarial valuation basis
Pre-Retirement	Pub-2010 Teacher Employee Amount-Weighted Above-Median Mortality Table (separate tables for males and females), decreased by 10% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Post-Retirement	The Pub-2010 mortality tables and adjustments as shown below reflect the mortality experience as of the measurement date. These mortality tables were adjusted to future years using the generational projection to reflect future mortality improvement between the measurement date and those years.
Post-Retirement: Healthy Members	<ul style="list-style-type: none"> • Faculty members <ul style="list-style-type: none"> – Pub-2010 Teacher Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), decreased by 15% for males and decreased by 5% for females projected generationally with the two-dimensional mortality improvement scale MP-2021. • Staff and Safety members <ul style="list-style-type: none"> – Pub-2010 Teacher Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), unadjusted for males and increased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Post-Retirement: Disabled Members	Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females) unadjusted for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Post-Retirement: Beneficiaries	<ul style="list-style-type: none"> • In pay status as of valuation <ul style="list-style-type: none"> – Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Table (separate tables for males and females) unadjusted for males and decreased by 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021. • Not in pay status as of valuation <ul style="list-style-type: none"> – Pub-2010 Teacher Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), unadjusted for males and increased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

The long-term expected investment rate of return assumption for UCRP was determined based on the aforementioned experience study, using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in **Table 15.6**:

Table 15.6: Target Allocation and Projected Real Rates of Return *(shown as percentage)*

Asset Class	Target allocation	Projected real rate of return
U.S. equity	33.0%	6.0%
Developed international equity	13.0	6.8
Emerging market equity	7.0	8.5
Core bonds	13.0	1.8
High-yield bonds	2.5	4.6
Emerging market debt	1.5	4.6
Private equity	12.0	9.6
Private credit	3.5	2.9
Real estate	7.0	3.9
Absolute return	3.5	1.1
Real assets	4.0	4.0
Total	100.0%	5.6%

Discount rate

The discount rate used to estimate the net pension liability was 6.75 percent as of June 30, 2024 and 2023. To calculate the discount rate, cash flows into and out of UCRP were projected in order to determine whether UCRP has sufficient cash in future periods for projected benefit payments for current members. For this purpose, University, state and member contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected University contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are not included. UCRP was projected to have assets sufficient to make projected benefit payments for current members for all future years as of June 30, 2024 and 2023.

Sensitivity of the net pension liability to the discount rate assumption

Table 15.7 presents the June 30, 2024 net pension liability of the University as well as what the net pension liability would be if it were calculated using a discount rate 1% lower and 1% higher than the current assumption:

Table 15.7: Sensitivity of Net Pension Liability to Changes in the Discount Rate *(in thousands of dollars)*

Description	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
UCRP	\$33,302,900	\$17,541,983	\$4,604,937
UC-VERIP	(59,666)	(60,343)	(60,954)

Deferred outflows of resources and deferred inflows of resources

The University's composition of deferred outflows of resources and deferred inflows of resources for pensions are summarized in **Tables 15.8a** and **15.8b**:

Table 15.8a: Deferred Outflows and Deferred Inflows For Pensions at June 30, 2024 *(in thousands of dollars)*

Description	Campuses and Medical Centers	DOE National Laboratories	Total UCRP	UC-VERIP	Total
Deferred outflows of resources					
Difference between expected and actual experience	\$2,071,355		\$2,071,355		\$2,071,355
Changes of assumptions or other inputs	303,457		303,457		303,457
Total	\$2,374,812		\$2,374,812		\$2,374,812
Deferred inflows of resources					
Difference between expected and actual experience		\$1,876	\$1,876		\$1,876
Net difference between projected and actual earnings on pension plan investments	2,361,358	\$274,683	2,636,041	\$4,480	2,640,521
Total	\$2,361,358	\$276,559	\$2,637,917	\$4,480	\$2,642,397

Table 15.8b: Deferred Outflows and Deferred Inflows For Pensions at June 30, 2023 *(in thousands of dollars)*

Description	Campuses and Medical Centers	DOE National Laboratories	Total UCRP	UC-VERIP	Total
Deferred outflows of resources					
Difference between expected and actual experience	\$628,584		\$628,584		\$628,584
Changes of assumptions or other inputs	416,267		416,267		416,267
Net difference between projected and actual earnings on pension plan investments	1,679,686	\$168,366	1,848,052	\$1,336	1,849,388
Total	\$2,724,537	\$168,366	\$2,892,903	\$1,336	\$2,894,239
Deferred inflows of resources					
Difference between expected and actual experience	\$53,559		\$53,559		\$53,559
Total	\$53,559		\$53,559		\$53,559

Net deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the years ended June 30 as shown in **Table 15.9**:

Table 15.9: Net Deferred Outflows and Deferred Inflows of Resources *(in thousands of dollars)*

Year Ended June 30	Campuses and Medical Centers	DOE National Laboratories	Total UCRP	UC-VERIP	Total
2025	(\$641,389)	(\$207,512)	(\$848,901)	(\$2,050)	(\$850,951)
2026	2,180,451	203,959	2,384,410	797	2,385,207
2027	(799,840)	(161,235)	(961,075)	(1,781)	(962,856)
2028	(725,768)	(111,771)	(837,539)	(1,446)	(838,985)
Total	\$13,454	(\$276,559)	(\$263,105)	(\$4,480)	(\$267,585)

Defined Contribution Plan (DC Plan) / Supplemental Defined Contribution Plan (SDC Plan)

The DC Plan was established by resolution of The Regents to accept after-tax contributions and pretax contributions. The Regents established the SDC Plan to provide retirement benefits to certain designated employees of the University and their beneficiaries.

Additional information on the DC Plan and SDC Plan can be obtained from the 2023–2024 annual report of the UCRS.

Tax Deferred 403(b) Plan

The University's Tax-Deferred 403(b) Plan (403(b) Plan) accepts pretax employee contributions.

Employer contributions to the 403(b) Plan were \$8.9 million and \$10.8 million for the years ended June 30, 2024 and 2023.

Additional information on the 403(b) Plan can be obtained from the 2023–2024 annual report of the UCRS.

457(b) Deferred Compensation Plan

The University's 457(b) Deferred Compensation Plan (457(b) Plan) accepts pretax employee contributions.

There were no employer contributions to the 457(b) Plan for the years ended June 30, 2024 and 2023.

Participants in the DC Plan, the SDC Plan, the 403(b) Plan and the 457(b) Plan may direct their elective and nonelective contributions to investment funds managed by the University. They may also invest account balances in certain mutual funds. The participants' interests in mutual funds is shown separately in the plans' statements of fiduciary net position.

Additional information on the 457(b) Plan can be obtained from the 2023–2024 annual report of the UCRS.

University of California Voluntary Early Retirement Incentive Program (UC-VERIP)

UC-VERIP is a defined benefit pension plan providing lifetime supplemental retirement income and survivor benefits to UC-VERIP members who elected early retirement under CalPERS.

As of June 30, 2024, there are 267 retirees or beneficiaries receiving benefits under this voluntary early retirement program.

The University and the DOE laboratories previously made contributions to the UC-VERIP sufficient to maintain the promised benefits. The actuarially determined contributions are zero for the years ended June 30, 2024 and 2023.

Additional information on UC-VERIP can be obtained from the UCRS 2023–2024 annual report.

Children's Hospital and Research Center at Oakland Pension Plan (CHRCO Pension Plan)

The CHRCO Pension Plan is a noncontributory defined benefit plan subject to the single employer defined benefit under ERISA rules that covers active and retired employees. The CHRCO Pension Plan was amended effective January 1, 2012 to exclude unrepresented employees hired or rehired on or after January 1, 2012. The CHRCO Pension Plan provides retirement, disability and death benefits to plan participants. Benefits are based on a participant's length of service, age at retirement and average compensation as defined by the CHRCO Pension Plan.

The net pension liability for the CHRCO Pension Plan was calculated based upon the following assumptions as of June 30, 2024 and 2023: 3.0 percent inflation, 7.0 percent investment rate of return; projected salary increases — represented employees: 4.5 percent for the fiscal year ended June 30, 2024, 4.5 percent for fiscal year ending 2025, 4.2 percent for fiscal year ending 2026, 3.5 percent for fiscal year ending June 30, 2027 annually thereafter; unrepresented employees: 4.2 percent for fiscal year ended June 30, 2024, 4.2 percent for fiscal year ending June 30, 2025, and 3.5 percent for fiscal year ending June 30, 2026 annually thereafter and no cost-of-living adjustments. CHRCO recognized pension expense of \$36.1 million at June 30, 2024 and \$44.2 million at June 30, 2023.

The actuarial assumptions used in the June 30, 2024 valuations were based on the results of an experience study conducted during 2024. The actuarial assumptions used in the June 30, 2023 valuations were based on the results of an experience study conducted during 2019. In 2024 and 2023, the mortality rates were based on Pri-2012 Mortality Table with fully generational projected mortality improvements using Scale MP-2021.

Additional information on the CHRCO Pension Plan can be found in the annual reports, which can be obtained by writing to Children’s Hospital Oakland, Finance Department, 747 52nd Street, Oakland, California 94609.

Membership in the CHRCO Pension Plan consisted of the following as shown in **Table 15.10** at June 30, 2024:

Table 15.10: CHRCO Pension Plan Membership

Description	Total
Retirees and beneficiaries receiving benefits	1,456
Inactive members entitled to, but not yet receiving benefits	618
Active members	1,883
Total membership	3,957

Contributions

Employer contributions are determined under IRC Section 430. Employees are not required or permitted to contribute to the CHRCO Pension Plan.

Net pension liability

The net pension liability for the CHRCO Pension Plan was measured as of June 30 and the total pension liability was determined by an actuarial valuation as of January 1, rolled forward to June 30.

Discount rate

The discount rate used to estimate the net pension liability was 7.0 percent for June 30, 2024 and 2023. The projection of cash flows used to determine the discount rate assumes that CHRCO will make contributions to the CHRCO Pension Plan under IRC Section 430’s minimum requirements for a period of three and six years for its unrepresented and represented employees, respectively, and that all future assumptions are met. Based on these assumptions, the CHRCO Pension Plan’s fiduciary net position is projected to be available to make all projected future benefit payments for current active and inactive employees.

Investment rate of return

The target allocation and projected arithmetic real rates of return, after deducting inflation but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption for each major asset class for the CHRCO Pension Plan are shown in **Table 15.11**:

Table 15.11: CHRCO Pension Plan Target Allocation and Real Rates of Return *(shown as percentage)*

Asset class	Target allocation	Projected real rate of return
Global Equity	70.0%	5.0%
Core Fixed Income	30.0%	1.8%
Total	100.0%	

16. Retiree Health Benefit Costs and Obligations

The University administers single-employer health and welfare plans to provide health and welfare benefits, primarily medical, dental and vision, to eligible retirees (and their eligible family members) of the University and its affiliates through the University of California Retiree Health Benefit Program (the Program). The Regents has the authority to establish and amend the program. While retiree health benefits are not a legal obligation of the University and can be canceled or modified at any time, accounting standards require the University to recognize a net retiree health liability based on the current practices of providing retiree health benefits.

The University established the UCRHBT in order to allow certain University locations and affiliates (primarily campuses and medical centers) that share the risks, rewards and costs of providing for retiree health benefits to fund such benefits on a cost-sharing basis and accumulate funds on a tax-exempt basis under an arrangement segregated from University assets. Campus and medical center contributions toward retiree health benefits are made to UCRHBT at rates determined by the University. The University receives retiree health contributions from retirees that are deducted from their UCRP benefit payments or are received from the retiree through direct pay. The University acts as a third-party administrator on behalf of UCRHBT and pays health care insurers and administrators amounts currently due under the Program for retirees. UCRHBT reimburses the University for these amounts.

LBNL participates in the Program. LBNL does not participate in UCRHBT; therefore, the DOE has no interest in UCRHBT's assets. The University directly pays health care insurers and administrators amounts currently due under the University's retiree health benefit plans for retirees who previously worked at LBNL, and is reimbursed by the DOE. To the extent the University has recorded a net retiree health benefits liability (and related deferred outflows and inflows of resources) that will be reimbursed under DOE contracts, a receivable from the DOE is recorded. The University recorded receivables from the DOE of \$715.1 million and \$710.0 million for 2024 and 2023, respectively, representing the DOE's share of the net retiree health benefits liability.

Condensed financial information related to UCRHBT and the changes in retiree health benefits liability for the year ended June 30, 2024 is shown in **Table 16.1a** and **Table 16.1b**, respectively:

Table 16.1a: Condensed Financial Information Related to UCRHBT at June 30, 2024 *(in thousands of dollars)*

Description	Campuses and Medical Centers	LBNL	Total University of California
Contributions	\$639,389	\$22,382	\$661,771
Investment income, net	9,987		9,987
Total additions	649,376	22,382	671,758
Insurance premiums, net	(610,794)	(22,382)	(633,176)
Other deductions	(5,520)		(5,520)
Total deductions	(616,314)	(\$22,382)	(638,696)
Change in net position held in UCRHBT	33,062		33,062
Net position held in UCRHBT, beginning of year	192,824		192,824
Net position held in UCRHBT, end of year	\$225,886		\$225,886

Table 16.1b: Changes in Total Retiree Health Benefits Liability at June 30, 2024 *(in thousands of dollars)*

Description	Campuses and Medical Centers	LBNL	Total University of California
Service cost	\$978,585	\$22,602	\$1,001,187
Interest	824,253	24,547	848,800
Difference between expected and actual experience	147,103	10,705	157,808
Changes in assumptions and other inputs	(2,776,854)	(76,063)	(2,852,917)
Benefits paid	(610,794)	(22,382)	(633,176)
Retiree contributions	92,194	2,838	95,032
Net change in total retiree health benefits liability	(1,345,513)	(37,753)	(1,383,266)
Total retiree health benefits liability			
Beginning of year	21,860,662	659,593	22,520,255
End of year	\$20,515,149	\$621,840	\$21,136,989
Net retiree health benefits liability, end of year	\$20,289,263	\$621,840	\$20,911,103

Benefits

Retirees are eligible for medical and dental benefits. The costs of the medical and dental benefits are shared between the University and the retiree. The University does not contribute toward the cost of other benefits available to retirees. Retirees employed by the University prior to 1990 and not rehired after that date are eligible for the University's maximum contribution if they retire before age 55 and have at least 10 years of service, or if they retire at age 55 or later and have at least five years of service. Retirees employed by the University after 1989 and prior to July 1, 2013 become eligible for a percentage of the University's contribution starting at 50 percent of the maximum University contribution with 10 years of service or if age plus years of service equal at least 75, and increasing to 100 percent after 20 years of service. Retirees who are employed by the University after July 1, 2013, and retire at the age of 56 or older, become eligible for a percentage of the University's contribution based on age and years of service. These retirees are eligible for the maximum University contribution at age 65 with 20 or more years of service. Retirees pay the excess, if any, of the premium over the applicable portion of the University's contribution.

Membership in a defined benefit plan to which the University contributes or participation in the DC Plan is required to become eligible for retiree health benefits. Participation in the Retiree Health Benefit Program plans consisted of the following at June 30, 2024 as shown in **Table 16.2:**

Table 16.2: Participation in the Retiree Health Benefit Program Plans

Description	Campuses and Medical Centers	LBNL	Total University of California
Retirees and beneficiaries receiving benefits	50,291	1,870	52,161
Active members	155,361	3,077	158,438
Total membership	205,652	4,947	210,599

Contributions

The University does not pre-fund retiree health benefits and instead provides for benefits based upon projected pay-as-you-go financing. University and retiree contributions toward premiums made under purchased plan arrangements are determined by applying the health plan contract rates across the number of participants in the respective plans. Premium rates for the self-insured plan contributions are set by the University based upon a trend analysis of the historic cost, utilization, demographics and administrative expenses to provide for the claims incurred and the actuarially determined level of incurred but not reported liability. The retiree health benefits assessment rate was \$2.23 per \$100 of UCRP covered payroll effective July 1, 2023 and 2022.

In addition to the explicit University contribution provided to retirees, there is an "implicit subsidy." The gross premiums for members that are not currently eligible for Medicare benefits are the same for active employees and retirees, based on a blend of their health costs. Retirees, on average, are expected to have higher health care costs than active employees. This is primarily due to the older average age of retirees. Since the same gross premiums apply to both groups, the premiums paid for active employees by the University are subsidizing the premiums for retirees. This effect is called the implicit subsidy. The implicit subsidy associated with retiree health costs paid during the past year is also considered to be a contribution from the University.

Net Retiree Health Benefits Liability

The University's net retiree health benefits liability was measured as of June 30 based on rolling forward the results of the actuarial valuations as of March 1, one year prior to the measurement date. Actuarial valuations represent a long-term perspective and involve estimates of the value of reported benefits and assumptions about the probability of occurrence of events far into the future. Significant actuarial methods and assumptions used to calculate the University's net retiree health benefits liability are shown in **Table 16.3**:

Table 16.3: Net Retiree Health Benefits Actuarial Assumptions

Description	2024	2023
Discount rate ¹	3.93%	3.65%
Investment rate of return	2.50%	2.50%
Inflation	2.50%	2.50%
Initial medical trend rate	0.20%–20.46%	(3.06%)–29.06%
Ultimate medical trend rate	3.94%	3.94%
Year ultimate trend rate reached	2076	2075

¹The discount rate was based on the Bond Buyer 20-Bond General Obligation index since UCRHBT plan assets are not sufficient to make benefit payments.

Mortality Rates

Mortality rates valuation basis used to calculate the University's net retiree health benefits liability are shown in **Table 16.4**:

Table 16.4: Mortality Rates Valuation Basis

Description	Mortality rate valuation basis
Pre-Retirement	Pub-2010 Teacher Employee Headcount-Weighted Above-Median Mortality Table, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Post-Retirement: Healthy Participants	Pub-2010 Healthy Teacher Retiree Headcount-Weighted Above-Median Mortality Table, projected generationally with the two-dimensional mortality improvement scale MP-2021. Base Mortality Tables are adjusted as follows: <ul style="list-style-type: none"> • Faculty: 90% for Males and Females • Staff and Safety: 110% for Males and 105% for Females
Post-Retirement: Spouses/Domestic Partners	Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Table, projected generationally with the two-dimensional mortality improvement scale MP-2021 with no adjustment for Males and 95% for Females, applied after the expected (and actual) death of the retiree. While retiree is still alive, rates for Healthy Participants are applied.
Post-Retirement: Disabled Participants	Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table, projected generationally with the two-dimensional mortality improvement scale MP-2021, adjusted 85% for Males and Females.

Actuarial assumptions are subject to periodic revisions as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used at June 30, 2024 were based upon the results of the most recent experience study covering the period of July 1, 2018 through June 30, 2022.

Sensitivity of Net Retiree Health Benefits Liability to the Health Care Cost Trend Rate

Table 16.5 presents the June 30, 2024 net retiree health benefits liability of the University as well as what the net retiree health benefits liability would be if it were calculated using a health care cost trend rate 1% higher and 1% lower than the current assumption:

Table 16.5: Sensitivity of Net Retiree Health Benefits Liability to Health Care Cost Trend Rate (in thousands of dollars)

Description	1% Decrease (-0.80% to 19.46%) decreasing to (2.94%)	Current trend (0.20% to 20.46%) decreasing to (3.94%)	1% Increase (1.20% to 21.46%) decreasing to (4.94%)
Net retiree health benefits liability	\$17,669,059	\$20,911,103	\$25,096,329

Discount Rate

The discount rates used to estimate the net retiree health benefits liability as of June 30, 2024 and 2023 were 3.93 percent and 3.65 percent, respectively.

Sensitivity of Net Retiree Health Benefits Liability to the Discount Rate Assumption

Table 16.6 presents the June 30, 2024 net retiree health benefits liability of the University as well as what the net retiree health benefits liability would be if it were calculated using a discount rate 1% higher and 1% lower than the current assumption:

Table 16.6: Sensitivity of Net Retiree Health Benefits Liability to Discount Rate Assumption (in thousands of dollars)

Description	1% Decrease (2.93%)	Current discount (3.93%)	1% Increase (4.93%)
Net retiree health benefits liability	\$24,497,078	\$20,911,103	\$18,024,588

Deferred Outflows of Resources and Deferred Inflows of Resources

Tables 16.7a and **16.7b** present the composition of deferred outflows of resources and deferred inflows of resources for retiree health benefits at June 30, 2024 and 2023.

Table 16.7a: Composition of Deferred Outflows and Deferred Inflows of Resources for Retiree Health Benefits in 2024
(in thousands of dollars)

Description	Campuses and Medical Centers	LBNL	Total University of California
Deferred outflows of resources			
Difference between expected and actual experience	\$919,741	\$47,013	\$966,754
Changes in assumptions or other inputs	2,334,387	22,373	2,356,760
Total	\$3,254,128	\$69,386	\$3,323,514
Deferred inflows of resources			
Difference between expected and actual experience	\$1,415,134	\$16,647	\$1,431,781
Changes in assumptions or other inputs	7,036,175	145,970	7,182,145
Net difference between projected and actual earnings on plan investments	3,181		3,181
Total	\$8,454,490	\$162,617	\$8,617,107

Table 16.7b: Composition of Deferred Outflows and Deferred Inflows of Resources for Retiree Health Benefits in 2023
(in thousands of dollars)

Description	Campuses and Medical Centers	LBNL	Total University of California
Deferred outflows of resources			
Difference between expected and actual experience	\$917,237	\$49,480	\$966,717
Changes in assumptions or other inputs	3,436,516	51,475	3,487,991
Net difference between projected and actual earnings on plan investments	2,077		2,077
Total	\$4,355,830	\$100,955	\$4,456,785
Deferred inflows of resources			
Difference between expected and actual experience	\$2,131,073	\$38,201	\$2,169,274
Changes in assumptions or other inputs	5,744,959	113,171	5,858,130
Total	\$7,876,032	\$151,372	\$8,027,404

The net amount of deferred outflows and deferred inflows of resources as of June 30, 2024 related to retiree health benefits that will be recognized in retiree health benefit expense during the next five years and thereafter is shown in **Table 16.8**:

Table 16.8: Net Deferred Outflows and Deferred Inflows of Resources for Retiree Health Benefits *(in thousands of dollars)*

Year	Campuses and Medical Centers	LBNL	Total University of California
2025	(\$1,129,084)	(\$24,661)	(\$1,153,745)
2026	(773,385)	(32,117)	(805,502)
2027	(612,850)	(21,946)	(634,796)
2028	(771,900)	(5,294)	(777,194)
2029	(919,226)	(9,213)	(928,439)
Thereafter	(993,917)		(993,917)
Total	(\$5,200,362)	(\$93,231)	(\$5,293,593)

17. Endowments and Gifts

Endowments and gifts are held and administered either by the University or by the campus foundations.

University

The value of endowments and gifts held and administered by the University, excluding income distributed to be used for operating purposes, at June 30, 2024 and 2023 is shown in **Table 17.1a** and **Table 17.1b**, respectively:

Table 17.1a: Endowments and Gifts Held and Administered by the University at June 30, 2024 *(in thousands of dollars)*

Description	Restricted nonexpendable	Restricted expendable	Unrestricted	Total
Endowments	\$1,316,568	\$4,983,530	\$6,269	\$6,306,367
Funds functioning as endowments		3,793,654	10,206,461	14,000,115
Gifts		3,318,517	195,573	3,514,090
University endowments and gifts	\$1,316,568	\$12,095,701	\$10,408,303	\$23,820,572

Table 17.1b: Endowments and Gifts Held and Administered by the University at June 30, 2023 *(in thousands of dollars)*

Description	Restricted nonexpendable	Restricted expendable	Unrestricted	Total
Endowments	\$1,290,807	\$4,433,530	\$14,820	\$5,739,157
Funds functioning as endowments		3,522,985	9,430,282	12,953,267
Gifts		3,338,345	183,964	3,522,309
University endowments and gifts	\$1,290,807	\$11,294,860	\$9,629,066	\$22,214,733

The University's endowment income distribution policies are designed to preserve the value of the endowment in real terms (after inflation) and to generate a predictable stream of spendable income. Endowment investments are managed to achieve the maximum long-term total return. As a result of this emphasis on total return, the proportion of the annual income distribution provided by dividend and interest income and by capital gains may vary significantly from year to year. The University's policy is to retain the realized and unrealized appreciation with the endowment after the annual income distribution has been made. The net appreciation available to meet future spending needs is subject to the approval of The Regents and amounted to \$3.9 billion and \$3.6 billion at June 30, 2024 and 2023, respectively.

The portion of investment returns earned on endowments held by the University and distributed at the end of each year to support current operations for the following year is based upon a rate that is approved by The Regents. The annual income distribution

transferred to the campuses from endowments held by the University was \$600.6 million and \$503.0 million for the years ended June 30, 2024 and 2023, respectively. The portion of this annual income distribution from accumulated capital gains, in addition to the dividend and interest income earned during the year, was \$297.3 million and \$463.6 million for the years ended June 30, 2024 and 2023, respectively. Accumulated endowment income available for spending in the future, including the annual income distribution, was \$1.3 billion and \$1.0 billion at June 30, 2024 and 2023, respectively.

Campus Foundations

The value of endowments and gifts held by the campus foundations and administered by each of their independent Boards of Trustees at June 30, 2024 and 2023 is shown in **Table 17.2a** and **Table 17.2b**, respectively:

Table 17.2a: Endowments and Gifts Held and Administered by Campus Foundations at June 30, 2024 *(in thousands of dollars)*

Description	Restricted nonexpendable	Restricted expendable	Unrestricted	Total
Endowments	\$7,424,469	\$2,969,942		\$10,394,411
Funds functioning as endowments		3,084,513		3,084,513
Gifts		2,561,698	\$1,434,352	3,996,050
Campus foundations' endowments and gifts	\$7,424,469	\$8,616,153	\$1,434,352	\$17,474,974

Table 17.2b: Endowments and Gifts Held and Administered by Campus Foundations at June 30, 2023 *(in thousands of dollars)*

Description	Restricted nonexpendable	Restricted expendable	Unrestricted	Total
Endowments	\$6,907,145	\$2,506,499		\$9,413,644
Funds functioning as endowments		2,762,831		2,762,831
Gifts		2,797,842	\$1,330,652	4,128,494
Campus foundations' endowments and gifts	\$6,907,145	\$8,067,172	\$1,330,652	\$16,304,969

18. Leases

The University is a lessor of land, buildings and equipment under agreements that extend through 2112. Some leases include one or more lessee options to renew, with renewal terms that can extend the lease term from one to 40 years. These leases may also include lessee options to terminate the leases.

Certain of the University's lease agreements include rental payments that are adjusted periodically, primarily for inflation. The lease agreements do not contain any material lease incentives paid, residual value guarantees, material restrictive covenants or material termination penalties.

The University measures the deferred inflow of resources at the present value of payments expected to be received including any advance lease payments or lease incentives during the lease term.

During the years ended June 30, 2024 and 2023, the University recorded \$70.6 million and \$78.5 million, respectively, in lease revenues.

19. Segment Information

The University's medical centers and CHRCO's revenues are pledged in support of the outstanding University of California Medical Center Pooled Revenue Bonds. The medical centers' operating revenues and expenses consist primarily of revenues associated with patient care and the related costs of providing that care.

Table 19.1 presents condensed financial statement information related to the University's medical centers for the years ended June 30, 2024 and 2023.

Table 19.1: Condensed Financial Statement Information Related to the Medical Centers (in thousands of dollars)

Description	2024	2023
Revenue bonds outstanding	\$7,602,026	\$7,479,572
Related debt service payments	393,682	396,856
Bonds due serially through	2120	2120
Condensed Statement of Net Position		
Current assets	\$11,441,295	\$10,157,587
Capital assets, net	13,141,424	10,590,830
Other assets	2,438,463	4,319,888
Total assets	27,021,182	25,068,305
Deferred outflows of resources	4,118,152	3,446,283
Current liabilities	5,374,088	4,079,301
Long-term debt, net of current portion	8,951,739	8,742,588
Other noncurrent liabilities	16,157,898	16,629,522
Total liabilities	30,483,725	29,451,411
Deferred inflows of resources	4,513,134	3,063,768
Net investment in capital assets	4,678,852	4,658,593
Restricted	155,847	159,505
Unrestricted	(8,692,224)	(8,818,689)
Total net position	(\$3,857,525)	(\$4,000,591)
Condensed Statement of Revenues, Expenses and Changes in Net Position		
Operating revenues	\$21,838,223	\$19,270,291
Operating expenses before depreciation and amortization	(19,864,310)	(18,358,893)
Depreciation and amortization	(802,605)	(781,569)
Operating income	1,171,308	129,829
Nonoperating revenues, net	208,596	120,421
Income before other changes in net position	1,379,904	250,250
Health systems support	(1,200,119)	(948,093)
Transfers from University, net	32,031	21,653
Changes in allocation for pension payable to University	(90,173)	(28,520)
Other, including donated assets	32,704	21,128
Change in net position	154,347	(683,582)
Net position, beginning of year, as previously reported	(4,000,591)	(3,317,009)
Change to or within the financial reporting entity	(11,281)	
Beginning of year, as restated	(4,011,872)	(3,317,009)
Net position, end of year	(\$3,857,525)	(\$4,000,591)
Condensed Statement of Cash Flows		
Net cash provided (used) by:		
Operating activities	\$2,461,337	\$1,857,708
Noncapital financing activities	(1,000,526)	(791,988)
Capital and related financing activities	(3,217,231)	(2,090,028)
Investing activities	2,348,608	1,022,996
Net change in cash and cash equivalents	592,188	(1,312)
Cash and cash equivalents*, beginning of year	5,933,825	5,935,137
Cash and cash equivalents*, end of year	\$6,526,013	\$5,933,825

*Cash and cash equivalents in the medical centers' financial statements are included in the University's Short Term Investment Pool.

Summarized financial information in these tables is from the medical centers' audited financial statements. Certain revenue, such as financial support from the state for clinical teaching programs, is classified as state educational appropriations rather than medical center revenue in the University's statements of revenues, expenses and changes in net position. However, in the medical centers' audited financial statements and for segment reporting purposes, these revenues are classified as operating revenue. Additional information on the individual University of California medical centers can be obtained from their audited financial statements which are available at <https://www.ucop.edu/uc-controller/financial-reports/medical-center-financial-reports.html>.

Certain revenue generating projects (including student and faculty housing, parking facilities, student centers, recreation and events facilities, student health facilities and athletics facilities) are also financed by Limited Project Revenue Bonds; however, assets and liabilities are not required to be accounted for separately.

20. Blended Component Unit Information

Condensed financial statement information related to certain of the University's blended component units for the year ended June 30, 2024 is shown in **Table 20.1a**:

Table 20.1a: Condensed Financial Statement Information Related to Blended Component Units for 2024 (in thousands of dollars)

Description	Fiat Lux	CHRCO	Research	Housing
Condensed Statements of Net Position				
Current assets	\$1,799,697	\$392,181	\$5,802	\$209,498
Capital assets, net		501,454	122,861	1,423,017
Other assets	218,267	375,985	360,117	158,046
Total assets	2,017,964	1,269,620	488,780	1,790,561
Total deferred outflows of resources		42,984	4,420	166
Current liabilities	413,675	220,749	18,163	83,616
Noncurrent liabilities	1,041,296	147,030	456,298	1,798,572
Total liabilities	1,454,971	367,779	474,461	1,882,188
Total deferred inflows of resources		76,430		27,885
Net investment in capital assets		382,942	37,253	
Restricted		114,394		
Unrestricted	562,993	371,059	(18,514)	(119,346)
Total net position	\$562,993	\$868,395	\$18,739	(\$119,346)
Condensed Statement of Revenues, Expenses and Changes in Net Position				
Operating revenues	\$570,137	\$866,088	\$29,571	\$214,602
Operating expenses	(642,682)	(777,876)	1,456	(64,837)
Depreciation and amortization expense		(32,990)	(4,817)	(66,346)
Operating income (loss)	(72,545)	55,222	26,210	83,419
Nonoperating revenues (expenses), net	169,888	51,101	(16,329)	(73,624)
Income before other changes in net position	97,343	106,323	9,881	9,795
Transfers from University			(9,255)	
Other, including donated assets		(5,967)		
Change in net position	97,343	100,356	626	9,795
Net position, beginning of year	465,650	768,039	18,113	(129,141)
Net position, end of year	\$562,993	\$868,395	\$18,739	(\$119,346)
Condensed Statement of Cash Flows				
Net cash provided (used) by:				
Operating activities	\$143,454	\$35,181	\$29,169	\$29,879
Noncapital financing activities	587	16,797	14	
Capital and related financing activities		(73,462)	(27,431)	(22,234)
Investing activities	(391,055)	21,410	(493)	14,050
Net change in cash and cash equivalents	(247,014)	(74)	1,259	21,695
Cash and cash equivalents, beginning of year	404,282	196,616	5,971	36,672
Cash and cash equivalents, end of year	\$157,268	\$196,542	\$7,230	\$58,367

Condensed financial statement information related to certain of the University's blended component units for the year ended June 30, 2023 is shown in **Table 20.1b**:

Table 20.1b: Condensed Financial Statement Information Related to Blended Component Units for 2023 *(in thousands of dollars)*

Description	Fiat Lux	CHRCO	Research	Housing
Condensed Statements of Net Position				
Current assets	\$1,504,586	\$331,357	\$8,772	\$317,979
Capital assets, net		458,692	126,553	1,424,693
Other assets	291,963	373,326	367,786	104,138
Total assets	1,796,549	1,163,375	503,111	1,846,810
Total deferred outflows of resources		67,015	4,696	
Current liabilities	407,716	208,486	19,634	87,920
Noncurrent liabilities	923,183	194,032	470,060	1,860,146
Total liabilities	1,330,899	402,518	489,694	1,948,066
Total deferred inflows of resources		59,833		27,885
Net investment in capital assets		342,152	36,805	
Restricted		106,789		
Unrestricted	465,650	319,098	(18,692)	(129,141)
Total net position	\$465,650	\$768,039	\$18,113	(\$129,141)
Condensed Statement of Revenues, Expenses and Changes in Net Position				
Operating revenues	\$488,469	\$724,623	\$29,365	\$132,400
Operating expenses	(386,649)	(706,191)	293	(39,122)
Depreciation expense		(33,637)	(4,724)	(35,016)
Operating income (loss)	101,820	(15,205)	24,934	58,262
Nonoperating revenues (expenses), net	87,101	31,760	(16,635)	(67,013)
Income before other changes in net position	188,921	16,555	8,299	(8,751)
Transfers from University			(3,925)	
Other, including donated assets	548	2,368		
Change in net position	189,469	18,923	4,374	(8,751)
Net position, beginning of year	276,181	749,116	13,739	(120,390)
Net position, end of year	\$465,650	\$768,039	\$18,113	(\$129,141)
Condensed Statement of Cash Flows				
Net cash provided (used) by:				
Operating activities	(\$445,408)	\$26,950	\$17,887	\$70,992
Noncapital financing activities	2,100	20,840	22	
Capital and related financing activities		(58,167)	(30,522)	(99,428)
Investing activities	5,432	3,472	(146)	8,436
Net change in cash and cash equivalents	(437,876)	(6,905)	(12,759)	(20,000)
Cash and cash equivalents, beginning of year	842,158	203,521	18,730	56,672
Cash and cash equivalents, end of year	\$404,282	\$196,616	\$5,971	\$36,672

CHRCO's other assets include investments in the UCSF Foundation's Endowed Investment Pool of \$321.8 million and \$315.2 million at June 30, 2024 and 2023.

21. Discretely Presented Component Unit Information — Campus Foundations

Under University policies, each individual campus may establish a separate foundation to provide valuable assistance in fundraising, public outreach and other support for the missions of the campus and the University. Although independent boards govern these foundations, their assets are dedicated for the benefit of the University of California.

Condensed financial statement information related to the University's campus foundations, including their allocated share of the assets and liabilities associated with securities lending transactions in the University's investment pools, for the year ended June 30, 2024 is shown in **Table 21.1a** and **Table 21.2a**:

Table 21.1a: Condensed Statements of Net Position at June 30, 2024 *(in thousands of dollars)*

Description	Berkeley	San Francisco	Los Angeles	San Diego	All Other	Total
Current assets	\$254,040	\$503,114	\$1,174,544	\$41,031	\$198,876	\$2,171,605
Noncurrent assets	3,439,326	3,454,814	4,481,685	1,764,133	2,733,365	15,873,323
Total assets	3,693,366	3,957,928	5,656,229	1,805,164	2,932,241	18,044,928
Current liabilities	10,694	65,260	24,866	21,548	14,943	137,311
Noncurrent liabilities	74,113	47,157	29,659	7,750	23,221	181,900
Total liabilities	84,807	112,417	54,525	29,298	38,164	319,211
Total deferred inflows of resources	61,539	31,722	63,927	70,673	22,882	250,743
Restricted	3,538,949	3,813,417	4,178,513	1,667,555	2,842,188	16,040,622
Unrestricted	8,071	372	1,359,264	37,638	29,007	1,434,352
Total net position	\$3,547,020	\$3,813,789	\$5,537,777	\$1,705,193	\$2,871,195	\$17,474,974

Table 21.2a: Condensed Statements of Revenues, Expenses, and Changes in Net Position for the Year Ended June 30, 2024 *(in thousands of dollars)*

Description	Berkeley	San Francisco	Los Angeles	San Diego	All Other	Total
Operating revenues	\$260,809	\$386,128	\$319,253	\$137,356	\$195,611	\$1,299,157
Operating expenses	(441,553)	(443,490)	(463,410)	(360,117)	(242,201)	(1,950,771)
Operating loss	(180,744)	(57,362)	(144,157)	(222,761)	(46,590)	(651,614)
Nonoperating revenues	224,885	202,364	415,019	236,334	284,998	1,363,600
Income before other changes in net position	44,141	145,002	270,862	13,573	238,408	711,986
Additions to permanent endowments	103,408	58,841	165,916	61,153	68,701	458,019
Change in net position	147,549	203,843	436,778	74,726	307,109	1,170,005
Net position, beginning of year	3,399,471	3,609,946	5,100,999	1,630,467	2,564,086	16,304,969
Net position, end of year	\$3,547,020	\$3,813,789	\$5,537,777	\$1,705,193	\$2,871,195	\$17,474,974

Condensed financial statement information related to the University's campus foundations, including their allocated share of the assets and liabilities associated with securities lending transactions in the University's investment pools, for the year ended June 30, 2023 is shown in **Table 21.1b** and **Table 21.2b**:

Table 21.1b: Condensed Statements of Net Position at June 30, 2023 *(in thousands of dollars)*

Description	Berkeley	San Francisco	Los Angeles	San Diego	All Other	Total
Current assets	\$283,338	\$491,074	\$1,205,627	\$236,242	\$194,728	\$2,411,009
Noncurrent assets	3,257,301	3,301,808	3,997,639	1,501,557	2,428,578	14,486,883
Total assets	3,540,639	3,792,882	5,203,266	1,737,799	2,623,306	16,897,892
Current liabilities	10,948	108,312	27,771	41,517	14,446	202,994
Noncurrent liabilities	73,316	45,535	29,365	7,756	23,335	179,307
Total liabilities	84,264	153,847	57,136	49,273	37,781	382,301
Total deferred inflows of resources	56,904	29,089	45,131	58,059	21,439	210,622
Restricted	3,395,599	3,609,570	3,834,536	1,595,420	2,539,192	14,974,317
Unrestricted	3,872	376	1,266,463	35,047	24,894	1,330,652
Total net position	\$3,399,471	\$3,609,946	\$5,100,999	\$1,630,467	\$2,564,086	\$16,304,969

Table 21.2b: Condensed Statements of Revenues, Expenses, and Changes in Net Position for the Year Ended June 30, 2023 *(in thousands of dollars)*

Description	Berkeley	San Francisco	Los Angeles	San Diego	All Other	Total
Operating revenues	\$347,703	\$1,005,533	\$596,379	\$117,617	\$176,659	\$2,243,891
Operating expenses	(569,618)	(482,687)	(436,773)	(168,717)	(238,651)	(1,896,446)
Operating income (loss)	(221,915)	522,846	159,606	(51,100)	(61,992)	347,445
Nonoperating revenues	258,211	108,376	254,873	136,106	152,691	910,257
Income before other changes in net position	36,296	631,222	414,479	85,006	90,699	1,257,702
Additions to permanent endowments	110,034	38,463	155,776	67,000	66,541	437,814
Change in net position	146,330	669,685	570,255	152,006	157,240	1,695,516
Net position, beginning of year	3,253,141	2,940,261	4,530,744	1,478,461	2,406,846	14,609,453
Net position, end of year	\$3,399,471	\$3,609,946	\$5,100,999	\$1,630,467	\$2,564,086	\$16,304,969

Additional information on the foundations can be found in the foundations' separately issued annual reports, which can be obtained by contacting each individual foundation.

22. Commitments and Contingencies

Contractual Commitments

Amounts committed but unexpended for construction projects totaled \$9.2 billion at June 30, 2024. The University has a remaining commitment to contribute \$60.0 million for investments in joint ventures at June 30, 2024. The University has a remaining commitment for one of its campuses through 2036 to provide \$70.0 million for fire and other city-related services at June 30, 2024.

Contingencies

Substantial amounts are received and expended by the University, including its medical centers, under federal and state programs, and are subject to audit and other inquiries by cognizant governmental agencies and other parties. This funding relates to research, student aid, medical center operations and other programs. University management believes that any liabilities arising from such audits and other inquiries will not have a material effect on the University's financial position.

The University and the campus foundations are contingently liable in connection with certain other claims and contracts, including those currently in litigation, arising in the normal course of its activities. Although there are inherent uncertainties in any litigation, University management and general counsel are of the opinion that the outcome of such matters will not have a material effect on the University's financial position.

23. Subsequent Events

In July 2024, General Revenue bonds totaling \$1.7 billion, including \$250.0 million in variable-rate demand bonds, were issued to finance or refinance the acquisition, construction, improvement and renovation of certain facilities of the University. The bonds mature at various dates through 2054. Proceeds of the bonds, including a bond premium of \$168.1 million, were used to pay for project construction and issuance costs. The fixed-rate tax-exempt bonds have a stated weighted average interest rate of 5.0 percent. The interest rate will reset weekly for the variable rate demand bonds. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

In August 2024, the Regents became the sole corporate member of UCSF Community Hospital, a private, not-for-profit Internal Revenue Code section 501(c)(3) corporation. UCSF Community Hospital will be reported as a blended component unit of the University beginning in the 2024–2025 fiscal year.



Required Supplementary Information

(Unaudited)

UCRP

The schedule of changes in net pension liability includes multiyear trend information about whether the pension assets are increasing or decreasing over time relative to the pension liabilities. UCRP RSI Tables 1a and 1b show the schedule of changes in the net pension liability for UCRP as of June 30 for the past 10 years.

UCRP RSI Table 1a: Changes in Net Position Liability, 2020–2024 (in thousands of dollars)

Description	2024	2023	2022	2021	2020
Total pension liability					
Service cost	\$3,007,048	\$2,753,510	\$2,588,194	\$2,564,134	\$2,466,497
Interest on the total pension liability	7,458,897	6,985,737	6,633,210	6,311,412	5,981,599
Changes in benefit terms		33,303			
Difference between expected and actual experience	2,324,145	451,908	284,807	462,839	(282,321)
Changes of assumptions or other inputs		469,788			
Benefits paid, including refunds of employee contributions	(5,124,238)	(4,764,459)	(4,534,161)	(4,299,910)	(3,944,998)
Net change in total pension liability	7,665,852	5,929,787	4,972,050	5,038,475	4,220,777
Total pension liability, beginning of year	108,565,697	102,635,910	97,663,860	92,625,385	88,404,608
Total pension liability, end of year	116,231,549	108,565,697	102,635,910	97,663,860	92,625,385
Plan net position					
Contributions — employer	3,001,069	2,770,474	2,892,621	2,705,058	2,444,025
Contributions — member	1,332,768	1,206,097	1,105,405	1,053,939	1,019,302
Contributions — state					
Net investment income	11,387,694	7,696,274	(9,765,875)	21,439,296	1,184,938
Benefits paid, including refunds of employee contributions	(5,124,238)	(4,764,459)	(4,534,161)	(4,299,910)	(3,944,998)
Administrative expense	(102,512)	(76,629)	(84,760)	(64,826)	(65,989)
Net change in plan net position	10,494,781	6,831,757	(10,386,770)	20,833,557	637,278
Plan net position, beginning of year	88,194,785	81,363,028	91,749,798	70,916,241	70,278,963
Plan net position, end of year	98,689,566	88,194,785	81,363,028	91,749,798	70,916,241
Net pension liability, end of year	\$17,541,983	\$20,370,912	\$21,272,882	\$5,914,062	\$21,709,144

UCRP RSI Table 1b: Changes in Net Position Liability, 2015–2019 (in thousands of dollars)

Description	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$1,946,612	\$1,873,004	\$1,807,143	\$1,710,241	\$1,589,267
Interest on the total pension liability	5,576,660	5,295,733	5,035,267	4,784,904	4,538,846
Difference between expected and actual experience	334,605	138,419	74,664	136,167	(112,155)
Changes of assumptions or other inputs	7,816,717				2,136,793
Benefits paid, including refunds of employee contributions	(3,816,434)	(3,587,554)	(3,320,990)	(3,105,641)	(2,976,992)
Net change in total pension liability	11,858,160	3,719,602	3,596,084	3,525,671	5,175,759
Total pension liability, beginning of year	76,546,448	72,826,846	69,230,762	65,705,091	60,529,332
Total pension liability, end of year	88,404,608	76,546,448	72,826,846	69,230,762	65,705,091
Plan net position					
Contributions — employer	2,408,650	2,335,874	2,385,576	2,426,683	2,510,046
Contributions — member	956,543	941,144	891,987	845,036	793,012
Contributions — state		169,000	171,000	96,000	
Net investment income	4,018,595	4,837,552	7,866,281	(1,104,655)	1,993,801
Benefits paid, including refunds of employee contributions	(3,816,434)	(3,587,554)	(3,320,990)	(3,105,642)	(2,976,993)
Administrative expense	(61,981)	(36,684)	(44,128)	(48,340)	(48,283)
Net change in plan net position	3,505,373	4,659,332	7,949,726	(890,918)	2,271,583
Plan net position, beginning of year	66,773,590	62,114,258	54,164,532	55,055,450	52,783,867
Plan net position, end of year	70,278,963	66,773,590	62,114,258	54,164,532	55,055,450
Net pension liability, end of year	\$18,125,645	\$9,772,858	\$10,712,588	\$15,066,230	\$10,649,641

Notes to Required Supplementary Information: UCRP

Changes of benefit terms. UCRP was amended during the fiscal year ended June 30, 2023 to provide a one-time cost-of-living adjustment (ad-hoc COLA) to a cohort of retirees. There were no changes to the size or composition of the covered population in any of the fiscal years in the 10-year period which ended June 30, 2024, that significantly affected the total pension liability.

Changes of assumptions. Actuarial assumptions were changed three times during the 10-year period which ended June 30, 2024, each time coinciding with an experience study. Amounts reported in 2023 include an adjustment to the mortality assumption reflecting longer life expectancy. Amounts reported in 2019 include an adjustment to the mortality assumption reflecting longer life expectancy and a decrease in the investment rate of return from 7.25 percent to 6.75 percent. Amounts reported in 2015 include an adjustment to the mortality assumption reflecting longer life expectancy and a decrease in the investment rate of return from 7.50 percent to 7.25 percent.

UCRP RSI Tables 2a and 2b present a 10-year history of the ratio of net pension liability to total pension liability and the net pension liability as a percentage of covered payroll.

UCRP RSI Table 2a: Ratio of Net Pension Liability to Total Pension Liability, 2020–2024 (in thousands of dollars)

Description	2024	2023	2022	2021	2020
Total pension liability	\$116,231,549	\$108,565,697	\$102,635,910	\$97,663,860	\$92,625,385
Plan net position	98,689,566	88,194,785	81,363,028	91,749,798	70,916,241
Net pension liability	\$17,541,983	\$20,370,912	\$21,272,882	\$5,914,062	\$21,709,144
Ratio of plan net position to total pension liability	84.9%	81.2%	79.3%	93.9%	76.6%
Covered payroll	\$16,749,455	\$15,191,170	\$13,921,086	\$13,215,494	\$13,056,696
Net pension liability as a percentage of covered payroll	104.7%	134.1%	152.8%	44.8%	166.3%

UCRP RSI Table 2b: Ratio of Net Pension Liability to Total Pension Liability, 2015–2019 (in thousands of dollars)

Description	2019	2018	2017	2016	2015
Total pension liability	\$88,404,608	\$76,546,448	\$72,826,846	\$69,230,762	\$65,705,091
Plan net position	70,278,963	66,773,590	62,114,258	54,164,532	55,055,450
Net pension liability	\$18,125,645	\$9,772,858	\$10,712,588	\$15,066,230	\$10,649,641
Ratio of plan net position to total pension liability	79.5%	87.2%	85.3%	78.2%	83.8%
Covered payroll	\$12,168,209	\$11,923,489	\$11,301,506	\$10,689,424	\$10,047,570
Net pension liability as a percentage of covered payroll	149.0%	82.0%	94.8%	140.9%	106.0%

The Regents' funding policy provides for actuarially determined contributions at rates reasonably expected to maintain UCRP on an actuarially sound basis. LBNL is required to make employer and employee contributions in conformity with The Regents' contract with the DOE. The annual contribution deficiency as of June 30 is presented in UCRP RSI Table 3 below:

UCRP RSI Table 3: Annual Contribution Deficiency (in thousands of dollars)

Year ended June 30	Actuarially determined contributions	Contributions in relation to actuarial contributions	Contribution deficiency	Covered payroll	Contributions as a percentage of covered payroll
2024	\$4,221,586	\$3,001,069	\$1,220,517	\$16,749,455	18%
2023	3,814,606	2,770,474	1,044,132	15,191,170	18
2022	3,712,774	2,892,621	820,153	13,921,086	21
2021	3,523,568	2,705,058	818,510	13,215,494	20
2020	2,516,234	2,444,025	72,209	13,056,696	19
2019	2,742,671	2,408,650	334,021	12,168,209	20
2018	2,669,169	2,504,874	164,295	11,923,489	21
2017	2,654,710	2,556,576	98,134	11,301,506	23
2016	2,610,953	2,522,683	88,270	10,689,424	24
2015	2,664,384	2,510,046	154,338	10,047,570	25

UCRP RSI Table 4 shows the methods and assumptions used to determine contribution rates for UCRP.

UCRP RSI Table 4: Methods and Assumptions Used to Determine Contribution Rates

Methods and actuarial assumptions	Description
Valuation date	Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry age actuarial cost method.
Amortization method	Level dollar, closed periods.
Remaining amortization period	15.82 years as of July 1, 2022. The July 1, 2010 amortization bases were combined into a single amortization base and amortized over 30 years. Any changes in Unfunded Actuarial Accrued Liability (UAAL) due to actuarial experience gains or losses after July 1, 2010, are separately amortized over a fixed (closed) 30-year period effective with that valuation. Any changes in UAAL due to a change in actuarial assumptions or plan provisions are separately amortized over a fixed (closed) 15-year period. Any changes in UAAL due to actuarial experience gains or losses or a change in actuarial assumptions after July 1, 2014, are separately amortized over a fixed (closed) 20-year period. Any changes in UAAL due to a change in plan provisions are separately amortized over a fixed (closed) 15 year period. Any changes in UAAL due to plan amendments after July 1, 2014 affecting non-active members are separately amortized over a fixed (closed) 10-year period.
Asset valuation method	The market value of assets less unrecognized returns in each of the last five years. An unrecognized return is equal to the difference between the actual and the expected return on a market value basis and is recognized over a five-year period.
Inflation	2.50%.
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation.
Projected salary increases	3.65–5.95%, varying by service, including inflation.
Cost-of-living adjustments	2.00%
Mortality	Actives and inactive: Pub-2010 Teacher Employee Amount-Weighted Above-Median Mortality Table. Healthy retired members: Pub-2010 Healthy Teacher Amount-Weighted Above-Median Mortality Table, multiplied by 90 percent for male faculty members, 95 percent for female faculty members, 100 percent for other male members and 110 percent for other female members. Beneficiaries of retired members: Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Table multiplied by 100 percent for males and 90 percent for females. Disabled members: Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table. All mortality tables listed above are projected generationally with the two-dimensional mortality improvement scale MP-2018.

UC-VERIP

The schedule of changes in net pension liability includes multiyear trend information about whether the pension assets are increasing or decreasing over time relative to the pension liabilities. UC-VERIP RSI Tables 1a and 1b show the schedule of changes in the net pension liability for the UC-VERIP as of June 30 for the past 10 years.

UC-VERIP RSI Table 1a: Changes in Net Pension Liability, 2020–2024 (in thousands of dollars)

Description	2024	2023	2022	2021	2020
Total pension liability					
Interest on the total pension liability	\$996	\$1,181	\$1,384	\$1,513	\$1,656
Difference between expected and actual experience	(604)	(1,242)	108	179	(1,342)
Changes of assumptions or other inputs		(440)			
Benefits paid, including refunds of employee contributions	(2,746)	(2,987)	(3,324)	(3,750)	(4,142)
Net change in total pension liability	(2,354)	(3,488)	(1,832)	(2,058)	(3,828)
Total pension liability, beginning of year	16,739	20,227	22,059	24,117	27,945
Total pension liability, end of year	14,385	16,739	20,227	22,059	24,117
Plan net position					
Net investment income	9,488	5,955	(7,853)	18,277	1,049
Benefits paid, including refunds of employee contributions	(2,746)	(2,987)	(3,324)	(3,750)	(4,142)
Administrative expense	(3)	(3)	(3)	(4)	(4)
Net change in plan net position	6,739	2,965	(11,180)	14,523	(3,097)
Plan net position, beginning of year	67,989	65,024	76,204	61,681	64,778
Plan net position, end of year	74,728	67,989	65,024	76,204	61,681
Net pension surplus, end of year	(\$60,343)	(\$51,250)	(\$44,797)	(\$54,145)	(\$37,564)

UC-VERIP RSI Table 1b: Changes in Net Pension Liability, 2015–2019 (in thousands of dollars)

Description	2019	2018	2017	2016	2015
Total pension liability					
Interest on the total pension liability	\$1,983	\$2,042	\$2,463	\$2,533	\$2,704
Difference between expected and actual experience	(79)	(436)	(189)	(650)	242
Changes of assumptions or other inputs	714				1,837
Benefits paid, including refunds of employee contributions	(4,213)	(4,610)	(4,738)	(4,937)	(5,081)
Net change in total pension liability	(1,595)	(3,004)	(2,464)	(3,054)	(298)
Total pension liability, beginning of year	29,540	32,544	35,008	38,062	38,360
Total pension liability, end of year	27,945	29,540	32,544	35,008	38,062
Plan net position					
Net investment income	3,748	4,885	8,666	(1,425)	2,550
Benefits paid, including refunds of employee contributions	(4,213)	(4,610)	(4,738)	(4,937)	(5,081)
Administrative expense	(5)	(5)	(6)	(7)	(6)
Net change in plan net position	(470)	270	3,922	(6,369)	(2,537)
Plan net position, beginning of year	65,248	64,978	61,056	67,425	69,962
Plan net position, end of year	64,778	65,248	64,978	61,056	67,425
Net pension surplus, end of year	(\$36,833)	(\$35,708)	(\$32,434)	(\$26,048)	(\$29,363)

Notes to Required Supplementary Information: UC-VERIP

Plan fiduciary net position (plan assets) is valued as of the measurement date, while the total pension liability is determined by rolling forward the total pension liability from the July 1 actuarial valuations.

Changes of benefit terms. There were no changes in benefit terms or the size or composition of the covered population in any of the fiscal years in the 10-year period which ended June 30, 2024, that significantly affected the total pension liability.

Changes of assumptions. Actuarial assumptions were changed three times during the 10-year period which ended June 30, 2024, each time coinciding with an experience study. Amounts reported in 2023 include an adjustment to the mortality assumption reflecting longer life expectancy. Amounts reported in 2019 include an adjustment to the mortality assumption reflecting longer life expectancy and a decrease in the investment rate of return from 7.25 percent to 6.75 percent. Amounts reported in 2015 include an adjustment to the mortality assumption reflecting longer life expectancy and a decrease in the investment rate of return from 7.50 percent to 7.25 percent.

UC-VERIP RSI Tables 2a and 2b present a 10-year history of the ratio of net pension liability to total pension liability.

UC-VERIP RSI Table 2a: Ratio of Net Pension Liability to Total Pension Liability, 2020–2024 *(in thousands of dollars)*

Description	2024	2023	2022	2021	2020
Total pension liability	\$14,385	\$16,739	\$20,227	\$22,059	\$24,117
Plan net position	74,728	67,989	65,024	76,204	61,681
Net pension surplus	(\$60,343)	(\$51,250)	(\$44,797)	(\$54,145)	(\$37,564)
Ratio of plan net position to total pension liability	519.5%	406.2%	321.5%	345.5%	255.8%

UC-VERIP RSI Table 2b: Ratio of Net Pension Liability to Total Pension Liability, 2015–2019 *(in thousands of dollars)*

Description	2019	2018	2017	2016	2015
Total pension liability	\$27,945	\$29,540	\$32,544	\$35,008	\$38,062
Plan net position	64,778	65,248	64,978	61,056	67,425
Net pension surplus	(\$36,833)	(\$35,708)	(\$32,434)	(\$26,048)	(\$29,363)
Ratio of plan net position to total pension liability	231.8%	220.9%	199.7%	174.4%	177.1%

The University is not required to make contributions to the UC-VERIP due to its fully funded status.

CHRCO Pension Plan

The schedule of changes in net pension liability includes multiyear trend information about whether the pension assets are increasing or decreasing over time relative to the pension liabilities. **CHRCO RSI Tables 1a** and **1b** show the schedule of changes in the net pension liability for the CHRCO Pension Plan as of June 30 for the past 10 years.

CHRCO RSI Table 1a: Changes in Net Pension Liability, 2020–2024 *(in thousands of dollars)*

Description	2024	2023	2022	2021	2020
Total pension liability					
Service cost	\$14,012	\$14,159	\$15,775	\$14,873	\$12,648
Interest on the total pension liability	45,927	44,522	42,159	38,932	36,005
Changes of benefit terms	3,805				
Difference between expected and actual experience	23,722	6,851	1,058	18,527	23,581
Changes of assumptions or other inputs	(6,149)	(23,590)	(22,525)	(2,413)	28,609
Benefits paid, including refunds of employee contributions	(65,531)	(25,027)	(22,683)	(19,684)	(17,262)
Net change in total pension liability	15,786	16,915	13,784	50,235	83,581
Total pension liability, beginning of year	674,850	657,935	644,151	593,916	510,335
Total pension liability, end of year	690,636	674,850	657,935	644,151	593,916
Plan net position					
Contributions — employer	46,500	41,400	37,452	31,752	31,200
Net investment income (loss)	90,743	73,339	(94,275)	111,835	(7,468)
Benefits paid, including refunds of employee contributions	(65,531)	(25,027)	(22,683)	(19,684)	(17,262)
Administrative expense	(4,979)	(4,073)	(4,062)	(3,600)	(3,598)
Net change in plan net position	66,733	85,639	(83,568)	120,303	2,872
Total plan net position, beginning of year	623,856	538,217	621,785	501,482	498,610
Total plan net position, end of year	690,589	623,856	538,217	621,785	501,482
Net pension liability, end of year	\$47	\$50,994	\$119,718	\$22,366	\$92,434

CHRCO RSI Table 1b: Changes in Net Pension Liability, 2015–2019 *(in thousands of dollars)*

Description	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$11,430	\$11,304	\$9,910	\$10,410	\$9,448
Interest on the total pension liability	34,165	31,854	29,672	27,782	24,683
Changes of benefit terms		92	33	24	40
Difference between expected and actual experience	5,214	3,609	2,442	(3,690)	762
Changes of assumptions or other inputs	(9,540)			3,613	33,105
Benefits paid, including refunds of employee contributions	(15,143)	(12,802)	(11,767)	(9,509)	(8,082)
Net change in total pension liability	26,126	34,057	30,290	28,630	59,956
Total pension liability, beginning of year	484,209	450,152	419,862	391,232	331,276
Total pension liability, end of year	510,335	484,209	450,152	419,862	391,232
Plan net position					
Contributions — employer	31,200	33,600	28,800	24,000	18,000
Net investment income	25,203	33,269	41,256	214	11,797
Benefits paid, including refunds of employee contributions	(15,143)	(12,802)	(11,767)	(9,509)	(8,082)
Administrative expense	(2,711)	(3,014)	(2,727)	(1,816)	(1,222)
Net change in plan net position	38,549	51,053	55,562	12,889	20,493
Total plan net position, beginning of year	460,061	409,008	353,446	340,557	320,064
Total plan net position, end of year	498,610	460,061	409,008	353,446	340,557
Net pension liability, end of year	\$11,725	\$24,148	\$41,144	\$66,416	\$50,675

CHRCO RSI Tables 2a and 2b present a 10-year history of the ratio of net pension liability to total pension liability.

CHRCO RSI Table 2a: Ratio of Net Pension Liability to Total Pension Liability, 2020–2024 *(in thousands of dollars)*

Description	2024	2023	2022	2021	2020
Total pension liability	\$690,636	\$674,850	\$657,935	\$644,151	\$593,916
Plan net position	690,589	623,856	538,217	621,785	501,482
Net pension liability	\$47	\$50,994	\$119,718	\$22,366	\$92,434
Ratio of plan net position to total pension liability	100.0%	92.4%	81.8%	96.5%	84.4%
Covered payroll	\$245,944	\$224,898	\$214,184	\$220,208	\$209,596
Net pension liability as a percentage of covered payroll	0.0%	22.7%	55.9%	10.2%	44.1%

CHRCO RSI Table 2b: Ratio of Net Pension Liability to Total Pension Liability, 2015–2019 *(in thousands of dollars)*

Description	2019	2018	2017	2016	2015
Total pension liability	\$510,335	\$484,209	\$450,152	\$419,862	\$391,232
Plan net position	498,610	460,061	409,008	353,446	340,557
Net pension liability	\$11,725	\$24,148	\$41,144	\$66,416	\$50,675
Ratio of plan net position to total pension liability	97.7%	95.0%	90.9%	84.2%	87.0%
Covered payroll	\$190,599	\$187,639	\$184,083	\$165,672	\$177,986
Net pension liability as a percentage of covered payroll	6.2%	12.9%	22.4%	40.1%	28.5%

CHRCO RSI Tables 3a and 3b show the schedule of employer contributions for the CHRCO Pension Plan as of June 30 for the past 10 years.

CHRCO RSI Table 3a: Schedule of Employer Contributions, 2020–2024 *(in thousands of dollars)*

Description	2024	2023	2022	2021	2020
Actuarially calculated employer contributions	\$34,660	\$17,990	\$11,050	\$15,270	\$22,070
Contributions in relation to the actuarially calculated employer contribution	46,500	41,400	37,452	31,752	31,200
Annual contribution deficiency (excess)	(\$11,840)	(\$23,410)	(\$26,402)	(\$16,482)	(\$9,130)
Covered payroll	\$245,944	\$224,898	\$214,184	\$220,208	\$209,596
Actual contributions as a percentage of covered payroll	18.9%	18.4%	17.5%	14.4%	14.9%

CHRCO RSI Table 3b: Schedule of Employer Contributions, 2015–2019 *(in thousands of dollars)*

Description	2019	2018	2017	2016	2015
Actuarially calculated employer contributions	\$17,870	\$7,710	\$5,642	\$7,823	\$12,239
Contributions in relation to the actuarially calculated employer contribution	31,200	33,600	28,800	24,000	18,000
Annual contribution deficiency (excess)	(\$13,330)	(\$25,890)	(\$23,158)	(\$16,177)	(\$5,761)
Covered payroll	\$190,599	\$187,639	\$184,083	\$165,672	\$177,986
Actual contributions as a percentage of covered payroll	16.4%	17.9%	15.6%	14.5%	10.1%

CHRCO RSI Table 4 shows the methods and assumptions used to determine contribution rates for the CHRCO Pension Plan.

CHRCO RSI Table 4: Methods and Assumptions Used to Determine Contribution Rates

Methods and assumptions	Description
Valuation date	Actuarially calculated contributions are calculated as of January 1 of the fiscal year Represented Plan and as of July 1 of the beginning of the fiscal year Unrepresented in which contributions are reported.
Actuarially determined contribution	The Plan is subject to funding requirements under ERISA. The contribution shown is the IRC Section 430 minimum contribution prior to offset by credit balances prorated for the number of months in the fiscal year. The contributions reflect the Highway and Transportation Funding Act of 2014 (HATFA). The contribution for July 1, 2020 and after reflects the American Rescue Plan Act of 2021 (ARPA).
Contributions in relation to the actuarially determined contribution	The amount shown is equal to the contributions contributed to the plan during the fiscal year shown.
Actuarial cost method	Unit Credit Actuarial Cost Method
Amortization method	Level dollar, closed amortization over a 15-year period from the valuation date as specified under PPA
Remaining amortization period	15 years for changes in unfunded liabilities that occur each valuation date
Asset valuation method	The actuarial value of assets is equal to the two-year average of Plan asset values as of the valuation date. The two-year average is the average of the two prior years' adjusted market value of assets and the current year's market value of assets. For this purpose, the prior years' market value of assets is adjusted to reflect benefit payments, administrative expenses, contributions and expected returns for the prior years. The resulting actuarial value of assets is adjusted to be within 10% of the market value of assets at the valuation date, as required by IRC Section 430.
Inflation	3.0%
Investment rate of return	7.00% (limited to the 3rd segment rate applicable for each year) for the Represented Plan 6.75% (limited to the 3rd segment rate applicable for each year) for the Unrepresented Plan
Projected salary increases	Represented employees: 4.50% for FYE 2024 and FYE 2025, 4.2% for FYE 2026 and 3.5% for FYE 2027 annually thereafter Unrepresented employees: 4.00% for FYE 2023, 4.5% for FYE 2024, 4.00% for FYE 2025 and 3.5% for FYE 2026 annually thereafter Salary increase assumption includes inflation
Cost-of-living adjustments	N/A
Mortality	IRS generational mortality table prescribed for the valuation year

University Retiree Health Benefits Program

The schedule of changes in the net retiree health benefits liability includes multiyear trend information about whether the net retiree health benefits liability is increasing or decreasing over time relative to the pension liabilities. The University's net retiree health benefits liability includes liabilities for campuses, medical centers and LBNL.

Retiree Health Benefits RSI Tables 1a and 1b show the schedule of changes in the net retiree health benefits liability as of June 30 for the past 10 years.

Retiree Health Benefits RSI Table 1a: Changes in Net Retiree Health Benefits Liability, 2020–2024 (in thousands of dollars)

Description	2024	2023	2022	2021	2020
Total retiree health benefits liability					
Service cost	\$1,001,187	\$912,741	\$1,336,924	\$1,296,146	\$912,067
Interest on the total retiree health benefits liability	848,800	743,948	565,679	554,169	724,584
Difference between expected and actual experience	157,808	917,259	177,238	(521,647)	(1,539,139)
Changes of assumptions or other inputs	(2,852,917)	96,545	(6,341,718)	212,837	4,354,033
Retiree contributions	95,032	89,525	90,710	88,625	86,166
Benefits paid	(633,176)	(591,124)	(565,532)	(551,760)	(546,616)
Net change in total retiree health benefits liability	(1,383,266)	2,168,894	(4,736,699)	1,078,370	3,991,095
Total retiree health benefits liability, beginning of year	22,520,255	20,351,361	25,088,060	24,009,690	20,018,595
Total retiree health benefits liability, end of year	21,136,989	22,520,255	20,351,361	25,088,060	24,009,690
Plan net position					
University contributions	566,739	512,458	486,761	482,099	462,609
Retiree contributions	95,032	89,525	90,710	88,625	86,166
Net investment income	9,987	7,345	345	208	2,281
Insurance premiums	(633,176)	(591,124)	(565,532)	(551,760)	(546,616)
Other deductions	(5,520)	(4,854)	(4,431)	(4,369)	(4,531)
Net change in retiree health benefits net position	33,062	13,350	7,853	14,803	(91)
Retiree health benefits net position, beginning of year	192,824	179,474	171,621	156,818	156,909
Retiree health benefits net position, end of year	225,886	192,824	179,474	171,621	156,818
Net retiree health benefits liability, end of year	\$20,911,103	\$22,327,431	\$20,171,887	\$24,916,439	\$23,852,872

Retiree Health Benefits RSI Table 1b: Changes in Net Retiree Health Benefits Liability, 2015–2019 (in thousands of dollars)

Description	2019	2018	2017	2016	2015
Total retiree health benefits liability					
Service cost	\$815,654	\$835,154	\$1,004,644	\$830,041	\$702,935
Interest on the total retiree health benefits liability	758,521	716,777	646,279	735,294	719,853
Changes of benefit terms	(29,315)				
Difference between expected and actual experience	(1,219,146)	(1,173,742)	101,280	(1,948,111)	
Changes of assumptions or other inputs	1,124,039	(354,585)	(3,827,924)	3,925,503	1,402,476
Retiree contributions	85,820	79,849	72,716	65,705	56,340
Benefits paid	(512,824)	(504,745)	(467,846)	(451,166)	(435,189)
Net change in total retiree health benefits liability	1,022,749	(401,292)	(2,470,851)	3,157,266	2,446,415
Total retiree health benefits liability, beginning of year	18,995,846	19,397,138	21,867,989	18,710,723	16,264,308
Total retiree health benefits liability, end of year	\$20,018,595	\$18,995,846	\$19,397,138	\$21,867,989	\$18,710,723
Plan net position					
University contributions	451,437	453,988	432,953	410,945	367,416
Retiree contributions	85,820	79,849	72,716	65,705	56,340
Net investment income	3,195	1,634	606	155	41
Insurance premiums	(512,824)	(504,745)	(\$467,846)	(451,166)	(435,189)
Other deductions	(4,300)	(3,859)	(4,256)	(3,743)	(3,147)
Net change in retiree health benefits net position	23,328	26,867	34,173	21,896	(14,539)
Retiree health benefits net position, beginning of year	133,581	106,714	72,541	50,645	65,184
Retiree health benefits net position, end of year	156,909	133,581	106,714	72,541	50,645
Net retiree health benefits liability, end of year	\$19,861,686	\$18,862,265	\$19,290,424	\$21,795,448	\$18,660,078

Retiree Health Benefits RSI Tables 2a and 2b present a 10-year history of the ratio of net retiree health benefits liability to total retiree health benefits liability and the net retiree health benefits liability as a percentage of covered payroll.

Retiree Health Benefits RSI Table 2a: Schedule of Net Retiree Health Benefits Liability, 2020–2024 (in thousands of dollars)

Description	2024	2023	2022	2021	2020
Total retiree health benefits liability	\$21,136,989	\$22,520,255	\$20,351,361	\$25,088,060	\$24,009,690
Retiree health benefits net position	225,886	192,824	179,474	171,621	156,818
Net retiree health benefits liability	\$20,911,103	\$22,327,431	\$20,171,887	\$24,916,439	\$23,852,872
Ratio of retiree health benefits net position to total retiree health benefits liability	1.1%	0.9%	0.9%	0.7%	0.7%
Covered payroll	\$19,083,502	\$17,108,454	\$15,453,288	\$13,975,566	\$13,461,790
Net retiree health benefits liability as a percentage of covered payroll	109.6%	130.5%	130.5%	178.3%	177.2%
Discount rate	3.93%	3.65%	3.54%	2.16%	2.21%

Retiree Health Benefits RSI Table 2b: Schedule of Net Retiree Health Benefits Liability, 2015–2019 (in thousands of dollars)

Description	2019	2018	2017	2016	2015
Total retiree health benefits liability	\$20,018,595	\$18,995,846	\$19,397,138	\$21,867,989	18,710,723
Retiree health benefits net position	156,909	133,581	106,714	72,541	50,645
Net retiree health benefits liability	\$19,861,686	\$18,862,265	\$19,290,424	\$21,795,448	\$18,660,078
Ratio of retiree health benefits net position to total retiree health benefits liability	0.8%	0.7%	0.6%	0.3%	0.3%
Covered payroll	\$12,717,122	\$12,391,018	\$11,495,997	\$10,689,424	\$10,047,570
Net retiree health benefits liability as a percentage of covered payroll	156.2%	152.2%	167.8%	203.9%	185.7%
Discount rate	3.50%	3.87%	3.58%	2.85%	3.80%

Retiree Health Benefits RSI Table 3 presents additional information related to the University Retiree Health Benefits Program.

Retiree Health Benefits RSI Table 3: Notes to Schedule

Notes to schedule	Description																						
Mortality	<p>Pre-retirement</p> <p>Pub-2010 Teacher Employee Headcount-Weighted Above-Median Mortality Table, projected generationally with the two-dimensional mortality improvement scale MP-2021.</p> <p>Post-retirement</p> <p>Healthy: Pub-2010 Healthy Teacher Retiree Headcount-Weighted Above-Median Mortality Table, projected generationally with the two-dimensional mortality improvement scale MP-2021. Base Mortality Tables are adjusted as follows:</p> <ul style="list-style-type: none"> • Faculty: 90% for Males and Females • Staff and Safety: 110% for Males and 105% for Females <p>Spouses/Domestic Partners: Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Table, projected generationally with the two-dimensional mortality improvement scale MP-2021 with no adjustment for Males and 95% for Females, applied after the expected (and actual) death of the retiree. While retiree is still alive, rates for Healthy Participants are applied.</p> <p>Disabled: Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table, projected generationally with the two-dimensional mortality improvement scale MP-2021, adjusted 85% for Males and Females.</p>																						
Changes of benefit terms	In 2019, University contributions for retirees age 65 and older not eligible for Medicare were reduced to levels comparable to Medicare-eligible retirees over a three-year period.																						
Changes of assumptions or other inputs	<p>Changes in assumptions or other inputs primarily reflect the effects of changes in the discount rate and health care cost trend rate in each period. The following are the health care cost trend assumptions used in each period:</p> <table> <tr> <th>As of June 30</th><th>Health care cost trend rate</th></tr> <tr> <td>2024</td><td>0.2% to 20.5% decreasing to 3.9% in 2076</td></tr> <tr> <td>2023</td><td>(3.1%) to 29.1% decreasing to 3.9% in 2075</td></tr> <tr> <td>2022</td><td>1.4% to 14.6% decreasing to 3.9% in 2075</td></tr> <tr> <td>2021</td><td>2.7% to 7.5% decreasing to 4.0% in 2075</td></tr> <tr> <td>2020</td><td>2.7% to 9.0% decreasing to 4.0% in 2076</td></tr> <tr> <td>2019</td><td>4.4% to 9.4% decreasing to 4.0% in 2077</td></tr> <tr> <td>2018</td><td>5.0% to 9.3% decreasing to 5.0% in 2033</td></tr> <tr> <td>2017</td><td>5.0% to 9.5% decreasing to 5.0% in 2032</td></tr> <tr> <td>2016</td><td>6.3% to 9.0% decreasing to 5.0% in 2031</td></tr> <tr> <td>2015</td><td>6.6% to 10.0% decreasing to 5.0% in 2030</td></tr> </table>	As of June 30	Health care cost trend rate	2024	0.2% to 20.5% decreasing to 3.9% in 2076	2023	(3.1%) to 29.1% decreasing to 3.9% in 2075	2022	1.4% to 14.6% decreasing to 3.9% in 2075	2021	2.7% to 7.5% decreasing to 4.0% in 2075	2020	2.7% to 9.0% decreasing to 4.0% in 2076	2019	4.4% to 9.4% decreasing to 4.0% in 2077	2018	5.0% to 9.3% decreasing to 5.0% in 2033	2017	5.0% to 9.5% decreasing to 5.0% in 2032	2016	6.3% to 9.0% decreasing to 5.0% in 2031	2015	6.6% to 10.0% decreasing to 5.0% in 2030
As of June 30	Health care cost trend rate																						
2024	0.2% to 20.5% decreasing to 3.9% in 2076																						
2023	(3.1%) to 29.1% decreasing to 3.9% in 2075																						
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2016	6.3% to 9.0% decreasing to 5.0% in 2031																						
2015	6.6% to 10.0% decreasing to 5.0% in 2030																						

University of California Retiree Health Benefit Trust

The schedule of changes in the net retiree health benefits liability includes multiyear trend information about whether the trust assets are increasing or decreasing over time relative to the total retiree health benefits liability for the campuses and medical centers.

UCRHBT RSI Tables 1a and 1b present the schedule of changes in net retiree health benefits liability as of, and for, the year ending June 30 for the past 10 years.

UCRHBT RSI Table 1a: Schedule of Changes In Net Retiree Health Benefits Liability, 2020–2024 *(in thousands of dollars)*

Description	2024	2023	2022	2021	2020
Total retiree health benefit liability					
Service cost	\$978,585	\$891,714	\$1,305,803	\$1,270,153	\$893,557
Interest on the total retiree health benefits liability	824,253	722,279	549,921	538,187	702,640
Difference between expected and actual experience	147,103	888,337	138,495	(493,529)	(1,474,623)
Changes of assumptions or other inputs	(2,776,854)	90,193	(6,167,373)	206,722	4,222,620
Retiree contributions	92,194	86,800	87,861	85,607	83,111
Benefits paid	(610,794)	(569,634)	(544,166)	(529,804)	(525,262)
Net change in total retiree health benefits liability	(1,345,513)	2,109,689	(4,629,459)	1,077,336	3,902,043
Total retiree health benefits liability, beginning of year	21,860,662	19,750,973	24,380,432	23,303,096	19,401,053
Total retiree health benefits liability, end of year	\$20,515,149	\$21,860,662	\$19,750,973	\$24,380,432	\$23,303,096
Plan net position					
University contributions	547,195	493,693	468,244	463,161	444,310
Retiree contributions	92,194	86,800	87,861	85,607	83,111
Net investment income	9,987	7,345	345	208	2,281
Insurance premiums	(610,794)	(569,634)	(544,166)	(529,804)	(525,262)
Other deductions	(5,520)	(4,854)	(4,431)	(4,369)	(4,531)
Net change in UCRHBT net position	33,062	13,350	7,853	14,803	(91)
UCRHBT net position, beginning of year	192,824	179,474	171,621	156,818	156,909
UCRHBT net position, end of year	225,886	192,824	179,474	171,621	156,818
Net retiree health benefits liability, end of year	\$20,289,263	\$21,667,838	\$19,571,499	\$24,208,811	\$23,146,278

UCRHBT RSI Table 1b: Schedule of Changes in Net Retiree Health Benefits Liability, 2015–2019 *(in thousands of dollars)*

Description	2019	2018	2017	2016	2015
Total retiree health benefit liability					
Service cost	\$798,249	\$816,483	\$981,745	\$806,817	683,320
Interest on the total retiree health benefits liability	734,693	694,562	625,947	711,365	695,999
Changes of benefit terms	(28,401)				
Difference between expected and actual experience	(1,175,284)	(1,149,032)	95,254	(1,875,009)	
Changes of assumptions or other inputs	1,091,609	(353,516)	(3,707,921)	3,798,113	1,358,761
Retiree contributions	82,710	76,873	69,968	65,705	56,340
Benefits paid	(490,615)	(483,479)	(447,604)	(433,849)	(418,244)
Net change in total retiree health benefits liability	1,012,961	(398,109)	(2,382,611)	3,073,142	2,376,176
Total retiree health benefits liability, beginning of year	18,388,092	18,786,201	21,168,812	18,095,670	15,719,494
Total retiree health benefits liability, end of year	19,401,053	18,388,092	18,786,201	21,168,812	18,095,670
Plan net position					
University contributions	432,338	435,698	415,459	393,628	350,471
Retiree contributions	82,710	76,873	69,968	65,705	56,340
Net investment income	3,195	1,634	606	155	41
Insurance premiums	(490,615)	(483,479)	(447,604)	(433,849)	(418,244)
Other deductions	(4,300)	(3,859)	(4,256)	(3,743)	(3,147)
Net change in UCRHBT net position	23,328	26,867	34,173	21,896	(14,539)
UCRHBT net position, beginning of year	133,581	106,714	72,541	50,645	65,184
UCRHBT net position, end of year	156,909	133,581	106,714	72,541	50,645
Net retiree health benefits liability, end of year	\$19,244,144	\$18,254,511	\$18,679,487	\$21,096,271	\$18,045,025

UCRHBT RSI Tables 2a and 2b show the schedule of net retiree health benefits liability for campuses and medical centers as of June 30 for the past 10 years.

UCRHBT RSI Table 2a: Schedule of Net Retiree Health Benefits Liability, 2020–2024 *(in thousands of dollars)*

Description	2024	2023	2022	2021	2020
Total retiree health benefits liability	\$20,515,149	\$21,860,662	\$19,750,973	\$24,380,432	\$23,303,096
UCRHBT net position	225,886	192,824	179,474	171,621	156,818
Net retiree health benefits liability	\$20,289,263	\$21,667,838	\$19,571,499	\$24,208,811	\$23,146,278
Ratio of UCRHBT net position to total retiree health benefits liability	1.1%	0.9%	0.9%	0.7%	0.7%
Covered payroll	18,599,776	16,665,067	15,048,178	13,595,891	13,104,846
Net retiree health benefits liability as a percentage of covered payroll	109.1%	130.0%	130.1%	178.1%	176.6%
Discount rate	3.93%	3.65%	3.54%	2.16%	2.21%

UCRHBT RSI Table 2b: Schedule of net retiree health benefits liability, 2015–2019 *(in thousands of dollars)*

Description	2019	2018	2017	2016	2015
Total retiree health benefits liability	\$19,401,053	\$18,388,092	\$18,786,201	\$21,168,812	\$18,095,670
UCRHBT net position	156,909	133,581	106,714	72,541	50,645
Net retiree health benefits liability	\$19,244,144	\$18,254,511	\$18,679,487	\$21,096,271	\$18,045,025
Ratio of UCRHBT net position to total retiree health benefits liability	0.8%	0.7%	0.6%	0.3%	0.3%
Covered payroll	12,381,741	12,087,000	11,196,485	10,396,827	9,758,795
Net retiree health benefits liability as a percentage of covered payroll	155.4%	151.0%	166.8%	202.9%	184.9%
Discount rate	3.50%	3.87%	3.58%	2.85%	3.80%

UCRHBT RSI Table 3 presents additional information related to the University of California Retiree Health Benefit Trust.

UCRHBT RSI Table 3: Notes to Schedule

Notes to schedule	Description																						
Mortality	<p>Pre-retirement</p> <p>Pub-2010 Teacher Employee Headcount-Weighted Above-Median Mortality Table, projected generationally with the two-dimensional mortality improvement scale MP-2021.</p> <p>Post-retirement</p> <p>Healthy: Pub-2010 Healthy Teacher Retiree Headcount-Weighted Above-Median Mortality Table, projected generationally with the two-dimensional mortality improvement scale MP-2021. Base Mortality Tables are adjusted as follows:</p> <ul style="list-style-type: none"> • Faculty: 90% for Males and Females • Staff and Safety: 110% for Males and 105% for Females <p>Spouses/Domestic Partners: Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Table, projected generationally with the two-dimensional mortality improvement scale MP-2021 with no adjustment for Males and 95% for Females, applied after the expected (and actual) death of the retiree. While retiree is still alive, rates for Healthy Participants are applied.</p> <p>Disabled: Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table, projected generationally with the two-dimensional mortality improvement scale MP-2021, adjusted 85% for Males and Females.</p>																						
Changes of benefit terms	In 2019, University contributions for retirees age 65 and older not eligible for Medicare were reduced to levels comparable to Medicare-eligible retirees over a three-year period.																						
Changes in assumptions or other inputs	<p>Changes in assumptions or other inputs primarily reflect the effects of changes in the discount rate and health care cost trend rate in each period. The following are the health care cost trend assumptions used in each period:</p> <table> <tr> <th>As of June 30</th><th>Health care cost trend rate</th></tr> <tr> <td>2024</td><td>0.2% to 20.5% decreasing to 3.9% in 2076</td></tr> <tr> <td>2023</td><td>(3.1%) to 29.1% decreasing to 3.9% in 2075</td></tr> <tr> <td>2022</td><td>1.4% to 14.6% decreasing to 3.9% in 2075</td></tr> <tr> <td>2021</td><td>2.7% to 7.5% decreasing to 4.0% in 2075</td></tr> <tr> <td>2020</td><td>2.7% to 9.0% decreasing to 4.0% in 2076</td></tr> <tr> <td>2019</td><td>4.4% to 9.4% decreasing to 4.0% in 2077</td></tr> <tr> <td>2018</td><td>5.0% to 9.3% decreasing to 5.0% in 2033</td></tr> <tr> <td>2017</td><td>5.0% to 9.5% decreasing to 5.0% in 2032</td></tr> <tr> <td>2016</td><td>6.3% to 9.0% decreasing to 5.0% in 2031</td></tr> <tr> <td>2015</td><td>6.6% to 10.0% decreasing to 5.0% in 2030</td></tr> </table>	As of June 30	Health care cost trend rate	2024	0.2% to 20.5% decreasing to 3.9% in 2076	2023	(3.1%) to 29.1% decreasing to 3.9% in 2075	2022	1.4% to 14.6% decreasing to 3.9% in 2075	2021	2.7% to 7.5% decreasing to 4.0% in 2075	2020	2.7% to 9.0% decreasing to 4.0% in 2076	2019	4.4% to 9.4% decreasing to 4.0% in 2077	2018	5.0% to 9.3% decreasing to 5.0% in 2033	2017	5.0% to 9.5% decreasing to 5.0% in 2032	2016	6.3% to 9.0% decreasing to 5.0% in 2031	2015	6.6% to 10.0% decreasing to 5.0% in 2030
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2015	6.6% to 10.0% decreasing to 5.0% in 2030																						

Regents and Officers of the University of California

As of November 2024

Appointed Regents

(In alphabetical order of last name)

Maria Anguiano
Elaine E. Batchlor
Josiah Beharry
Carmen Chu
Michael Cohen
Gareth Elliott
Howard “Peter” Guber
Jose M. Hernandez
Nancy Lee
Richard Leib
Hadi Makarechian
Ana Matosantos
Lark Park
John A. Pérez
Janet Reilly
Mark Robinson
Gregory Sarris
Richard Sherman
Jonathan “Jay” Sures

Ex Officio Regents

Gavin Newsom, *Governor of California*
Eleni Kounalakis, *Lieutenant Governor*
Robert Rivas, *Speaker of the Assembly*
Tony Thurmond, *State Superintendent of Public Instruction*
Michael V. Drake, M.D., *President of the University*

Alumni Regents

Alfonso Salazar, *President, Alumni Associations of the University of California*
Geoffrey Pack, *Vice President, Alumni Associations of the University of California*

Regents-Designate

Brian Komoto, *Alumni Regent-designate and Secretary, Alumni Associations of the University of California*
Ann Wang, *Alumni Regent-designate and Treasurer, Alumni Associations of the University of California*
Sonya Brooks, *Student Regent-designate*

Faculty Representatives (non-voting)

Steven Cheung, *Chair, Assembly of the Academic Senate*
Ahmet Palazoglu, *Vice Chair, Assembly of the Academic Senate*

Officers of The Regents

Jagdeep Singh Bachher, *Chief Investment Officer and Vice President-Investments*
Alexander Bustamante, *Senior Vice President-Chief Compliance and Audit Officer*
Tricia Lyall, *Secretary and Chief of Staff*
Charles F. Robinson, *General Counsel and Senior Vice President-Legal Affairs*

Office of The President

Dr. Michael V. Drake, *President of the University of California*
Katherine Newman, *Provost and Executive Vice President-Academic Affairs*
Nathan Brostrom, *Executive Vice President-Chief Financial Officer*
Rachael Nava, *Executive Vice President-Chief Operating Officer*
David Rubin, M.D., *Executive Vice President-UC Health*
Meredith Turner, *Interim Senior Vice President-External Relations & Communications*

Chancellors

Richard Lyons, *Berkeley*
Gary S. May, *Davis*
Howard Gillman, *Irvine*
Darnell Hunt, *Los Angeles (Interim)*
Juan Sánchez-Muñoz, *Merced*
Kim A. Wilcox, *Riverside*
Pradeep K. Khosla, *San Diego*
Sam Hawgood, *San Francisco*
Henry T. Yang, *Santa Barbara*
Cynthia K. Larive, *Santa Cruz*

Director of DOE Laboratory

Dr. June Yu, *Vice President of UC National Laboratories*





University of California
Office of the President
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Oakland, CA 94607
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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF CERTAIN DOCUMENTS

The following is a summary of certain provisions of the Indenture, the Loan Agreement, the Base Rent Assignment Agreement, the Continuing Disclosure Agreement, the Ground Lease, the Sub-Ground Lease and the Space Lease, which may not be described elsewhere in this Official Statement. This summary does not purport to be comprehensive, and reference should be made to the Indenture, the Loan Agreement, the Base Rent Assignment Agreement, the Continuing Disclosure Agreement, the Ground Lease, the Sub-Ground Lease and the Space Lease, for a full and complete statement of their respective provisions.

CERTAIN DEFINITIONS

The following defined terms are used in the Indenture, the Loan Agreement, the Base Rent Assignment Agreement or the Continuing Disclosure Agreement:

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

“Act” means the Bergeson-Peace Infrastructure and Economic Development Bank Act, constituting Division I of Title 6.7 of the Government Code of the State, commencing with Section 63000, as in effect as of the date of the Indenture and as it may from time to time thereafter be amended or supplemented.

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

“Additional Payments” means the amounts payable to the Issuer, the Trustee or other Persons pursuant to the Loan Agreement.

“Amendment” means any amendment or modification of any of the Bond Documents.

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

“Authorized Denomination” means \$5,000 or any integral multiple of \$5,000 thereof.

“Authorized Issuer Representative” means the Executive Director of the Issuer, the Chief Deputy Executive Director of the Issuer, any other designee of the Executive Director of the Issuer and any other person as may be designated and authorized to sign for the Issuer pursuant to a resolution adopted by the Board of Directors of the Issuer.

“Balance Sheet” means, as of any date, the balance sheet of the Borrower’s assets and liabilities as of such date prepared by the Borrower in accordance with generally accepted accounting principles, consistently applied, in a manner consistent with the Borrower’s most recently audited financial statements.

“Base Rent” means, the amount payable by The Regents, as tenant, pursuant to the Space Lease in an amount equal to the scheduled payments of principal and interest due on the Bonds.

“Base Rent Assignment Agreement” means that certain Base Rent Assignment Agreement, dated as of _____, 2025, by and between the Developer, as landlord and assignor, and the Trustee, as assignee, as originally executed or as it may from time to time be supplemented or amended.

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

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

“Bond Documents” means, collectively, the Indenture, the Loan Agreement and the Base Rent Assignment Agreement.

“Bond Resolution” means the resolution of the Issuer adopted on April 23, 2025, pursuant to the Act which authorizes the issuance of the Bonds.

“Bonds” means the California Infrastructure and Economic Development Bank Revenue Bonds (UCSF Clinical and Life Sciences Building), Series 2025 issued under the Indenture.

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

“Borrower” means (i) Campus Facilities Improvement Association, a California non-profit public benefit corporation, and its successors and assigns; and (ii) any surviving, resulting or transferee entity as provided in the Loan Agreement.

“Business Day” means a day which is not a Saturday, a Sunday, a day on which banks located in the city in which the Principal Corporate Trust Office of the Trustee is required or authorized to be closed or a day on which the New York Stock Exchange is closed.

“CFIA Ground Lease” means the Master Ground Lease dated as of _____, 2025, between The Regents, as ground lessor, and the Borrower, as ground lessee, and relating to the Project, as originally executed or as it may from time to time be supplemented or amended.

“Closing Date” means the date of issuance and delivery of the Bonds.

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

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement, dated as of May 1, 2025, among The Regents, BLX Group LLC, as dissemination agent, and the Trustee, as originally executed or as it may from time to time be supplemented or amended.

“Costs” means, with respect to the Project, the sum of the items, or any such item, of the cost of the designing, acquisition, planning, permitting, entitling, constructing, equipping, renovation, alteration, and improvement of the Project and such other costs as and to the extent permitted by the Act, including reimbursement of the Borrower for amounts expended for such costs and also including interest accruing in whole or in part on the Bonds prior to the Final Completion Date, but will not include any Costs of Issuance.

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

“Debt” means any indebtedness or obligation of the Borrower which, in accordance with generally accepted accounting principles, is classified as a liability on a balance sheet.

“Developer” means Power Station Block 2 Development LLC, a Delaware limited liability company, or its successors and assigns.

“Developer Ground Lease” means the Sub Ground Lease dated as of _____, 2025, between the Borrower, as ground sublessor, and the Developer, as ground sublessee, and relating to the Project, as originally executed or as it may from time to time be supplemented or amended.

“Development Agreement” means that certain Lease Disposition and Development Agreement dated as of _____, 2025, by and among the Borrower, the Developer and The Regents, as originally executed or as it may from time to time be supplemented or amended.

“Disbursement Agreement” means that certain Disbursement Agreement, dated as of _____, 2025, by and among the Borrower, the Developer and the Trustee, as originally executed or as it may from time to time be supplemented or amended.

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

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

“Electronic Means” means the following communications methods: e-mail, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys used by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

“Environmental Regulation” means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutants, Hazardous Substances, chemical waste, materials or substances.

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

“Final Completion Date” means the date that all of the Costs of the Project (including any retainages) to be funded from proceeds of the Bonds have been paid, as that date will be certified by the Borrower as provided in the Loan Agreement.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period selected and designated as the official Fiscal Year of the Borrower.

“General Cost Subaccount” means the subaccount of the Construction Fund which is established pursuant to the Indenture.

“Hazardous Substances” means (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the Project or to Persons on or about the Project or (ii) cause the Project to be in violation of any

Environmental Regulation; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) any chemical, material or substance defined as or included in the definition of “waste,” “hazardous substances,” “hazardous wastes,” “hazardous materials,” “extremely hazardous waste,” “restricted hazardous waste,” or “toxic substances” or words of similar import under any Environmental Regulation including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), 42 USC §§ 9601 et seq.; the Resource Conservation and Recovery Act (“RCRA”), 42 USC §§ 6901 et seq.; the Hazardous Materials Transportation Act, 49 USC §§ 1801 et seq.; the Federal Water Pollution Control Act, 33 USC §§ 1251 et seq.; the California Environmental Quality Act (“CEQA”), Cal. Public Resources Code § 21000 et seq.; the California Hazardous Waste Control Law (“HWCL”), Cal. Health & Safety §§ 25100 et seq.; the Hazardous Substance Account Act (“HSAA”), Cal. Health & Safety Code §§ 25300 et seq.; the Underground Storage of Hazardous Substances Act, Cal. Health & Safety §§ 25280 et seq.; the Porter-Cologne Water Quality Control Act (the “Porter-Cologne Act”), Cal. Water Code §§ 13000 et seq., the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65); and Title 22 of the California Code of Regulations, Division 4, Chapter 30; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or agency or may or could pose a hazard to the health and safety of the occupants of the Project or the owners and/or occupants of property adjacent to or surrounding the Project, or any other Person coming upon the Project or adjacent property; or (e) any other chemical, materials or substance which may or could pose a hazard to the environment.

“**Indenture**” means the Indenture, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture entered into pursuant to the provisions of the Indenture.

“**Interest Payment Date**” means each May 15 and November 15, commencing November 15, 2025.

“**Issue Date**” means the date of original issuance of the Bonds.

“**Issuer**” means the California Infrastructure and Economic Development Bank, and its successors and assigns.

“**Issuer Annual Fee**” means \$15,000 plus 0.5 basis points (bps) on the Bonds outstanding balance on amounts over \$100 million. The annual fee for the Bonds outstanding balance up to \$100 million is 1.5 bps on the Bonds outstanding balance. The minimum annual fee is \$1,500, payable on September 1 of each year, commencing September 1, 2025; provided, however, that if the Borrower shall prepay all of its obligations hereunder as set forth in Article IV hereunder (1) after September 1 of any given year and before March 1 of the following year, then the Issuer’s annual fee shall be reduced by half and shall be due and payable thirty (30) calendar days following such prepayment, or (2) after March 1 and before September 1 of any given year, then the Issuer’s annual fee shall be due and payable in its entirety on the earlier of (x) thirty (30) calendar days following such prepayment or (y) September 1 of the year in which such prepayment is made.

“**Loan Agreement**” means the Loan Agreement, between the Issuer and the Borrower and relating to the loan of the proceeds of the Bonds, as originally executed or as it may from time to time be supplemented or amended.

“**Loan Payment**” means any amount that the Borrower is required to pay to the Trustee pursuant to the Loan Agreement as a repayment of the loan of the Bond proceeds made by the Issuer under the Loan Agreement.

“**Moody’s**” means Moody’s Ratings, a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns, except that if such corporation will be dissolved or liquidated or will no longer perform the functions of a nationally-recognized statistical rating organization, then the term “Moody’s” will be deemed to refer to any other nationally-recognized statistical rating organization selected by the Borrower.

“**Net Proceeds**” means the proceeds from insurance or from actual or threatened condemnation or eminent domain actions with respect to the Project or any part thereof, less any costs reasonably expended by the Borrower to receive such proceeds, as determined by the Borrower in accordance with the Space Lease.

“Notice by Mail” or “notice” of any action or condition “by Mail” means a written notice meeting the requirements of the Indenture mailed by first class mail, postage prepaid, to the Owners of specified Bonds, at the addresses shown on the Bond Register.

“Opinion of Counsel” means a written opinion of counsel (who may be counsel for the Borrower) acceptable to the Issuer and the Borrower. If and to the extent required by the provisions of the Indenture, each Opinion of Counsel will include the statements provided for in the Indenture.

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

- (a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds in lieu of or in substitution for which other Bonds will have been authenticated and delivered by the Trustee pursuant to the Indenture; and
- (c) Bonds with respect to which the liability of the Issuer and the Borrower have been discharged to the extent provided in, and pursuant to the requirements of, the Indenture.

“Owner” means, as of any time, the registered owner of any Bond as set forth in the Bond Register.

“Permitted Encumbrances” has the same meaning as the term “Permitted Liens” as defined in the Space Lease.

“Permitted Investments” means any of the following:

- (1) Direct obligations of, or obligations the timely payment of principal of and interest on which is fully and unconditionally guaranteed by, the United States of America;
- (2) Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises;
- (3) Direct obligations of, or obligations the timely payment of principal of and interest on which is fully and unconditionally guaranteed by, any state of the United States of America or any subdivision or agency thereof whose long-term bonds, notes or other evidences of indebtedness are rated within the three highest Rating Categories by Moody’s and Standard & Poor’s;
- (4) Demand deposits, including interest bearing money market accounts, time deposits, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits, and certificates of deposit or bankers acceptances of depository institutions, including those placed by a third party pursuant to an agreement between the Trustee or any of its affiliates, rated in the AA or Aa2 long-term ratings category or higher by S&P or Moody’s, respectively, or which are fully FDIC-insured;
- (5) Bankers’ Acceptances with a maximum term of 180 days issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest letter and number Rating Category by Moody’s and Standard & Poor’s;
- (6) Repurchase agreements fully secured by collateral security described in clause (1) of this definition, which collateral (a) is held by the Trustee or an agent thereof during the term of such repurchase agreement, (b) is not subject to liens or claims of third parties, (c) is subject to a perfected security interest and (d) has a market value (determined at least once every fourteen days) at least equal to 104% of the amount so invested;

(7) Investment agreements with financial institutions rated within the two highest Rating Categories by Moody's and Standard & Poor's; provided that if such ratings fall below the three highest long-term Rating Categories, the investment agreement will allow the Trustee, at the direction of the Borrower, the option to replace such financial institution or will provide for such investment to be fully collateralized by investments described in clause (1) and clause (2) above and, provided further that if the Borrower notifies the Trustee of such lowering of ratings and the investments are so collateralized, that the Trustee has a perfected first priority lien on the collateral and such collateral is held by the Trustee or its agent;

(8) Money Market Mutual Funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating in the highest investment category granted thereby from S&P or Moody's, including those for which the Trustee or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise; and

(9) Commercial paper rated at the time of purchase in the highest Rating Category by Moody's and Standard & Poor's.

"Principal Corporate Trust Office" means the corporate trust office of the Trustee as designated in the Indenture or such other office designated by the Trustee from time to time; provided, however, that for transfer, registration, exchange, payment and surrender of Bonds such term means the corporate trust office or agency of the Trustee at which, at any particular time, the transactions contemplated by the Indenture will be conducted, or such other office designated by the Trustee from time to time.

"Principal Installment" means, with respect to any Principal Installment Date, the sum of (a) the aggregate amount of principal due with respect to Bonds that mature on such Principal Installment Date, plus (b) the aggregate amount of Sinking Fund Installments due on such Principal Installment Date.

"Principal Installment Date" means any date on which any Bonds mature or any date on which any of the Bonds are subject to redemption from mandatory Sinking Fund Installments.

"Project" has the meaning set forth in the Loan Agreement. The term "Project" will also include such alternative or additional facilities, equipment, improvements and property as are permitted in accordance with the Loan Agreement.

"Project Documents" has the same meaning as the term "Transaction Documents" as defined in the Space Lease.

"Rating Agency" means, with respect to the Bonds, Fitch, Moody's or Standard & Poor's to the extent it is then providing or maintaining a rating on such Bonds at the request of the Borrower, or in the event that Fitch, Moody's or Standard & Poor's no longer maintains a rating on such Bonds, any other nationally recognized rating agency then providing or maintaining a rating on such Bonds approved by the Issuer following consultation with the Borrower.

"Rating Category" means a generic securities rating category, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

"Rebate Requirement" means the amounts required to be rebated to the United States Treasury determined in accordance with the Tax Agreement.

"Record Date" means, with respect to each Interest Payment Date, the fifteenth day (whether or not a Business Day) of the month preceding such Interest Payment Date.

"Reserved Rights" means (i) the Issuer's right to obtain notices, reports, certifications, information, inspections, and opinions and Additional Payments and indemnification; (ii) the Issuer's right to provide approvals and consents; and (iii) the Issuer's nonexclusive right to enforce the provisions of the Tax Agreement and Loan

Agreement, provided, that the Issuer will retain the exclusive right, as the taxpayer pursuant to the Internal Revenue Service Form 8038, which will be completed by or on behalf of the Issuer in connection with the issuance of the Bonds, to communicate with the Internal Revenue Service in any investigation of the Bonds by the Internal Revenue Service.

“Responsible Officer” means any officer within the corporate trust department of the Trustee means and including any managing director, president, vice president, senior associate, associate or other officer of the Trustee within the corporate trust office (or any successor corporate trust office) customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the corporate trust office because of such person’s knowledge of and familiarity with the particular subject and having direct responsibility for the administration of this Indenture.

“Revenues” means all receipts, installment payments and other income derived by the Issuer or the Trustee under the Loan Agreement, and any income or revenue derived from the investment of any money in any fund or account established pursuant to the Indenture (other than the Operating Fund, the Rebate Fund and any accounts therein), including all Loan Payments, and any other payments made by the Borrower as contemplated by the Loan Agreement, and all payments of Base Rent made by The Regents pursuant to the Space Lease; provided, however, that such term will not include Additional Payments or any monies derived in connection with the Reserved Rights.

“Rule 15c2-12” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 50th Floor, New York, N.Y. 10041-0099, Attn. Call Notification Department, Fax (212) 855-7232, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories, or no such depositories, as the Issuer may designate in a Certificate of the Issuer delivered to the Trustee.

“Serial Bonds” means Bonds for which no Sinking Fund Installments are established.

“Sinking Fund Installments” means, with respect to the Bonds, the amounts set forth in the Indenture, subject to the credits provided therein.

“Space Lease” means, that certain Lease Agreement dated as of _____, 2025, by and between the Developer, as landlord, and The Regents, as tenant.

“Standard & Poor’s” means S&P Global Ratings, a division of S&P Global Inc., a corporation organized and existing under the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a nationally-recognized statistical rating organization, then the term “Standard & Poor’s” shall be deemed to refer to any other nationally-recognized statistical rating organization selected by the Borrower.

“State” means the State of California.

“Supplemental Indenture” means any indenture amendatory hereof or supplemental hereto duly authorized and entered into between the Issuer and the Trustee in accordance with the provisions of this Indenture.

“Tax Agreement” means the Tax Certificate and Agreement related to the Bonds, dated as of the Issue Date, by and among the Issuer, The Regents and the Borrower, as the same may be amended from time to time.

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

tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

“Term Bonds” means Bonds which are payable on or before their specified maturity dates from Sinking Fund Installments.

“The Regents” means, The Regents of the University of California, a corporation organized and existing under and by virtue of Article IX, Section 9 of the Constitution of the State of California.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association organized under the laws of the United States of America, and its successors and assigns or any successor Trustee appointed pursuant to the Indenture.

“United States Government Securities” means the Permitted Investments described in clause (1) of the definition thereof.

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

THE INDENTURE

Construction Fund, Costs of Issuance Fund and Operating Fund

Construction Fund. The Trustee will establish the “UCSF Clinical and Life Sciences Building Construction Fund” (the “Construction Fund”) and within the Construction Fund the “General Cost Subaccount” (the “General Cost Subaccount”) and the “Series 2025 Development Cost Subaccount” (the “Series 2025 Development Cost Subaccount”). The Trustee will establish within the Construction Fund such additional accounts and subaccounts as are specified in the Indenture or in any written direction from an Authorized Borrower Representative, as may be necessary or convenient (as determined by the Borrower), or to carry out the purposes of the Tax Agreement, the Disbursement Agreement and the Indenture.

Before each payment is made from the Construction Fund (including any account established therein) by the Trustee, there will be filed with the Trustee a requisition in substantially the form as provided in the Indenture, together with such additional consents, reviews, approvals or certifications as the Borrower in its discretion may require. Requisitions from the Development Cost Subaccount will also satisfy the requirements of the Disbursement Agreement.

Each such requisition will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts and shall not be required to make any investigation in connection therewith. Upon receipt of each such requisition, signed by an Authorized Borrower Representative, the Trustee will pay, within two (2) Business Days, the amount set forth therein as directed by the terms thereof.

Upon the receipt by the Trustee of a certificate conforming with the requirements of the Loan Agreement, and after payment of Costs payable from the Construction Fund or provision having been made for payment of such Costs not yet due by retaining the amount of such Costs in the Construction Fund or otherwise as directed in such certificate, the Trustee will transfer any remaining balance in the Construction Fund, including all subaccounts established therein, into a separate account within the Bond Fund, which the Trustee will establish and hold in trust, and which will be entitled the “Surplus Account.” The moneys in the Surplus Account will be used and applied (unless some other application of such moneys is requested by the Borrower with approval of the University and would not, in the Opinion of Bond Counsel addressed to the Issuer, in and of itself, adversely affect the Tax-Exempt status of interest on the Bonds) to the purchase for cancellation or redemption of Bonds (with the principal amount of the Bonds and maturity to be designated by an Authorized Borrower Representative) in Authorized Denominations, to the maximum degree permissible, and at the earliest possible dates at which such Bonds can be purchased or redeemed. Notwithstanding any provision of the Indenture relating to investment of moneys to the contrary, the moneys in the Surplus Account will be invested at the written instruction of the Borrower at a yield no higher than the yield on the Outstanding Bonds (unless in the Opinion of Bond Counsel addressed to the Issuer,

investment at a higher yield would not in and of itself, adversely affect the Tax-Exempt status of interest on the Bonds), and all such investment income will be deposited in such Surplus Account and expended or reinvested as provided above.

In the event of redemption of all the Bonds or an Event of Default which causes acceleration of the Bonds, any moneys then remaining in the Construction Fund will be transferred to the Surplus Account within the Bond Fund, and all moneys in the Bond Fund will be used to pay or redeem Bonds.

Costs of Issuance Fund. The Trustee will establish “UCSF Clinical and Life Sciences Building Costs of Issuance Fund” (the “Costs of Issuance Fund”). The moneys in the Costs of Issuance Fund and the accounts therein will be held by the Trustee in trust and applied to the payment of Costs of Issuance of the Bonds, upon a requisition filed with the Trustee signed by an Authorized Borrower Representative, together with such additional consents, reviews, approvals or certifications as the Borrower in its discretion may require. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts and shall not be required to make any investigation in connection therewith. All payments from the Costs of Issuance Fund will be reflected in the Trustee’s regular accounting statements. Unless otherwise applied in accordance with a Certificate of the Borrower filed with the Trustee and The Regents, any amounts remaining in the Costs of Issuance Fund six months following the Issue Date will be transferred to the General Cost Subaccount within the Construction Fund and applied in accordance with the Indenture.

Operating Fund. The Trustee will establish “UCSF Clinical and Life Sciences Building Operating Fund” (the “Operating Fund”) and within the Operating Fund the Trustee will establish two subaccounts, namely, the Proceeds Subaccount and the Non-Proceeds Subaccount. The Operating Fund, and the Proceeds Subaccount and the Non-Proceeds Subaccount therein, will be maintained separately from the other funds, accounts and subaccounts created under the Indenture. Any proceeds of the Bonds or investment earnings thereon that are deposited into the Operating Fund will be deposited into the Proceeds Subaccount and any other moneys deposited into the Operating Fund will be deposited into the Non-Proceeds Subaccount; provided that the aggregate sum of the amount of proceeds of the Bonds that are deposited in the Proceeds Subaccount shall not exceed five percent (5%) of the total par of the Bonds. The moneys in the Operating Fund and any accounts therein will be held by the Trustee for the benefit of the Borrower and applied to the payment of costs and expenses of the Borrower, upon a requisition filed with the Trustee in substantially the form attached to the Indenture, signed by an Authorized Borrower Representative, together with such additional consents, reviews, approvals or certifications as the Borrower in its discretion may require. Each such requisition will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts and shall not be required to make any investigation in connection therewith. All payments from the Operating Fund will be reflected in the Trustee’s regular accounting statements. Neither the Operating Fund nor the subaccounts therein are pledged as security for the Bonds.

Pledge and Assignment

Pledge and Assignment.

(a) Subject to the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all of the Revenues, and all amounts and securities in the funds held by the Trustee under the Indenture (other than the Operating Fund and the Rebate Fund), are irrevocably pledged to the punctual payment of the principal of and interest on the Bonds. Said pledge will constitute a first lien on the Revenues and the other assets pledged therefor pursuant to the Indenture for the payment of the Bonds in accordance with the terms thereof. All Revenues and the other assets pledged under the Indenture will be held in trust for the benefit of the Owners from time to time of the Bonds but will nevertheless be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture relating to Pledge and Assignment.

(b) The Issuer transfers, assigns and sets over to the Trustee all of the Revenues and any and all rights and privileges, other than the Reserved Rights, it has under the Loan Agreement, including, without limitation, the right to collect and receive directly all of the Revenues and the right to hold and enforce any security interest; and any Revenues collected or received by the Issuer will be deemed to be held, and to have been collected or received by the Issuer for the benefit of the Owners of the Bonds and will forthwith be paid by the Issuer to the Trustee.

Moreover, the Trustee does acknowledge receipt in trust from the Developer of the Base Rent Assignment Agreement. Such assignments are to the Trustee solely in its capacity as Trustee under the Indenture and are subject to the provisions of the Indenture. In taking or refraining from taking any action under the Loan Agreement or the Base Rent Assignment Agreement pursuant to such assignments, the Trustee will be entitled to the protections and limitations from liability afforded it as Trustee under the Indenture. The Trustee also will be entitled to take all steps, actions and proceedings reasonably necessary in its judgment (1) to enforce the terms, covenants and conditions of, and preserve and protect the priority of its interest in and under, the Loan Agreement, the payment of Base Rent pursuant to the Space Lease and any other security agreement with respect to the Loan Agreement, the Project, or the Bonds, other than the Tax Agreement, and (2) to assure compliance with all covenants, agreements and conditions on the part of the Issuer contained in the Indenture with respect to the Revenues. No rights of the Issuer under the Tax Agreement, including those referenced in the Loan Agreement, are assigned to the Trustee.

(c) The Borrower may at its sole discretion from time to time deliver to the Trustee such additional or other security which is permitted by the Indenture to secure the payment of the principal of and interest on the Bonds and any such additional or other security delivered by the Borrower will be pledged to such payment, provided that there is delivered to the Trustee and the Issuer an Opinion of Bond Counsel to the effect that the delivery of such additional or other security does not, in and of itself, adversely affect the Tax-Exempt status of interest on any of the Bonds.

(d) The Bonds will not constitute a debt or liability of the State or any political subdivision thereof other than the limited obligation of the Issuer payable solely from Revenues and the other amounts pledged therefor under the Indenture, or a pledge of the faith and credit of the State or any political subdivision thereof, but will be payable solely from the funds provided therefor in the Indenture. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, or interest on, the Bonds; and no Owner or Beneficial Owner of any Bond will have any right to demand payment of the principal of, or interest on, the Bonds by the Issuer, the State or any political subdivision thereof, out of any funds to be raised by taxation or appropriation. The issuance of the Bonds will not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation therefor or to make any appropriation for their payment.

Notwithstanding anything contained in the Indenture, the Issuer will not be required to advance any moneys derived from any source of income of any governmental body or political subdivision of the State or the Issuer other than the Revenues and Additional Payments, for any of the purposes mentioned in the Indenture, whether for the payment of the principal of or interest on the Bonds or for any other purpose of the Indenture. The Bonds are not general obligations of the Issuer, and are payable from and secured only by the Revenues and the other assets pledged for such payment under the Indenture.

Bond Fund. Upon the receipt thereof, the Trustee will deposit all Revenues in the “UCSF Clinical and Life Sciences Building Bond Fund” (the “Bond Fund”), which the Trustee will establish and maintain and hold in trust, and which will be disbursed and applied only as authorized in the Indenture. Except as provided in the Indenture, moneys in the Bond Fund will be used solely for the payment of the principal of and interest on the Bonds as the same will become due whether at maturity or upon redemption or acceleration.

The Trustee will deposit in the Bond Fund from time to time, upon receipt thereof, all Revenues, including Loan Payments received by the Trustee from or on behalf of the Borrower and all of the Base Rent received by the Trustee pursuant to the Base Rent Assignment Agreement or otherwise, for deposit in the Bond Fund, including Base Rent paid by The Regents pursuant to the Space Lease, any income received from the investment of moneys on deposit in the Bond Fund and any other Revenues, including any prepayment amounts received under the Loan Agreement from or for the account of the Borrower.

In making payments of principal of and interest on the Bonds, the Trustee will use any Revenues received by the Trustee.

Except to the extent that money in the Bond Fund (except for money in the Capitalized Interest Account) are required to be: (i) transferred to or held in the Capitalized Interest Account or held for the payment of principal of or interest on the Bonds then due and payable or to become due and payable on the next succeeding Principal Installment Date or Interest Payment Date or to effect the defeasance of Bonds pursuant to the Indenture relating to

defeasance of the Bonds; or (ii) deposited to the Rebate Funds in accordance with the Tax Agreement, so long as no Event of Default (or any event which would be an Event of Default under the Indenture with the passage of time or the giving of notice or both) exists under the Indenture, on or after the day immediately following an Interest Payment Date, the Trustee, unless otherwise instructed by the Borrower, will deposit in the Non-Proceeds Subaccount within the Operating Fund (free and clear of the pledge and lien of the Indenture) any moneys then on deposit in the Bond Fund.

The Trustee will establish and maintain a separate account in the Bond Fund to be known as the “Capitalized Interest Account”. The Trustee will transfer moneys from the Capitalized Interest Account in the amounts necessary to pay the interest due and payable on the Bonds on the dates set forth in the Indenture.

Any surplus moneys in the Capitalized Interest Account shall be transferred by the Trustee to the Construction Fund.

Redemption Fund. The Trustee will establish, maintain and hold in trust a fund separate from any other fund established and maintained under the Indenture designated as the “Redemption Fund” and within the Redemption Fund an Optional Redemption Account. All amounts deposited in the Optional Redemption Account will be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in the Indenture relating to the redemption of the Bonds, at the next succeeding date of redemption and at the Redemption Prices then applicable to redemptions from the Optional Redemption Account; provided that, at any time prior to giving such notice of redemption, the Trustee will, upon written direction of the Borrower, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Borrower may direct, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to such Bonds; and provided further that in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the Bond Fund and credited against Loan Payments in order of their due date as set forth in a Request of the Borrower.

Investment of Moneys. Subject to provisions in the Indenture, any moneys in any of the funds and accounts established pursuant to the Indenture will be invested upon the written direction of the Borrower signed by an Authorized Borrower Representative (such direction to specify the particular investment to be made and that such investment is permitted by law), by the Trustee, in Permitted Investments. The Trustee may conclusively rely upon the Borrower’s written instructions as to both the suitability and legality of the directed investments. In no event will the Trustee be liable for the selection of investments or for investment losses incurred thereon. The Trustee will have no liability in respect of losses incurred as a result of the liquidation of any investment prior to its stated maturity or the failure of the Borrower to provide timely written investment direction. Ratings of permitted investments will be determined at the time of purchase of such permitted investments and without regarding to ratings subcategories. In the absence of such written direction, the Trustee will hold the moneys held by it under the Indenture uninvested. Moneys in any fund or account established pursuant to the Indenture will be invested in Permitted Investments with respect to which payments of principal thereof and interest thereon are scheduled to be paid or are otherwise payable not later than the date on which such moneys will be required by the Trustee. Investments in any of the funds or accounts established under the Indenture will be valued at least once each Fiscal Year at the market value thereof.

Unless otherwise provided in the Indenture, any interest, profit or loss on any investments of moneys in any fund or account established under the Indenture will be credited or charged to the respective fund or account from which such investments are made; provided that, any interest, profit or loss on any investments of moneys in the Bond Fund will be applied in accordance with the Indenture. The Trustee may sell or present for redemption any obligations so purchased whenever it will be necessary in order to provide moneys to meet any payment, and the Trustee will not be liable or responsible for any loss, fee, tax or other charge resulting from any investment, reinvestment or liquidation under the Indenture. Unless otherwise directed by the Borrower, the Trustee may make any investment permitted under the Indenture relating to investment of moneys through or with its own commercial banking or investment departments or that of its affiliates or subsidiaries, and may charge its ordinary and customary fees for such trades, including account maintenance fees.

The Issuer and the Borrower by its execution of the Loan Agreement acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Issuer or the Borrower the right to receive brokerage confirmations of security transactions as they occur, the Issuer and the Borrower specifically waive receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Borrower and its accountants and auditors as designated in a Certificate of the Borrower filed with the Trustee, and, if requested, the Issuer, periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee pursuant to the Indenture.

Amounts Remaining in Funds. The Trustee, unless otherwise instructed by the Borrower, will transfer to the Borrower (free and clear of the pledge and lien of the Indenture) all amounts remaining in any fund held by the Trustee under the Indenture after payment in full of (i) the Bonds, or after provision for such payment will have been made as provided in the Indenture relating to defeasance of the Bonds, (ii) the fees, charges and expenses of the Trustee and the Issuer due and owing in accordance with the Loan Agreement and the Indenture and (iii) all other amounts required to be paid under the Loan Agreement and the Indenture, including the Rebate Requirement.

Covenants of the Issuer

Payment of Principal and Interest. The Issuer will punctually pay, but only out of Revenues and the other assets pledged therefor pursuant to the Indenture, the principal of and interest on every Bond issued thereunder at the times and places and in the manner provided in the Indenture and in the Bonds according to the true intent and meaning thereof. All such payments will be made by the Trustee as provided in the Indenture. The principal of, premium, if any, and interest on the Bonds are payable by the Issuer solely and only from the Revenues, and nothing in the Bonds or the Indenture should be considered as assigning or pledging any other funds or assets of the Issuer, other than such Revenues and the right, title and interest of the Issuer in and to the Loan Agreement (except for Reserved Rights) in the manner and to the extent specified in the Indenture. When and as paid in full, all Bonds will be delivered to the Trustee and will forthwith be cancelled by the Trustee, who will deliver a certificate evidencing such cancellation to the Borrower and, if requested, the Issuer. The Trustee may retain or destroy such cancelled Bonds.

Extension or Funding of Claims for Interest. In order to prevent any accumulation of claims for interest after maturity, the Issuer will not, directly or indirectly, extend or assent to the extension of the time for the payment of any claim for interest on any of the Bonds, and will not, directly or indirectly, be a party to or approve any such arrangement by purchasing or funding such claims or in any other manner. In case any such claim for interest will be extended or funded, whether or not with the consent of the Issuer, such claim for interest so extended or funded will not be entitled, in case of default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which will not have been so extended or funded. Nothing in this paragraph will be deemed to limit the right of the Issuer to amend the Indenture in a manner consistent with the Indenture or to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance will not constitute an extension of the maturity of the Bonds under this paragraph.

Preservation of Revenues; Rights Under the Loan Agreement.

(a) The Issuer will not waive any provision of the Loan Agreement (except for provisions relating solely to the Reserved Rights) or take any action to interfere with or impair the pledge and assignment of Revenues under the Indenture and the assignment to the Trustee of rights under the Loan Agreement and the Base Rent Assignment Agreement, or the Trustee's enforcement of any such rights thereunder, without the prior written consent of the Trustee; provided, however, the Issuer will not be obligated to take or to refrain from taking any action required under the Indenture without receipt by the Issuer from the Borrower of reasonable security or indemnity against the costs, expenses and liabilities which may be incurred thereby. The Trustee may give such written consent, and may itself take any such action, or consent to any Amendment, only in accordance with the provisions of the Indenture.

(b) The Loan Agreement, a duly executed counterpart of which has been filed with the Trustee, sets forth the covenants and obligations of the Issuer and the Borrower, and reference is made to the same for a detailed statement of said covenants and obligations of the Borrower thereunder, and the Issuer agrees that the Trustee in its name or in the name of the Issuer may enforce all rights of the Issuer assigned to the Trustee or otherwise permitted by the Issuer and all obligations of the Borrower under and pursuant to the Loan Agreement for and on behalf of the Owners, whether or not the Issuer is in default under the Indenture. The Trustee agrees, subject to any applicable provisions for the benefit of the Trustee set forth in the Indenture, to follow any instructions of the Borrower given in accordance with the Loan Agreement.

Compliance with Indenture; Performance of Covenants.

(a) To the extent it is within the control of the Issuer, the Issuer will not issue, or permit to be issued, any Bonds secured or payable in any manner out of Revenues or the other assets pledged under the Indenture in any manner other than in accordance with the provisions of the Indenture, and, where it has control over such matters, will not suffer or permit any default to occur under the Indenture, but will faithfully observe and perform all the covenants, conditions and requirements thereof.

(b) The Issuer covenants that it will faithfully perform on its part at all times any and all covenants, undertakings, stipulations and provisions on its part to be performed contained in the Indenture, in any and every Bond executed, authenticated and delivered under the Indenture and in all of its proceedings pertaining thereto; provided, however, that except for the matters set forth in the Indenture relating to payment of principal of and interest on the Bonds, the Issuer will not be obligated to take any action or execute any instrument pursuant to any provision of the Indenture until it will have been requested to do so by the Borrower or by the Trustee, and will have received any instrument to be executed and, at the option of the Issuer, will have received from the party requesting such action or execution assurance satisfactory to the Issuer that the Issuer will be reimbursed for its reasonable expenses, including legal counsel fees incurred or to be incurred in connection with taking such action or executing such instrument. The Issuer covenants that it is duly authorized under the Constitution and the laws of the State, including particularly the Act and the Bond Resolution, to issue the Bonds authorized and to execute the Indenture, to grant the security interest provided therein, to assign and pledge the Loan Agreement (except for Reserved Rights) and to assign and pledge the amounts assigned by the Indenture and pledged in the manner and to the extent set forth in the Indenture; that all action on its part for the issuance of the Bonds and the execution and delivery of the Indenture has been duly and effectively taken, and that the Bonds in the hands of the owners thereof are and will be valid and enforceable obligations of the Issuer according to the terms thereof and of the Indenture. Anything contained in the Indenture to the contrary notwithstanding, it is understood that none of the covenants of the Issuer contained in the Indenture are intended to create a general obligation of the Issuer.

Tax Covenants; Rebate Fund. (a) The Issuer covenants with all Persons who hold or at any time held Bonds that the Issuer will not directly or indirectly use the proceeds of any of the Bonds or any other funds of the Issuer or, to the extent within its control, take any action to permit the use of the proceeds of any of the Bonds or any other funds of the Issuer or take any other action or omit to take any action it is required to take by the Tax Agreement which will cause any of the Bonds to be “arbitrage bonds” or otherwise subject to federal income taxation by reason of Sections 103 and 141 through 150 of the Code and any applicable regulations promulgated thereunder; provided, however, that nothing contained in the Indenture or in the Tax Agreement will require the Issuer to use any moneys other than Revenues (to the extent permitted in the Indenture) to prevent such occurrence. To that end the Issuer covenants to comply with all covenants set forth in the Tax Agreement that are applicable to it; provided, however, that with regard to the covenants of the Issuer to act or refuse to act in a manner in the future pursuant to this paragraph or the Tax Agreement, the Issuer is relying on the Borrower to act or refuse to act in accordance with the Tax Agreement except to the extent a particular affirmative action by the Issuer is explicitly required or prohibited. Any requirement that the Issuer will not permit or allow any action, or similar requirement, will pertain solely to the actions of the Issuer and the Issuer will have no obligation to prevent, or attempt to prevent, any action by the Borrower.

The Trustee will establish and maintain a fund separate from any other fund established and maintained under the Indenture designated “UCSF Clinical and Life Sciences Building Rebate Fund” (herein called the “Rebate Fund”). Within the Rebate Fund, the Trustee will maintain such accounts as will be directed by the Borrower as necessary in order for the Issuer and the Borrower to comply with the terms and requirements of the Tax Agreement.

Subject to the transfer provisions provided in paragraph (c) below, all money at any time deposited in the Rebate Fund will be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Agreement), for payment to the United States of America, and none of the Borrower, the Issuer nor the Owners will have any rights in or claim to such moneys. All amounts deposited into or on deposit in the Rebate Fund will be governed by the Indenture, by the Loan Agreement and by the Tax Agreement. The Trustee will conclusively be deemed to have complied with such provisions if it follows the directions of the Borrower, including supplying all necessary information requested by the Borrower and the Issuer in the manner set forth in the Tax Agreement, and will not be required to take any actions thereunder in the absence of written directions from the Borrower. The Trustee will have no obligation to perform or confirm any rebate calculations thereunder.

Notwithstanding any provision of the Indenture, including in particular the defeasance of the Bonds as set forth therein, the obligation of the Borrower, as set forth in the Loan Agreement relating to rebate, to pay the Rebate Requirement to the United States of America and to comply with all other requirements of the Indenture and the Loan Agreement and the Tax Agreement will survive the defeasance or payment in full of the Bonds.

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

Other Liens. So long as any Bonds are Outstanding, the Issuer will not create any pledge, lien or charge of any type whatsoever upon all or any part of the Revenues or the other assets pledged under the Indenture, other than the lien of the Indenture. Subject to this limitation, the Issuer expressly reserves the right to enter into one or more other indentures for any of its purposes, including other programs under the Act, and reserves the right to issue other obligations for such purposes.

Right to Payment under Loan Agreement; Further Assurances. (a) The Issuer covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, at the expense of the Borrower, such indentures supplemental to the Indenture and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Trustee all and singular the rights assigned by the Indenture and the amounts assigned and pledged by the Indenture to the payment of the principal of, premium, if any, and interest on the Bonds. The Issuer covenants and agrees that, except as provided in the Indenture and in the Loan Agreement, it will not sell, convey, mortgage, encumber or otherwise dispose of any part of the Revenues or its rights under the Loan Agreement.

Except to the extent otherwise provided in the Indenture, the Issuer will not enter into any contract or take any action by which the rights of the Trustee or the Owners may be impaired and whenever and so often as requested so to do by the Trustee, and at the expense of the Borrower, the Issuer will promptly execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all of the rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by the Indenture and to perfect and maintain as perfected such rights, interests, powers, benefits, privileges and advantages.

Default

Events of Default; Acceleration; Waiver of Default.

- (a) Each of the following events will constitute an “Event of Default” under the Indenture:
 - (i) Failure to make payment of any installment of interest upon any Bond when such payment will have become due and payable;

(ii) Failure to make due and punctual payment of the principal of any Outstanding Bond when such payment will have become due and payable, whether at the stated maturity thereof, or upon proceedings for the mandatory redemption thereof from Sinking Fund Installments or upon the maturity thereof by declaration;

(iii) The occurrence of an “Event of Default” under the Loan Agreement, as specified in the Indenture; or

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

No default specified in (iv) above will constitute an Event of Default unless the Issuer will have failed to correct such default within the applicable 30-day period; provided, however, that if the default will be such that it can be corrected, but cannot be corrected within such period, it will not constitute an Event of Default if corrective action is instituted by the Issuer within the applicable period and diligently pursued until the default is corrected.

(b) Upon the occurrence and continuation of an Event of Default specified in clause (a)(i) or (a)(ii) above, the Trustee, may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding, will, by notice in writing delivered to the Borrower, with copies of such notice being sent to the Issuer, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest will thereupon become and be immediately due and payable. Notwithstanding the foregoing, the Trustee will not be required to take any action upon the occurrence and continuation of an Event of Default under clause (a)(i), (a)(ii), (a)(iii) or (a)(iv) above until a Responsible Officer of the Trustee has actual knowledge of such Event of Default. After any declaration of acceleration of the Bonds the Trustee will immediately declare all indebtedness payable under the Loan Agreement with respect to the Bonds to be immediately due and payable in accordance with the Loan Agreement and may exercise and enforce such rights as exist thereunder.

The preceding paragraph, however, is subject to the condition that if, at any time after the principal of the Bonds will have been so declared due and payable, and before any judgment or decree for the payment of the moneys due will have been obtained or entered as provided in the Indenture, there will have been deposited with the Trustee a sum which, together with any other amounts then held in the Bond Fund, is sufficient to pay all the principal of such Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, and the reasonable expenses (including reasonable attorneys’ fees) of the Trustee, and any and all other defaults actually known to the Trustee (other than in the payment of principal of and interest on such Bonds due and payable solely by reason of such declaration) will have been made good or cured to the satisfaction of the Trustee in its sole discretion or provision deemed by the Trustee to be adequate will have been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding (by written notice to the Issuer and to the Trustee) may, on behalf of the Owners of all Bonds, rescind and annul such declaration with respect to the Bonds and its consequences and waive such default; provided that no such rescission and annulment will extend to or will affect any subsequent default, or will impair or exhaust any right or power consequent thereon.

Institution of Legal Proceedings by Trustee. If one or more of the Events of Default under the Indenture will happen and be continuing, the Trustee in its sole discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction in its sole discretion therefor (including with respect to any costs, expenses or liability the Trustee may incur) will, proceed to protect or enforce its rights or the rights of the Owners under the Act or under the Indenture, by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power granted in the Indenture, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee will deem most effectual in support of any of its rights or duties under the Indenture.

Application of Moneys Collected by Trustee. Any moneys collected by the Trustee from the Borrower, and any moneys in the Bond Fund on or after the occurrence of an Event of Default will be applied in the order following, at the date or dates fixed by the Trustee and, in the case of distribution of such moneys on account of principal or interest, upon presentation of the Bonds, and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

First: To the payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture.

Second: In case none of the principal of the Outstanding Bonds will have become due and remains unpaid, to the payment of interest in default on the Outstanding Bonds in the order of the maturity thereof, such payments to be made ratably and proportionately to the Persons entitled thereto without discrimination or preference, except as specified in the Indenture.

Third: In case the principal of any of the Outstanding Bonds will have become due by declaration or otherwise and remains unpaid, first to the payment of interest in default in the order of maturity thereof; and then to the payment of principal of all Outstanding Bonds then due and unpaid; in every instance such payment to be made ratably to the Persons entitled thereto without discrimination or preference, except as specified in the Indenture.

Fourth: To the payment of fees and costs due and owing to the Issuer.

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

Nothing in the Indenture will be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

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

All rights of action under the Indenture or under any of the Bonds secured by the Indenture which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee will be brought in its name as Trustee of an express trust for the equal and ratable benefit of the Owners, subject to the provisions of the Indenture.

Limitation on Owners' Right to Sue. No Owner will have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner will have previously given to the Trustee written notice of the occurrence of an Event of Default under the Indenture; (b) the Owners of at least a majority in aggregate principal amount of all the Bonds then Outstanding will have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners will have tendered to the Trustee indemnity satisfactory to it against the costs, expenses (including reasonable attorneys' fees) and liabilities to be incurred in compliance with such request; and (d) the Trustee will have refused or omitted to comply with such request for a period of thirty (30) days after such written request will have been received by, and said tender of indemnity will have been made to, the Trustee.

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

The right of any Owner to receive payment of the principal of and interest on such Bond out of Revenues, as provided therein and in the Indenture, on and after the respective due dates expressed in such Bond, or to institute suit for the enforcement of any such payment on or after such respective dates, will not be impaired or affected without the consent of such Owner, notwithstanding any other provision of the Indenture.

The Trustee

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

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

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

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

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

(ii) the Trustee will have the power to negotiate and enter into intercreditor agreements with respect to the common security for the payment of the Bonds;

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

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

(c) The Trustee may execute any of the trusts or powers of the Indenture and perform the duties required of it thereunder by or through attorneys, agents, receivers, custodians or nominees appointed with due care,

and will be entitled to advice of counsel concerning all matters of trust and concerning its duties under the Indenture and the Trustee will not be responsible for any misconduct or negligence on the part of any attorney, agent, custodian, receiver or nominee appointed with due care by it under the Indenture.

The Trustee will not be liable in connection with the performance of its duties under the Indenture except for its own negligence or willful misconduct.

Compensation and Indemnification of Trustee. The Trustee will be entitled to reasonable compensation for all services rendered by the Trustee in the execution of the trusts created and in the exercise and performance of any of the powers and duties of the Trustee under the Indenture, which compensation will not be limited by any provision of law in regard to the compensation of a trustee of an express trust, and the Loan Agreement will require the Borrower to pay or reimburse the Trustee, upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee, in accordance with any of the provisions of the Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence, misconduct or bad faith. Any amounts payable to the Trustee under the Indenture, if not paid when due, will be subject to interest at the base rate of the Trustee. If any property, other than cash, will at any time be held by the Trustee, subject to the Indenture, or any Supplemental Indenture, as security for the Bonds, the Trustee, if and to the extent authorized by a receivership, bankruptcy or other court of competent jurisdiction or by the instrument subjecting such property to the provisions of the Indenture as such security for the Bonds, will be entitled (but not required) to make advances for the purpose of preserving such property or of discharging tax liens or other prior liens or encumbrances thereon. The Loan Agreement will also require the Borrower to provide certain indemnification to the Trustee. Notwithstanding the foregoing, prior to seeking indemnity the Trustee will make timely payments of principal of and interest on the Bonds with moneys on deposit in the Bond Fund as provided in the Indenture, and will accelerate the payment of principal on the Bonds without seeking indemnification from the Issuer, the Borrower, or any Owner. Upon the occurrence and continuance of an Event of Default under the Indenture, and subject to certain provisions of the Indenture, the Trustee will have a lien prior to the Bonds as to all property and funds held by it for any amount owing to it or any predecessor Trustee or the Loan Agreement and the rights of the Trustee to compensation for its services and to payment or reimbursement for its costs, expenses, or advances will have priority over the Bonds in respect of all property or funds held or collected by the Trustee as such and other funds held in trust by the Trustee for the benefit of the Owners of particular Bonds; provided, however, that neither the Trustee nor any predecessor Trustee will have any lien or claim against any moneys on deposit in the Rebate Fund for payment of any such compensation, reimbursement or other amounts.

Qualifications of Trustee. The Issuer and the initial Trustee under the Indenture acknowledge that there will at all times be a Trustee under the Indenture which will be a corporation or banking association organized and doing business under the laws of the United States or of a state thereof, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least seventy-five million dollars (\$75,000,000), subject to supervision or examination by federal or state authority. If such corporation or banking association publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this paragraph the combined capital and surplus of such corporation or banking association will be deemed to be their combined capital and surplus as set forth in their most recent reports of conditions so published. In case at any time the Trustee will cease to be eligible in accordance with the provisions of this paragraph, the Trustee will resign immediately in the manner and with the effect specified in the Indenture.

Resignation and Removal of Trustee and Appointment of Successor Trustee.

(a) The Trustee may at any time resign by giving written notice to the Issuer, the Borrower and by giving Notice by Mail to the Owners of such resignation; provided that, such resignation will not be effective until a successor Trustee has been appointed under the Indenture. The Trustee will also mail a copy of any such notice of resignation to the Rating Agencies. Upon receiving such notice of resignation, the Issuer, with the advice of the Borrower, will promptly appoint a successor Trustee by an instrument in writing. If no successor Trustee will have been so appointed and have accepted appointment within twenty (20) days after the giving of such notice of resignation by the Trustee, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee at the expense of the Borrower, or any Owner who has been a bona fide Owner

for at least six (6) months may, on behalf of himself and others similarly situated, petition any such court for the appointment of a successor Trustee. Such court may thereupon, after such notice, if any, as it may deem proper and may prescribe, appoint a successor Trustee.

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

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

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

then, in any such case, the Issuer may remove the Trustee, at the expense of the Borrower, and, with the advice of the Borrower and at the expense of the Borrower, appoint a successor Trustee by an instrument in writing. Upon any removal of the Trustee, any outstanding fees and expenses of such former Trustee will be paid in accordance with the Indenture.

(c) The Issuer, in the absence of an Event of Default, or the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding may, with the advice of the Borrower and at the expense of the Borrower, at any time upon thirty (30) days' prior written notice to the Trustee, remove the Trustee, and, with the advice of the Borrower and at the expense of the Borrower, appoint a successor Trustee, by an instrument or concurrent instruments in writing signed by the Issuer or such Owners, as the case may be. If no successor Trustee is so appointed and has accepted appointment within twenty (20) days after the giving of such notice of removal as described in this section, the Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee at the expense of the Borrower for the appointment of a successor Trustee. Such court may thereupon, after such notice, if any, as it may deem proper and may prescribe, appoint a successor Trustee.

(d) Any resignation or removal of the Trustee, and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee as provided in the Indenture.

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

No successor Trustee will accept appointment unless at the time of such acceptance such successor Trustee will be eligible under the provisions of the Indenture.

Upon acceptance of appointment by a successor Trustee, the successor Trustee will give the Owners, and each Rating Agency notice of the succession of such Trustee to the trusts under the Indenture.

Merger or Consolidation of Trustee. Any corporation or banking association into which the Trustee may be merged or with which it may be consolidated, or any corporation or banking association resulting from any merger or consolidation to which the Trustee will be a party, or any corporation or banking association succeeding to all or

substantially all of the corporate trust business of the Trustee, will be the successor of the Trustee under the Indenture without the execution or filing of any paper or any further act on the part of any of the parties to the Indenture, , except where an instrument of transfer or assignment is required by law to effect such succession, anything therein to the contrary notwithstanding, provided that such successor Trustee will be eligible under the provisions of the Indenture.

Accounting Records and Reports; Financing Statements. The Trustee will keep proper books of record and account in accordance with accounting standards in which complete and correct entries will be made of all transactions relating to the receipt, investment, disbursement, allocation and application of the Revenues and the proceeds of the Bonds received by the Trustee. Such records will be open to inspection by the Issuer, the Borrower, and by any Owner at any reasonable time during regular business hours on reasonable prior written notice. The Trustee shall maintain such records for six years following the discharge of all Outstanding Bonds.

The Trustee will have no duty to review, verify or analyze such reports, information and documents and will hold such reports, information and documents solely as a repository for the benefit of the Owners; the Trustee will not be deemed to have notice of any information contained therein, default or event of default which may be disclosed therein in any manner.

The Trustee will furnish to any Owner who may make written request therefor a copy of the most recent audited financial statements of the Borrower that are in the possession of the Trustee. The Trustee will have no responsibility or liability with respect to the Borrower's failure to provide such statements, nor any responsibility to review any such statements as may be furnished to it, and the Trustee will not be required to compel the Borrower to provide any such statements.

The Trustee will not be responsible for the preparation or filing of any UCC financing statements or continuation statements under the Indenture.

Modification of Indenture, Documents

Modification without Consent of Owners. The Issuer and the Trustee, at the expense of the Borrower, without the consent of or notice to any Owners, from time to time and at any time, but subject to the conditions and restrictions contained in the Indenture, may enter into a Supplemental Indenture or Indentures, which Supplemental Indenture or Indentures thereafter will form a part of the Indenture; and the Trustee, without the consent of or notice to any Owners, from time to time and at any time, may consent to any Amendment to any Bond Document; in each case for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Issuer contained in the Indenture, or of the Borrower contained in any Bond Document, other covenants and agreements thereafter to be observed, or to assign or pledge additional security for any of the Bonds, or to surrender any right or power therein reserved to or conferred upon the Issuer or the Borrower;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing, correcting or supplementing any defective provision contained in the Indenture or any Bond Document, or in regard to matters or questions arising under the Indenture or any Bond Document, as the Issuer may deem necessary or desirable;

(c) to modify, amend or supplement the Indenture 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, and, if they so determine, to add to the Indenture as therefore supplemented and amended such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939, as amended, or similar federal statute;

(d) to provide for any additional procedures, covenants or agreements necessary to maintain the Tax-Exempt status of interest on the Bonds under the Code;

(e) to modify or eliminate the book-entry registration system for any of the Bonds;

(f) to provide for the procedures required to permit any Owner to separate the right to receive interest on the Bonds from the right to receive principal thereof and to sell or dispose of such rights, as contemplated by Section 1286 of the Code;

(g) to provide for the appointment of a co-Trustee or the succession of a new Trustee;

(h) to change Exhibit A to the Loan Agreement in accordance with the provisions thereof and of the Tax Agreement;

(i) to comply with requirements of any Rating Agency in order to obtain or maintain a rating on any Bonds; or

(j) in connection with any other change which will not adversely affect the security for the Bonds or the Tax-Exempt status of interest on the Bonds under the Code or otherwise materially adversely affect the interests of the Owners of the Bonds, such determination to be based upon an Opinion of Bond Counsel.

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

Modification with Consent of Owners. With the consent of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, and at the expense of the Borrower, (i) the Issuer and the Trustee may from time to time and at any time enter into a Supplemental Indenture or Indentures for the purpose of adding any provisions to or changing in any manner or, eliminating any of the provisions of the Indenture as theretofore supplemented and amended; (ii) the Issuer and the Borrower may enter into any Amendment; and (iii) the Trustee may consent to any Amendment to any Bond Document and any other matters for which its consent is required pursuant to the Indenture; provided, however, that no such Supplemental Indenture or Amendment will have the effect of extending the time for payment or reducing any amount due and payable by the Borrower pursuant to the Loan Agreement without the consent of the Owners of all Bonds then Outstanding; and that no such Supplemental Indenture will (1) extend the fixed maturity of any Bond or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, without the consent of the Owner of each Bond so affected, or (2) reduce the aforesaid percentage of Owners whose consent is required for the execution of such Supplemental Indentures or Amendments, or permit the creation of any lien on the Revenues and the other assets pledged as security for Bonds under the Indenture prior to or on a parity with the lien of the Indenture, except as permitted therein, or permit the creation of any preference of any Owner over any other Owner, except as permitted therein, or deprive the Owners of the Bonds of the lien created by the Indenture upon the Revenues and the other assets pledged to the payment of the Bonds under the Indenture, without the consent of the Owners of all Bonds then Outstanding. Nothing in this paragraph will be construed as making necessary the approval of any Owner of any Supplemental Indenture or Amendment permitted by the provisions of the Indenture relating to amendments without the consent of Owners.

Upon receipt by the Trustee of: (1) a Certified Resolution authorizing the execution of any such Supplemental Indenture or Amendment, if such authorization is required; (2) an Opinion of Bond Counsel stating that such Supplemental Indenture or Amendment is: (i) authorized or permitted by the Indenture, the Act and other applicable law; (ii) complies with the applicable terms of the Indenture; (iii) in the case of a Supplemental Indenture, will, upon the execution and delivery thereof, be a valid and binding agreement of the Issuer; (iv) will not adversely affect the Tax-Exempt status of interest on the Bonds under the Code; (v) is in accordance with the Bond Documents; and (vi) will not materially adversely affect the interests of the Owners of the Bonds; and (3) evidence

of the consent of the Owners, as aforesaid, the Trustee will join with the Issuer in the execution of such Supplemental Indenture or will consent to such Amendment; provided, however, that (i) the Trustee will not be obligated to enter into any such Supplemental Indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise, in which case the Trustee may in its sole discretion, but will not be obligated to, enter into such Supplemental Indenture; (ii) the Trustee will not enter into such Supplemental Indenture or consent to any Amendment of any Bond Document without first obtaining the Borrower's written consent thereto; and (iii) if the Issuer determines that a Certified Resolution is not required for the execution of any such Supplemental Indenture or Amendment, the Opinion of Bond Counsel set forth under (2) above will also be delivered to the Issuer.

Defeasance

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

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

and if all other sums payable under the Indenture by the Borrower and the Issuer will be paid and discharged, then thereupon the Indenture will be satisfied and discharged and will cease, terminate and become null and void (except with respect to the preceding paragraph "Compensation and Indemnification of Trustee," which will survive), and thereupon the Trustee will, upon Written Request of the Issuer, and upon receipt by the Trustee and the Issuer of an Opinion of Bond Counsel to the effect that all conditions precedent to the satisfaction and discharge of the Indenture have been complied with, forthwith execute proper instruments, prepared by or on behalf of the Issuer or the Borrower, acknowledging the satisfaction and discharge of the Indenture. In such event, upon Written Request of the Issuer, the Trustee will cause an accounting for such period or periods as may be requested by the Issuer to be prepared and filed with the Issuer and will execute and deliver to the Issuer all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay over, transfer, assign or deliver to the Borrower all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment or redemption of Bonds theretofore surrendered for such payment or redemption and which are not required for the payment of fees, expenses and amounts owed to the Trustee and the Issuer, and the Rebate Requirement. The Trustee will mail written notice of such payment and discharge to the Issuer, the Borrower and each Rating Agency.

Discharge of Liability on Particular Bonds.

(a) Any Bond or a portion thereof will be deemed to be paid within the meaning of the Indenture when payment of the principal of such Bond or a portion thereof plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption or by declaration as provided in the Indenture) will have been provided for by (i) irrevocably depositing with the Trustee in trust and irrevocably setting aside exclusively for such payment money and/or nonprepayable, noncallable United States Government Securities; and (ii) if such Bond or portion thereof is to be redeemed prior to the maturity thereof, notice of such redemption will have been given as provided or provision satisfactory to the Trustee will have been made for giving such notice.

(b) In the event of the provision of the payment of less than the full principal amount of a Bond in accordance with subsection (a) above, the principal amount of the Bond as to which such payment is not provided for will be in an Authorized Denomination and, unless that portion of the Bond as to which payment is provided for in accordance with subsection (a) above is to be paid or redeemed within sixty days of the deposit with the Trustee, such portion will also be in an Authorized Denomination.

(c) Upon the deposit with the Trustee, in trust, at or before maturity or the redemption date, as applicable, of money and/or nonprepayable, noncallable United States Government Securities to pay or redeem a

Bond or a portion thereof and the satisfaction of the other conditions specified in subsection (a) above, such Bond, or the applicable portion thereof, will be deemed to be paid under the Indenture, will no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such money and/or United States Government Securities deposited with the Trustee for such purpose, and all liability of the Issuer and the Borrower in respect of such Bond, or the applicable portion thereof, will cease, terminate and be completely discharged, except that the Issuer and the Borrower will remain liable for the payment of the principal of and interest on such Bond, or the applicable portion thereof, but only from, and the Owners will thereafter be entitled only to payment (without interest accrued thereon after such redemption date or maturity date) out of, the money and/or United States Government Securities deposited with the Trustee as aforesaid for their payment, subject, however, to certain provisions of the Indenture.

Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or United States Government Securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or nonprepayable, noncallable United States Government Securities held by the Trustee in the funds and accounts established pursuant to the Indenture and will be:

(a) an amount of money equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption will have been given as provided in the Indenture or provision satisfactory to the Trustee will have been made for the giving of such notice, the amount of money to be deposited or held will be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

(b) nonprepayable, noncallable United States Government Securities, the principal of and the interest on which when due will provide money at the times and in the amounts sufficient, together with the other moneys held by the Trustee for such purpose (as evidenced by an Accountant's Report) to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or redemption price and interest become due; provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption will have been given as provided in the Indenture or provision satisfactory to the Trustee will have been made for the giving of such notice; provided, in each case, that the Trustee will have been irrevocably instructed (by the terms of the Indenture or by Written Request of the Issuer prepared at the request and expense of the Borrower) to apply such money and the payments on such United States Government Securities to the payment of such principal or redemption price and interest with respect to such Bonds. The Trustee will not be responsible for verifying the sufficiency of money and United States Government Securities deposited with the Trustee to provide for the payment of the principal of and interest on Bonds pursuant to the Indenture but may conclusively rely for all purposes of the Indenture on an Accountant's Report as to such sufficiency.

Continuing Disclosure

Pursuant to the Loan Agreement, the Borrower will have no continuing disclosure requirements for the Bonds as promulgated under S.E.C. Rule 15c2-12. The Issuer will have no liability or obligation to the Owners of the Bonds or any other Person with respect to such disclosure matters. The Regents will comply with the requirements of Rule 15c2-12 applicable to the Bonds, as it may from time to time hereafter be amended or supplemented, in accordance with the terms of a continuing disclosure undertaking executed and delivered by The Regents. Notwithstanding any other provision of the Indenture, failure of The Regents to comply with the requirements of Rule 15c2-12 applicable to the Bonds, as it may from time to time hereafter be amended or supplemented, will not be considered an Event of Default under the Indenture or under the Loan Agreement; however, the Trustee may (and, at the written request of the Owners of at least 25% aggregate principal amount of Outstanding Bonds and upon receipt of indemnity satisfactory to the Trustee, will) or any Owner or beneficial owner (within the meaning of Rule 15c2-12) of any Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause The Regents to comply with its obligations under the Continuing Disclosure Agreement.

Other Rights of The Regents

The Issuer and the Trustee agree for the benefit of The Regents that:

- (a) Amendments of the Bonds or Amendments or Supplements to the Indenture. Any amendments of the Bonds or amendments or supplements to the Indenture will also require the prior written consent of The Regents.
- (b) Change in Trustee. Any appointment of a successor Trustee under the Indenture will require the prior written consent of The Regents.
- (c) Notices to be Sent to The Regents. The Regents will receive notice of the resignation or removal of the Trustee and the appointment of a successor thereto. The Regents will receive copies of all notices required to be delivered to Owners of the Bonds. Any notice that is required to be given to an Owner of a Bond or to the Trustee pursuant to the Indenture will also be provided to The Regents.
- (d) The Regents as a Third Party Beneficiary. The Regents will be expressly identified as a third party beneficiary under the Indenture.

THE LOAN AGREEMENT

Definitions

Definition of Terms. Unless the context otherwise requires, the terms used in the Loan Agreement will have the meanings specified in the Indenture.

Issuance of the Bonds; Application of Proceeds; Construction of Borrower Project

Agreement to Issue Bonds; Application of Bond Proceeds. To provide funds to finance Costs of the Project, including capitalized interest on a portion of the Bonds during construction of the Project and Costs of Issuance, the Issuer agrees that it will issue the Bonds pursuant to the terms and conditions contained in the Indenture.

Investment of Moneys in Funds. Subject to the provisions of the Loan Agreement, any moneys in any fund held by the Trustee will, to the extent permitted under the Indenture, at the written request of an Authorized Borrower Representative, be invested or reinvested by the Trustee as provided in the Indenture. Except as otherwise provided in the Indenture, such investments will be deemed at all times to be a part of the fund from which such investments were made, and the interest accruing thereon and any profit or loss realized therefrom will, except as otherwise provided in the Indenture, be credited or charged to such fund.

Agreement to Construct the Project. Subject to the provisions of the Loan Agreement, the Borrower agrees that it will acquire, construct, install, furnish, equip, reconstruct, repair, alter, improve and extend or cause to be acquired, constructed, installed, furnished, equipped, reconstructed, repaired, altered, improved and extended all facilities and real and personal property deemed necessary for the operation of the Project as described in the Loan Agreement, including any and all supplements, amendments and additions or deletions to such description. The Borrower further agrees (i) to proceed with due diligence to complete the Project; (ii) to ensure that the Project is consistent with any existing local or regional comprehensive plans; and (iii) to ensure that the Project is acquired, constructed, installed, furnished, equipped, reconstructed, repaired, altered, improved and extended in accordance with all applicable laws and permits.

In the event that the Borrower desires to alter or change the description of the Project, and such alteration or change substantially alters the purpose and description of the Project from that contained in the Loan Agreement, following review and approval by the Issuer, the Issuer will, at the expense of the Borrower, enter into, and will instruct the Trustee to consent to, such amendment or supplement as will be required to reflect such alteration or change to the Project upon receipt of:

(i) a certificate of an Authorized Borrower Representative, approved by the Issuer, describing in detail the proposed changes and stating that the Issuer has confirmed that the proposed changes will not have the effect of disqualifying the Project as facilities that may be financed pursuant to the Act;

(ii) a copy of the proposed form of such amendment or supplement; and

(iii) an Opinion of Bond Counsel that such proposed changes will not adversely affect the Tax-Exempt status of interest on the Bonds under the Code, and that such proposed changes are in accordance with the associated transaction documents.

Disbursements of Bond Proceeds.

(a) Subject to the provisions of the Loan Agreement, the Borrower will authorize and direct the Trustee to disburse the moneys in the Construction Fund, including any subaccounts therein, to or on behalf of the Borrower only to pay the Costs of the Project (and not for Costs of Issuance).

(b) The Borrower will authorize and direct the Trustee to disburse the moneys in the Costs of Issuance Fund to or on behalf of the Borrower only for Costs of Issuance.

Establishment of Completion Date; Limited Obligation of Borrower to Complete. As and to the extent required by the Development Agreement, upon completion of the acquisition, construction, installation, furnishing, equipping, reconstruction, repair, alteration, improvement and extension of the Project, the Borrower will evidence the Completion Date by providing to the Trustee and the Issuer a certificate stating: (i) the Final Completion Date and that all Costs of the Project have been paid, and (including, without limitation, the distribution of any Savings (as defined in the Development Agreement), (ii) the total Costs of the Project funded from the proceeds of the Bonds and (iii) the amount of excess funds in the Construction Fund to be deposited by the Trustee into the Proceeds Subaccount and Non-Proceeds Subaccount of the Operating Fund established under the Indenture. Notwithstanding the foregoing, such certificate may state that it is given without prejudice to any rights of the Borrower against third parties for any claims or for the payment of any amount not then due and payable which exists at the date of such certificate or which may subsequently exist.

At the time such certificate is delivered to the Trustee, any moneys remaining in the Construction Fund, including any earnings resulting from the investment of such moneys, will be used as provided in the Indenture.

The Issuer makes no express or implied warranty that the moneys deposited in the Construction Fund and available for payment of the Costs of the Project under the provisions of the Loan Agreement, will be sufficient to pay all the amounts which may be incurred for all costs in connection with the Project. The Borrower agrees that if, after exhaustion of the moneys in the Construction Fund, the Borrower, The Regents or any other Person should in its discretion pay, or deposit moneys in the Construction Fund for the payment of, any portion of the Costs of the Project pursuant to the provisions of the Loan Agreement, it will not be entitled to any reimbursement therefor from the Issuer, from the Trustee or from the Owners of any of the Bonds, nor will it be entitled to any diminution of the amounts payable under the Loan Agreement.

Operating Fund. The Borrower will establish and maintain the Operating Fund (and the Proceeds Subaccount and the Non-Proceeds Subaccount therein) with the Trustee pursuant to the Indenture. The Trustee will deposit a portion of the proceeds of the Bonds into the Proceeds Subaccount within the Operating Fund pursuant to the Indenture, and the Trustee will also deposit certain other amounts into the Non-Proceeds Subaccount within the Operating Fund pursuant to the Indenture. Funds held in the Operating Fund (including the subaccounts therein) will be withdrawn and applied by the Trustee in accordance with the Indenture.

Loan to Borrower; Repayment Provisions

Loan Payments and Other Amounts Payable.

(a) With respect to the Bonds, the Borrower covenants and agrees, subject to the provisions of the Loan Agreement, to pay or cause to be paid to the Trustee as a Loan Payment, on or before each date provided in or pursuant to the Indenture for the payment of principal of (whether at maturity or upon redemption or acceleration) and interest on the Bonds, until the principal of and interest on the Bonds will have been fully paid or provision for the payment thereof will have been made in accordance with the Indenture relating to defeasance of the Bonds, in immediately available funds, for deposit in the Bond Fund, a sum equal to the amount then payable as principal (whether at maturity or upon redemption or acceleration) and interest on the Bonds as provided in the Indenture.

Each payment made by the Borrower pursuant to the Loan Agreement will at all times be sufficient to pay the total amount of interest and principal (whether at maturity or upon redemption or acceleration) then payable on the Bonds; provided that any amount held by the Trustee in the Bond Fund on any due date for a Loan Payment under the Loan Agreement, including Base Rent paid to the Trustee by The Regents pursuant to the Base Rent Assignment Agreement, will be credited against the Loan Payment due on such date, to the extent available for such purpose; and provided further that, if at any time the available amounts held by the Trustee in the Bond Fund are sufficient to pay all of the principal of and interest and premium, if any, on the Outstanding Bonds as such payments become due, the Borrower will be relieved of any obligation to make any further payments with respect to the Bonds under the provisions of the Loan Agreement. Notwithstanding the foregoing and subject to the provisions of the Loan Agreement, if on any date the amount held by the Trustee in the Bond Fund (including without limitation the Capitalized Interest Account therein) is insufficient to make any required payments of principal of (whether at maturity or upon redemption or acceleration) and interest on the Bonds as such payments become due, the Borrower will forthwith pay such deficiency as a Loan Payment under the Loan Agreement. Any payments to be made by the Borrower will be satisfied if paid by The Regents pursuant to the Space Lease and deposited with the Trustee pursuant to the Base Rent Assignment Agreement.

(b) Without limiting the generality of the obligations of the Borrower under subsection (a) above to ensure that the moneys available in the Bond Fund are sufficient to pay when due the principal of and interest on the Outstanding Bonds, but without duplication, the Borrower will, subject to the provisions of the Loan Agreement, make or cause to be made the deposits with the Trustee of the amounts described in (i) and (ii) below.

(i) *Interest Deposits.* The Borrower agrees that it will deposit or cause to be deposited with the Trustee five Business Days preceding each Interest Payment Date an amount equal to the amount of the interest payable on the Bonds on such Interest Payment Date.

(ii) *Principal Deposits.* The Borrower agrees that it will deposit or cause to be deposited with the Trustee five Business Days preceding each Principal Installment Date an amount equal to the amount of the Principal Installment payable on the Bonds on such Principal Installment Date.

(c) The Borrower agrees, subject to the provisions of the Loan Agreement, to pay or cause to be paid to the party entitled thereto, to the extent not previously paid from Bond proceeds, each of the following:

(i) the annual fee of the Trustee for its ordinary services rendered as trustee, and its ordinary expenses incurred under the Indenture, as and when the same become due;

(ii) the reasonable fees, charges and expenses of the Trustee for the necessary extraordinary services rendered by it and extraordinary expenses (including reasonable attorneys' fees) incurred by it under the Indenture, as and when the same become due;

(iii) the cost of printing any Bonds required to be furnished by the Issuer;

(iv) All taxes and assessments of any type or character charged to the Issuer or to the Trustee affecting the amount available to the Issuer or the Trustee from payments to be received under the Loan Agreement

or in any way arising due to the transactions contemplated 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) but excluding any taxes based upon the capital and/or income of the Trustee or any other Person other than the Borrower; provided, however, that, to the extent provided by law, the Borrower will have the right to protest any such taxes or assessments and to require the Issuer or the Trustee, as the case may be, at the Borrower's expense, to protest and contest any such taxes or assessments assessed or levied upon them and that the Borrower will have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would materially adversely affect the rights or interests of the Issuer or the Trustee or the payment when due of the principal of and interest on the Bonds;

(v) the Issuer's initial fees on the issuance of the Bonds and reasonable fees and expenses of the Issuer or any agent or attorney selected by the Issuer to act on its behalf including, without limitation, fees and expenses of the Issuer's in-house and outside counsel and the fees and expenses of the California Department of Justice when acting on behalf of the Issuer, in connection with the loan to the Borrower under the Loan Agreement, the Bonds, the Indenture, the Tax Agreement, the Bond Purchase Agreement or any other documents contemplated thereby, including without limitation any and all reasonable out of pocket expenses incurred in connection with any inquiry, litigation, investigation, audit or other proceeding that may at any time be instituted or any other questions or matter involving such loans or the Loan Agreement, the Bonds, the Indenture, the Tax Agreement, the Bond Purchase Agreement or any other documents contemplated thereby;

(vi) the Issuer's annual fee is \$15,000 plus 0.5 basis points (bps) on the Bonds outstanding balance on amounts over \$100 million. The annual fee for the Bonds outstanding balance up to \$100 million is 1.5 bps on the Bonds outstanding balance. The minimum annual fee is \$1,500, payable on September 1 of each year, commencing September 1, 2024; provided, however, that if the Borrower shall prepay all of its obligations hereunder as set forth in Article VIII (1) after September 1 of any given year and before March 1 of the following year, then the Issuer's annual fee shall be reduced by half and shall be due and payable thirty (30) calendar days following such prepayment, or (2) after March 1 and before September 1 of any given year, then the Issuer's annual fee shall be due and payable in its entirety on the earlier of (x) thirty (30) calendar days following such prepayment or (y) September 1 of the year in which such prepayment is made; within twenty (20) days after receipt of request for payment thereof, all expenses required to be paid by the Borrower under the terms of any purchase contract, including exhibits thereto, executed by it in connection with the sale of the Bonds;

(vii) all reasonable out of pocket expenses of the Issuer related to the loan and the application of the proceeds of the Bonds which are not otherwise required to be paid by the Borrower under the terms of the Loan Agreement;

(viii) the reasonable fees and out of pocket expenses of such accountants, consultants, attorneys and other experts, including, without limitation, fees and expenses of the Issuer's in-house and outside counsel and the fees and expenses of the California Department of Justice when acting on behalf of the Issuer, as may be engaged by the Issuer or the Trustee to prepare audits, financial statements or opinions or provide such other services as are reasonably required under the Loan Agreement, the Indenture or the Tax Agreement; and

(ix) such amounts as may be necessary to satisfy the rebate requirements in accordance with the Tax Agreement and to pay the cost of calculation of such rebate requirements when required by the Code if the Borrower does not do so directly. To the extent the Borrower does not satisfy any of the exceptions to rebate, any rebate calculations must be computed by a third party rebate analyst (at the sole expense of the Borrower) and may not be computed solely by the Borrower; and

(x) such amounts as may become due under the Loan Agreement.

The Borrower agrees that the payments of fees and expenses as provided in the Loan Agreement will survive the discharge of the Indenture, the Loan Agreement and the retirement of the Bonds or the resignation or removal of the Trustee. In the event the Borrower should fail to make any of such payments required by the Loan Agreement, such payments will continue as obligations of the Borrower until such amounts will have been fully paid.

Unconditional, Limited Obligation.

(a) The obligations of the Borrower to make the payments as required by the Loan Agreement and to perform and observe the other 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 might otherwise have against the Issuer or any other Person, and the Borrower will pay absolutely net of the payments to be made on account of the loan as prescribed in the Loan Agreement and all other payments required thereunder, free of any deductions and without abatement, diminution or setoff. Until such time as the principal of and interest on the Bonds will have been fully paid, or provision for the payment thereof will have been made as required by the Indenture relating to defeasance of the Bonds, and all other amounts payable by or on behalf of the Borrower to the Issuer and the Trustee under the Loan Agreement have been paid in full, the Borrower (i) will not suspend or discontinue any payments provided for in the Loan Agreement; (ii) will perform and observe all of its other covenants contained in the Loan Agreement; and (iii) except as provided in the Loan Agreement relating to prepayment, will not terminate the Loan Agreement for any cause, including, without limitation, the occurrence of any acts or circumstances that may constitute failure of consideration, destruction of or damage to, or taking or condemnation of, all or any part of the Project, termination of any lease relating to 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 of either of these, or any failure of the Issuer or the Trustee to perform and observe any covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with the Loan Agreement or the Indenture.

(b) Notwithstanding any other provision of the Loan Agreement, the Borrower will not be required to pay any moneys derived from any source of income other than the Space Lease, the Developer Ground Lease, the CFIA Ground Lease and the other funds provided in the Loan Agreement for the payment of the Loan Payments and other amounts payable under the Loan Agreement or for the performance of any other agreements or covenants required to be performed by the Borrower under the Loan Agreement. Accordingly, the obligations of the Borrower under the Loan Agreement are limited obligations of the Borrower payable solely from income derived from the Space Lease, the Developer Ground Lease and the CFIA Ground Lease and the other funds provided in the Loan Agreement; do not constitute general obligations of the Borrower; and liability for which is effectively limited to the income and funds described in the Loan Agreement with no recourse to, or lien upon, directly or indirectly, any other property of the Borrower.

Assignment of Issuer's Rights; Base Rent Assignment Agreement. As security for the payment of the Bonds, the Issuer will assign to the Trustee the Issuer's rights, other than the Reserved Rights, but not its obligations, under the Loan Agreement, including the right to receive Loan Payments thereunder and the Issuer directs the Borrower to make the Loan Payments directly to the Trustee. The Borrower assents to such assignment and agrees to make the Loan Payments directly to the Trustee without defense or setoff by reason of any dispute between the Borrower and the Issuer or the Trustee. Moreover, as additional security for the payment of the Bonds, upon the execution and delivery of the Loan Agreement the Developer has assigned to the Trustee the rights to receive Base Rent payments from The Regents pursuant to the Space Lease and pursuant to the Base Rent Assignment Agreement the Developer has directed The Regents to make the Base Rent payments directly to the Trustee, and The Regents has assented to such assignment and agreed to make the Base Rent payments directly to the Trustee without defense or setoff by reason of any dispute between the Developer, the Borrower, the Issuer or the Trustee.

Special Covenants and Agreements

Borrower's Maintenance of Its Existence; Consolidation, Merger, Sale or Transfer Under Certain Conditions.

(a) The Borrower agrees that during the term of the Loan Agreement and so long as any Bond is Outstanding, it will maintain its existence as a nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Code, will not dissolve or otherwise dispose of all or substantially all of its assets, and will not combine or consolidate with or merge into another Person or permit one or more Persons to consolidate with or merge into it; provided, that the Borrower may, without violating the agreements contained in the Loan Agreement, consolidate with or merge into another Person or permit one or more other Persons to consolidate with or merge into

it, or sell or otherwise transfer to another Person all or substantially all of its assets as an entirety and thereafter dissolve; provided, that in the event the Borrower is not the surviving, resulting or transferee Person, as the case may be, that the surviving, resulting Person, or the transferee of all or substantially all of the Borrower's assets (i) assumes in writing all of the obligations of the Borrower under the Loan Agreement and agrees to fulfill and comply with the terms, covenants and conditions of the Loan Agreement; (ii) is not, after such transaction, otherwise in default under any provisions in the Loan Agreement; and (iii) is an organization described in Section 501(c)(3) of the Code. Notwithstanding the foregoing, as a condition precedent to any consolidation, merger, sale or other transfer, the Trustee and the Issuer will receive (A) an Opinion of Bond Counsel to the effect that such merger, consolidation, sale or other transfer will not in and of itself adversely affect the Tax-Exempt status of interest on the Bonds under the Code, and (B) an Opinion of Counsel reasonably acceptable to the Issuer to the effect that after such merger, consolidation, sale or other transfer, the Loan Agreement is a valid and binding obligation of the surviving, resulting or transferee Person, enforceable according to its terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally, or by the application of equitable principles if equitable remedies are sought, and the security interest created in the Loan Agreement will not be adversely affected by such sale or other transfer.

Notwithstanding any other provision under this caption, the Borrower need not comply with any of the provisions of the first paragraph if, at the time of any transaction not satisfying the terms of the first paragraph, provision for the payment of all Outstanding Bonds will be made as provided in the Indenture relating to defeasance of the Bonds.

(b) If a merger, consolidation, sale or other transfer is effected, these provisions will continue in full force and effect and no further merger, consolidation, sale or transfer will be effected except in accordance with these provisions.

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

Taxes, Utility and Other Charges. The Borrower agrees that, solely as between the Issuer and the Borrower, the Borrower will pay or cause to be paid all taxes and governmental charges of any kind lawfully assessed or levied upon the Project or any part thereof, all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project and 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, to the extent described above, will be obligated to pay or cause to be paid only such installments as are required to be paid during the term of the Loan Agreement. The Borrower may, and at the Borrower's expense and in the Borrower's name, in good faith, contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during that period of such contest and any appeal therefrom unless by such nonpayment the Project or any part thereof will be subject to loss or forfeiture.

Qualification in California. The Borrower agrees that throughout the term of the Loan Agreement it, or any successor or assignee as permitted by the Loan Agreement, will be qualified to do business in the State.

Tax Covenants.

(a) It is the intention of the parties to the Loan Agreement that interest on the Bonds will be and remain Tax-Exempt, and to that end the covenants and agreements of the Issuer and the Borrower below and the Tax Agreement are for the benefit of the Trustee and each and every Person who at any time will be an Owner of the Bonds.

(b) The Issuer covenants and agrees that it will not directly or indirectly use or, to the extent within its control, permit the use of any proceeds of the Bonds or other funds, or take or omit to take any action that it is required to take by the Tax Agreement that will cause any Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code.

(c) The Borrower covenants and agrees that it will not directly or indirectly use or permit the use of any proceeds of the Bonds or other funds, nor will it take or omit to take any action, that will cause any Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code.

(d) Each of the Borrower and the Issuer further covenants and agrees that it will not direct the Trustee to invest any funds held by it under the Indenture or the Loan Agreement, in such manner as would, or enter into or allow any related person to enter into any arrangement (formal or informal) that would, cause any Bond to be an “arbitrage bond” within the meaning of Section 148(a) of the Code. To such ends with respect to the Bonds, the Issuer and the Borrower will comply with all requirements of Section 148 of the Code to the extent applicable to the Bonds. In the event that at any time the Issuer or the Borrower is of the opinion that it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Loan Agreement or the Indenture, the Issuer or the Borrower will so instruct the Trustee in writing and the Trustee will comply with such written instructions. The covenants and agreements of the Issuer in this paragraph will apply to the Issuer only to the extent the Issuer has the right under the Indenture to control the investment of moneys held by the Trustee.

Without limiting the generality of the foregoing, the Borrower and the Issuer agree that there will be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any applicable Treasury Regulations. This covenant will survive payment in full of the Bonds or provision for the payment of the Bonds in accordance with the Indenture. The Borrower specifically covenants to engage or cause to be engaged with respect to the Bonds a rebate consultant (“Rebate Consultant”) acceptable to the Issuer to calculate and to pay or cause to be paid for and on behalf of the Issuer to the United States of America at the times and in the amounts determined under the Indenture the Rebate Requirement as described in the Tax Agreement, and under no circumstance will payment of the Rebate Requirement be the obligation of the Issuer. The initial Rebate Consultant will be BLX Group LLC.

(e) The Issuer certifies, represents and agrees that it has not taken, and will not take, any action which will cause interest paid on the Bonds to become includable in gross income of the Owners of the Bonds for federal income tax purposes pursuant to Sections 103 and 141 through 150 of the Code; and the Borrower certifies and represents that it has not taken or, to the extent within its control, permitted to be taken, and the Borrower covenants and agrees that, at its sole cost and expense, it will not take or fail to take or, to the extent within its control, permit to be taken, or permit the failure to be taken of, any action, if such action or failure to take such action will cause the interest on the Bonds to become includable in gross income of the Owners of the Bonds for federal income tax purposes pursuant to such provisions of the Code (including, without limitation, the calculation and payment of any rebate required to maintain the Tax-Exempt status of interest on the Bonds); provided that, neither the Borrower nor the Issuer will have violated these covenants if the interest on any of the Bonds becomes taxable to a person solely because such person is a “substantial user” of the financed facilities or a “related person” within the meaning of Section 103(b)(13) of the Code; and provided, further, that none of the covenants and agreements contained in the Indenture will require either the Borrower or the Issuer to enter an appearance or intervene in any administrative, legislative or judicial proceeding in connection with any changes in applicable laws, rules or regulations or in connection with any decisions of any court or administrative agency or other governmental body affecting the taxation of interest on the Bonds. The Borrower agrees to perform all duties imposed on it by the Indenture, by the Loan Agreement and by the Tax Agreement. Insofar as the Indenture and the Tax Agreement impose duties and responsibilities on the Borrower, they are specifically incorporated in the Loan Agreement by reference.

(f) Notwithstanding any provision of the Loan Agreement and the Indenture relating to tax covenants or any provision of the Tax Agreement, if the Borrower will provide to the Issuer and the Trustee an Opinion of Bond Counsel that any specified action required under the Loan Agreement and the Indenture or any provision of the Tax Agreement is no longer required or that some further or different action is required to maintain the Tax-Exempt status of interest on the Bonds, the Borrower, the Trustee and the Issuer may conclusively rely on such opinion in complying with the requirements of the Loan Agreement and the Indenture and the provisions of the Tax Agreement; and the covenants contained therein will be deemed to be modified to that extent.

If at any time the Borrower is of the opinion that it is necessary to restrict or limit the yield on or change in any way the investment of any moneys held by the Trustee or under the Indenture, the Borrower will so instruct the Trustee or the appropriate officers of The Regents in writing, and the Trustee or the appropriate officers of The Regents, as the case may be, will take such actions as may be necessary in accordance with such instructions.

In furtherance of the covenants of the Borrower set forth above, the Borrower will comply with the Tax Agreement.

(g) Notwithstanding the foregoing, and with respect to any obligation set forth in this section, the Issuer is relying on the Borrower to act or refuse to act in the appropriate manner except to the extent a particular affirmative action by the Issuer is required or prohibited.

Continuing Disclosure. Neither the Issuer nor the Borrower is an obligated person within the meaning of the continuing disclosure requirements for the Bonds as promulgated under Rule 15c2-12, and therefore neither the Issuer nor the Borrower is executing or delivering a continuing disclosure agreement in connection with the issuance of the Bonds. To the extent the Borrower becomes an obligated person within the meaning of the continuing disclosure requirements for the Bonds, the Borrower agrees to comply with the requirements of Rule 15c2-12 applicable to the Bonds. The Regents is an obligated person and has agreed, pursuant to the CFIA Ground Lease, to comply with the requirements of Rule 15c2-12 applicable to the Bonds, as it may from time to time hereafter be amended or supplemented, in accordance with the terms of the Continuing Disclosure Agreement.

Insurance.

(a) So long as any Bonds remain Outstanding, the Borrower will maintain or cause to be maintained with respect to the Project, with insurance companies or by means of self-insurance, insurance of such type, against such risks and in such amounts as required under the Space Lease.

(b) Compliance by The Regents with the insurance requirements set forth in the Space Lease will satisfy the requirements of the Loan Agreement relating to insurance.

Investments. The Borrower, by written request, may direct the investment by the Trustee of moneys in the funds and accounts established pursuant to the Indenture, subject to the limitations set forth in the Indenture. The Borrower covenants that it will not direct the Trustee to make any investments and itself will not make any investments of the proceeds of the Bonds, or any other funds in any way pledged to the security of or reasonably expected to be used to pay the Bonds, which would cause any of the Bonds to be “arbitrage bonds” subject to federal income taxation by reason of Section 103(b)(2) of the Code. The Borrower will not purchase any obligations of the Issuer, pursuant to an arrangement, formal or informal, in an amount related to the amount of the loans made to the Borrower under the Loan Agreement. Nothing under this caption will prohibit the Borrower from receiving Bonds by gift, bequest or devise or from purchasing Bonds in the secondary market other than pursuant to an arrangement related to the loan made by the Loan Agreement.

Maintenance of Space Lease. The Borrower agrees that throughout the term of the Loan Agreement, it, or any successor or assignee as permitted therein, will not take any action to cause the Space Lease not to be maintained in full force and effect.

Limitation on Encumbrances. The Borrower covenants and agrees that it will not create, assume or suffer to exist any mortgage, deed of trust, pledge, security interest, encumbrance, lien or charge of any kind (a “security interest”) upon its interest in the Project, any moneys derived from the Space Lease, the Developer Ground Lease, the CFIA Ground Lease and the other funds provided in the Loan Agreement (including, but not limited to, cash and investments), whether now owned or hereafter acquired (except for Permitted Encumbrances); provided, however, that notwithstanding the foregoing provision, the Borrower may create, assume or suffer to exist Permitted Encumbrances.

Limitation on Additional Debt. The Borrower covenants that it will not incur any additional Debt secured by the Revenues, or any part thereof, while the Bonds remain Outstanding.

Damage, Destruction and Condemnation; Continuation of Payments

Obligation to Continue Payments. So long as any Bonds are Outstanding, if (i) the Project or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty, or (ii) the temporary use of the Project or any portion thereof will be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Borrower will nevertheless be obligated to continue to pay the amounts specified in the Loan Agreement, to the extent not prepaid in accordance with the Loan Agreement. Pursuant to the Space Lease, The Regents have unconditionally agreed to pay base rental payments thereunder, and such payments by The Regents will satisfy the Borrower's obligation to continue payments under the Loan Agreement.

Events of Default and Remedies

Events of Default. Any one of the following which occurs will constitute an Event of Default under the Loan Agreement:

- (a) failure by the Borrower to pay or cause to be paid any amounts required to be paid under the Loan Agreement when due or to make the deposits required to be made under the Loan Agreement within three days of the day when such payment was due; or
- (b) failure of the Borrower to observe and perform any covenant, condition or agreement on its part required to be observed or performed under the Loan Agreement, other than making the payments referred to in (a) above, which continues for a period of thirty (30) days after written notice from the Trustee or the Issuer, which notice will specify such failure and request that it be remedied; provided, however, that if the failure stated in the notice cannot be corrected within such period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such time period if corrective action is instituted within such period and diligently pursued until the default is corrected; or
- (c) any of the representations or warranties of the Borrower made in the Loan Agreement or in the application filed with the Issuer in connection with the Bonds was false or incorrect in any material respect when made; or
- (d) an Act of Bankruptcy occurs with respect to the Borrower; or
- (e) the occurrence of an Event of Default under the Indenture.

Remedies on Default.

(a) Whenever any Event of Default under the Loan Agreement will have occurred and will continue, the Issuer or the Trustee may take whatever action or institute any proceeding, at law or in equity, as may be necessary or desirable for the collection of the payments and other amounts then due and thereafter to become due under the Loan Agreement or the enforcement of the performance and observance of any obligation, agreement or covenant of the Borrower under the Loan Agreement, including but not limited to: (i) instituting and prosecuting to judgment or final decree and enforcing any such judgment or decree against the Borrower and collect in the manner provided by law moneys decreed to be payable; and (ii) by injunctive and other equitable relief, to require the Borrower to perform each of its obligations under the Loan Agreement and to otherwise protect the Issuer's rights thereunder.

(b) If, at any time after all of the Outstanding Bonds will have been declared due and payable pursuant to the Indenture relating to default but such declaration has been rescinded, no amount will be payable by the Borrower pursuant to the Loan Agreement with respect to the principal of Bonds as to which the acceleration of maturity has been rescinded.

(c) In case the Trustee or the Issuer will have proceeded to enforce its rights under the Loan Agreement and such proceedings will have been discontinued or abandoned for any reason or will have been

determined adversely to the Trustee or the Issuer, then, and in every such case, the Borrower, the Trustee and the Issuer will be restored respectively to their several positions and rights under the Loan Agreement, and all rights, remedies and powers of the Borrower, the Trustee and the Issuer will continue as though no such action had been taken (provided, however, that any settlement of such proceedings duly entered into by the Issuer, the Trustee or the Borrower will not be disturbed by reason of this provision).

Prepayment

Optional Prepayment of Loan Payments. So long as no Event of Default will have occurred and be continuing under the Loan Agreement, the Borrower will have the option to prepay all or any portion of the Loan Payments by paying the applicable amount set forth in the Loan Agreement relating to prepayment. By virtue of the assignment under the Loan Agreement to the Trustee of certain rights of the Issuer, the Borrower will pay any prepayment of Loan Payments directly to the Trustee. Such prepayments of Loan Payments will be applied to provide for the payment of Outstanding Bonds (or portions thereof in Authorized Denominations) as specified in the notice of prepayment in accordance with the Indenture relating to defeasance of the Bonds and the related expenses and other costs specified in the Loan Agreement relating to prepayment.

Notwithstanding any partial prepayment of Loan Payments, the Loan Agreement will not be terminated until no Bonds remain Outstanding under the Indenture and all amounts payable by the Borrower under the Loan Agreement have been paid.

Amount of Prepayment.

(a) In the case of a prepayment of the entire amount of the Loan Payments remaining due under the Loan Agreement, the amount to be paid will be a sum sufficient, together with other funds and the principal of and interest on any United States Government Securities then on deposit with the Trustee and available for such purpose to provide for the payment of all then Outstanding Bonds, including any redemption premium thereon, and the satisfaction and discharge of the Indenture, in accordance with the Indenture relating to defeasance of the Bonds.

(b) In the case of the prepayment of a portion of the Loan Payments remaining due under the Loan Agreement, the amount payable will be a sum sufficient: (i) to provide for the payment of the Outstanding Bonds (or portions thereof) in Authorized Denominations of the maturities specified in the notice of prepayment in accordance with the Indenture relating to defeasance of the Bonds, including any redemption premium thereon; and (ii) to pay all reasonable and necessary fees and expenses of the Issuer and the Trustee in connection with the receipt and application of such prepayment, including the establishment of an escrow to provide for the payment of such Bonds.

Pursuant to the CFIA Ground Lease, the Borrower has agreed to comply with directions from The Regents concerning prepayments under the Loan Agreement and to apply any amounts provided for such purpose by The Regents in accordance with the Loan Agreement relating to prepayment.

Nonliability of Issuer; Expenses; Indemnification

Nonliability of Issuer. The Bonds are limited obligations of the Issuer and the Issuer will not be obligated to pay the principal of, or interest on the Bonds, except from Revenues and the amounts in the funds held by the Trustee under the Indenture which are pledged to such payment. Neither the faith and credit nor the taxing power of the State or of any political subdivision thereof will be pledged to the payment of the principal of, premium, if any, or interest on, the Bonds. Neither the Issuer nor its members, officers, employees or agents nor the State nor any of its political subdivisions will be directly, indirectly, contingently or morally obligated to use any other moneys or assets to pay all or any portion of the debt service due on the Bonds, to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Bonds are not a pledge of the faith and credit of the Issuer, the State or any of its political subdivisions nor do they constitute indebtedness within the meaning of any constitutional or statutory debt limitation. The Issuer has no taxing power. The Issuer will not be liable for payment of the principal of, premium, if any, or interest on, the Bonds or any other costs, expenses, losses, damages, claims or actions of any conceivable kind on any conceivable theory, under or by reason of or in connection with the

Loan Agreement or any other documents, except only to the extent amounts are received for the payment thereof from the Borrower under the Loan Agreement. None of the Issuer or its members, directors, officers, employees or agents will be individually or personally liable for the payment of the principal of, premium, if any, or interest on, the Bonds or any other sum under the Loan Agreement or be subject to any personal liability or accountability by reason of the issuance thereof or the execution and delivery of the Loan Agreement; but nothing in the Loan Agreement contained will relieve any such member, officer, employee or agent from the performance of any official duty provided by law or by the Loan Agreement.

The Borrower acknowledges that the Issuer's sole source of moneys to repay the Bonds will be provided by the payments made by the Borrower pursuant to the Loan Agreement, together with other Revenues and amounts in the funds held by the Trustee under the Indenture which are pledged to such payment, and agrees that if the payments made under the Loan Agreement will ever prove insufficient to pay all principal of, and premium, if any, and interest on the Bonds as the same will become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Trustee and subject to the preceding paragraph "Unconditional, Limited Obligation," the Borrower will pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal, premium or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the Borrower, the Issuer, or any third party, subject to any right of reimbursement from the Trustee, the Issuer or any such third party, as the case may be, therefor but solely, in the case of the Issuer, from the Additional Payments (other than funds paid to the Issuer pursuant to the Reserved Rights), other than with respect to any deficiency caused by the willful misconduct of the Issuer.

Indemnification. The Borrower releases the Issuer and the Trustee from, and covenants and agrees that neither the Issuer nor the Trustee, will be liable for, and covenants and agrees, to the fullest extent permitted by law, to indemnify, hold harmless and defend the Issuer, the Trustee and each of their past, present and future directors, members, officers, employees, attorneys, consultants and agents (collectively, the "Indemnified Parties") from and against, any and all losses, claims, damages, liabilities, actions, costs and expenses, of any conceivable kind, character and nature (including, without limitation, reasonable attorneys' fees, including, without limitation, fees and expenses of the Issuer's in-house and outside counsel and the fees and expenses of the California Department of Justice when acting on behalf of the Issuer, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under any statutory law (including federal or state securities laws) or at common law or otherwise, whatsoever arising out of, resulting from or in any way connected with: (1) any act or omission of the Borrower or any of its agents, contractors, servants, employees, tenants or licensees in connection with the Project, the conditions, occupancy, use, possession, conduct, operation or management of the Project by the Borrower, or work done in or about the Project by or for the Borrower, or from the planning, design, installation or construction (or reconstruction) of the Project or any part thereof; (2) the issuance of the Bonds, the execution or amendment of the Indenture, the Loan Agreement or the Tax Agreement or the making of any certifications, covenants or representations in connection with the Bonds, the Indenture, the Loan Agreement and the Tax Agreement and the carrying out of any of the transactions contemplated thereby; (3) the Trustee's acceptance or administration of the trusts under the Indenture, or the exercise or performance of any of its powers or duties under the Indenture, the Loan Agreement and any other document in connection with therewith; (4) the Issuer's acceptance of its responsibilities under the Loan Agreement and under the Tax Agreement and the Indenture; (5) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading, in any official statement or other offering circular or any of the other documents relating to the Bonds utilized by the Issuer or any underwriter in connection with the offer or sale of the Bonds, other than information in any such official statement or offering circular supplied by the Issuer; (6) any violation of any Environmental Regulation with respect to, or the release of any Hazardous Substances from, the Project, the cleanup of any Hazardous Substances from the Project, or the authorization of payment of costs thereof, (7) any amount owed or alleged to be owed either (i) pursuant to the Tax Agreement or pursuant to any regulatory audit or inquiry regarding whether interest on the Bonds is not Tax-Exempt or (ii) because of a determination or allegation that the Bonds are not Tax-Exempt; (8) any lien or charge upon payments by the Borrower to the Issuer under the Loan Agreement or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Issuer in respect of any portion of the Project; or (9) the defeasance or prepayment, in whole or in part, of the Bonds; provided that the foregoing release and indemnity in the paragraph will not be required for damages that result from, in the case of the

Issuer, the gross negligence or willful misconduct on the part of the Indemnified Party or, in the case of the Trustee, the negligence or willful misconduct on the part of the Indemnified Party.

In the event that the Borrower receives written notice of any action or proceeding brought against any Indemnified Party with respect to which indemnity may be sought under this section, the Borrower, upon written notice to the Indemnified Party, will assume the investigation and defense thereof, including the employment of counsel selected by the Borrower and reasonably approved by the Indemnified Party, provided that the Issuer is required to retain the California Attorney General's Office to investigate and defend the Issuer in any action or proceeding brought against the Issuer, and the Borrower will assume the payment of all expenses related thereto, whether incurred or paid prior to or following receipt by the Borrower of such written notice, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party will have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party will have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Borrower will pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Borrower if in the case of the Issuer, such party is required to do so under the law, or in the reasonable judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not reasonably agree as to the action (or inaction) of counsel.

The indemnity required by this section will be only to the extent that any loss sustained by the Trustee exceeds the net proceeds the Trustee receives from any insurance carried with respect to the loss sustained. The Borrower further covenants and agrees, to the extent permitted by law, to pay or to reimburse the Issuer, the Trustee, and their respective directors, officers, members, employees, attorneys, consultants and agents for any and all costs, reasonable attorneys' fees, liabilities or expenses incurred in connection with investigating, defending against or otherwise in connection with any such losses, claims, damages, liabilities, expenses or actions, except to the extent that the same arise out of, in the case of the Issuer, the gross negligence or willful misconduct of the party claiming such payment or reimbursement or, in the case of the Trustee, the negligence or willful misconduct of the party claiming such payment or reimbursement, or such cost, attorneys' fees or expenses are paid by any carried insurance. The provisions of this section will survive the discharge of the Indenture, the Loan Agreement or the Tax Agreement, the retirement of the Bonds and with respect to the Trustee, the resignation and removal of the Trustee.

BASE RENT ASSIGNMENT AGREEMENT

Definitions. Capitalized terms used but not defined in the Assignment Agreement will have the meanings set forth in the Space Lease or, if not defined therein, in the Indenture.

Assignment. The Landlord, for good and valuable consideration, the receipt of which is acknowledged, does unconditionally sell, assign and transfer to the Trustee, irrevocably and absolutely, without recourse for the benefit of the owners of the Bonds (i) all its rights to receive the Base Rent (as defined in the Lease) and interest, if any, thereon under and pursuant to the Lease, (ii) the right to take all actions under the Lease with respect to the payment of Base Rent, and (iii) any and all other rights and remedies of the Landlord in the Lease as Landlord thereunder with respect to Base Rent and Bond Administrative Charges; provided, that so long as no default in payment of Base Rent under the Lease will have occurred or be continuing, the Landlord will have and may exercise all rights of the Landlord under the Lease other than the right to receive the Base Rent.

Acceptance. The Trustee accepts the foregoing assignment, subject to the terms and provisions of the Indenture, for the benefit of the owners of the Bonds, and all such Base Rent will be applied and all such rights so assigned will be exercised by the Trustee as provided in the Lease and in the Indenture.

Representations. The parties to the Base Rent Assignment Agreement acknowledge and agree that as additional security for the payment of the Bonds, upon the execution and delivery of the Loan Agreement, the Landlord has executed the Assignment Agreement and directed Tenant to make the Base Rent payments directly to the Trustee, and Tenant has assented to such assignment and agreed to make the Base Rent payments directly to the Trustee without defense or setoff by reason of any dispute between Landlord, the Borrower, the Issuer or the Trustee.

Conditions. Excepting only the sale, assignment and transfer to the Trustee of the Landlord's rights set forth in the Assignment Agreement will confer no rights and will impose no obligations upon the Trustee beyond those expressly provided in the Indenture.

California Law. The Assignment Agreement will be governed by and construed and interpreted in accordance with the laws of the State of California.

Third-Party Beneficiary. The Borrower will be a third-party beneficiary of the Assignment Agreement.

CONTINUING DISCLOSURE AGREEMENT

Purpose of the Continuing Disclosure Agreement

The Continuing Disclosure Agreement is executed and delivered by The Regents, the Dissemination Agent and the Trustee for the benefit of the Owners and Beneficial Owners (as such terms are defined in the Indenture) of the Bonds and in order to assist the Participating Underwriters (as hereinafter defined) in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Definitions

In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in the Continuing Disclosure Agreement unless otherwise defined below, the following capitalized terms will have the following meanings:

Annual Report will mean any Annual Report provided by The Regents pursuant to, and as described in, Sections 3 and 4 of the Continuing Disclosure Agreement.

Disclosure Representative will mean the Executive Vice President-Chief Financial Officer of the University of California or his designee, or such other officer or employee as The Regents will designate in writing to the Trustee from time to time.

Dissemination Agent will mean BLX Group LLC, acting in its capacity as Dissemination Agent under the Continuing Disclosure Agreement, or any successor Dissemination Agent designated in writing by The Regents and which has filed with the Trustee a written acceptance of such designation.

Financial Obligation will mean, for purposes of the Listed Events set out in paragraphs (A)(10) and (B)(8) of the subheading "Reporting of Significant Events" below, a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" will not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the Municipal Securities Rulemaking Board ("MSRB") consistent with the Rule.

Listed Events will mean any of the events listed in paragraph (A) or (B) of the subheading "Reporting of Significant Events" below.

Participating Underwriter will mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Repository will mean the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

Rule will mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SEC will mean the Securities and Exchange Commission and any successor agency thereto.

State will mean the State of California.

Provision of Annual Reports.

(A) The Regents will, or will cause the Dissemination Agent to, not later than seven (7) months after the end of the Fiscal Year of The Regents (presently June 30), commencing with the Annual Report for the Fiscal Year ending June 30, 2025, provide to the Repository an Annual Report which is consistent with the requirements described below. Each Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the Repository, and may include by reference other information as described below; provided that the audited financial statements relating to the Bonds may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if such audited financial statements are not available by that date. If the Fiscal Year of The Regents changes, The Regents will give notice of such change in the same manner as for a Listed Event under paragraph (E) of the subheading “Reporting of Significant Event” below. If The Regents provides the Annual Report to the Repository, it will notify the Dissemination Agent that it has done so.

(B) Not later than fifteen (15) Business Days prior to the date specified in (A) above for providing the Annual Report to the Repository, The Regents will provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee will contact The Regents and the Dissemination Agent to determine if The Regents is in compliance with the first sentence of this paragraph

(C) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repository by the date required in (A) above, the Dissemination Agent will send a notice, in electronic format unless otherwise designated by the SEC, to the Repository in substantially the form attached to the Continuing Disclosure Agreement.

(D) The Dissemination Agent will:

(i) determine each year prior to the date for providing the Annual Report the name and address of the Repository; and

(ii) file a report with The Regents and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to the Continuing Disclosure Agreement, stating the date it was provided to the Repository.

Content of Annual Reports

The Annual Report will contain or include by reference the following:

(A) The audited financial statements of The Regents for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles applicable to public colleges and universities. If such audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report will contain unaudited financial statements in a format that complies with current generally accepted accounting principles, and the audited financial statements will be filed in the same manner as the Annual Report when such financial statements become available.

(B) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of The Regents, which have been filed with the Repository or the SEC. If the document included by reference is a final official statement, it must be available from the MSRB. The Regents will clearly identify each such other document so included by reference.

Reporting of Significant Events

(A) The Regents will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes;
9. Bankruptcy, insolvency, receivership or similar event of The Regents; or
10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of The Regents, any of which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(B) The Regents will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph (A)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. Modifications to rights of Holders;
3. Optional, contingent or unscheduled Bond calls;
4. Release, substitution, or sale of property securing repayment of the Bonds;
5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving The Regents or the sale of all or substantially all of the assets of The Regents, 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; or
7. Appointment of a successor or additional trustee or the change of name of a trustee.
8. Incurrence of a Financial Obligation of The Regents, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of The Regents, any of which affect security holders.

(C) The Trustee will, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that The Regents promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to the following paragraph (E).

(D) Whenever The Regents obtains knowledge of the occurrence of a Listed Event described in subsection (B), whether because of a notice from the Trustee pursuant to subsection (C) or otherwise, The Regents will as soon as possible determine if such event would be material under applicable federal securities laws.

(E) If The Regents learns of the occurrence of a Listed Event described in Section 5(A) of the Continuing Disclosure Agreement, or determines that knowledge of a Listed Event described in Section 5(B) of the Continuing Disclosure Agreement would be material under applicable federal securities laws, The Regents will provide or cause to be provided a form of notice of such occurrence to the Dissemination Agent and will instruct the Dissemination Agent to file the notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB within ten business days of occurrence. If the Dissemination Agent has been instructed by The Regents to report the occurrence of a Listed Event, the Dissemination Agent will file a notice of such occurrence with the Repository in electronic format, accompanied by such identifying information as is prescribed by the Repository, with a copy to The Regents. Notwithstanding the foregoing, notice of Listed Events described in subsections (A)(7) and (B)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

(F) The Regents intends to comply with the Listed Events described in paragraphs (A)(10) and (B)(8), and the definition of “Financial Obligation” above, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the Commission in Release No. 34-83885 dated August 20, 2018 (the “2018 Release”), and any further amendments or written guidance provided by the SEC or its staff with respect to the amendments to the Rule effected by the 2018 Release.

Termination of Reporting Obligation

The Regents’ obligations under the Continuing Disclosure Agreement will terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Dissemination Agent

The Regents may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent will not be responsible in any manner for the content of any notice or report prepared by The Regents pursuant to the Continuing Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee will be the Dissemination Agent.

Amendment; Waiver

Notwithstanding any other provision of the Continuing Disclosure Agreement, The Regents, the Dissemination Agent and the Trustee may amend the Continuing Disclosure Agreement (and the Dissemination Agent and Trustee each will agree to any amendment so requested by The Regents that does not adversely affect its rights or increase its duties under the Continuing Disclosure Agreement), and any provision of the Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(A) If the amendment or waiver relates to certain portions of the sections relating to the provision of annual reports, or the content of annual reports or the list of significant events, such amendment or waiver may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(B) The Continuing Disclosure Agreement, as amended or taking into account the waiver proposed, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(C) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Continuing Disclosure Agreement, The Regents will describe such amendment in the next Annual Report, and will include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by The Regents. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change will be given in the same manner as for a Listed Event under paragraph (E) in the section entitled "Reporting of Significant Events," and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Additional Information

Nothing in the Continuing Disclosure Agreement will be deemed to prevent The Regents from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Continuing Disclosure Agreement. If The Regents chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Continuing Disclosure Agreement, The Regents will have no obligation under the Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Default

In the event of a failure of The Regents or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Owners of at least 50% aggregate principal amount of Outstanding Bonds and upon receipt of indemnity satisfactory to it, will), or any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause The Regents or the Dissemination Agent, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement will not be deemed an Event of Default under

the Indenture or the Loan Agreement and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of The Regents or the Dissemination Agent to comply with the Continuing Disclosure Agreement will be an action to compel performance.

Duties, Immunities and Liabilities of Trustee and Dissemination Agent

The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) will have only such duties as are specifically set forth in the Continuing Disclosure Agreement, and The Regents agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties under the Continuing Disclosure Agreement, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of The Regents under this section will survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Beneficiaries

The Continuing Disclosure Agreement will inure solely to the benefit of The Regents, the Trustee, the Dissemination Agent, the Participating Underwriters and Owners and Beneficial Owners from time to time of the Bonds, and will create no rights in any other person or entity.

GROUND LEASE

Definitions

The following terms have the indicated definitions in the Ground Lease.

“Affiliate” means, as to any Person, any other Person that, directly or indirectly, Controls, is Controlled by, or is under common Control with such Person or is a director or officer of such Person or an Affiliate of such Person.

“Applicable Law” means: (a) any statute, law, code, regulation, ordinance, rule or common law; (b) any binding judgment (other than regarding a Loss or other Dispute); (c) any binding judicial or administrative writ, order, judgment, injunction, award or decree (other than regarding a Loss or other Dispute); (d) any written directive, guideline, policy requirement or other governmental restriction (including those resulting from the initiative or referendum process); or (e) any similar form of decision of or determination by, or any written interpretation or administration of any of the foregoing by, any Governmental Authority, in each case which is applicable to or has an impact on the Site, the Improvements or the Premises, whether taking effect before or after the Effective Date.

“Assigned Agreements” means the “Construction Contracts”, as defined in the LDDA.

“Bankruptcy Code” means Title 11 of the United States Code and any other Federal, state or foreign bankruptcy, insolvency, rehabilitation, reorganization, liquidation or similar laws, now or hereafter in effect.

“Bond Documents” means, collectively, the Indenture, the Loan Agreement, Base Rent Assignment Agreement and all other instruments or agreements executed by the Trustee, Issuer and/or Tenant in connection with the issuance and delivery of the Bonds and the proceeds thereof.

“Bonds” means those certain California Infrastructure and Economic Development Bank Revenue Bonds (UCSF Clinical and Life Sciences Building) Series 2025.

“Business Day” means any day other than (a) a Saturday or a Sunday, (b) a day on which commercial banks in San Francisco, California are authorized or obligated by law, government decree or executive order to be closed or (c) a day observed as a holiday by the State of California or the Federal government.

“Campus” means the University of California at San Francisco’s Mission Bay Campus.

“Casualty” has the meaning ascribed thereto in the Ground Lease.

“CFIA” means the Campus Facilities Improvement Association.

“City” means the City and County of San Francisco.

“Construction Period” means the period commencing on Effective Date and continuing until the Project Substantial Completion Date (as defined in the LDDA).

“Control” (and the co-relative terms “Controlling,” “Controlled by,” and “under common Control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of outstanding securities, equity, or other beneficial ownership interests, by contract or otherwise.

“Developer” means Power Station Block 2 Development Company LLC, a Delaware limited liability company (and its successors and assigns), in its capacity as “Developer” under the LDDA.

“Development Agreement Assignment” means that certain Assignment and Assumption Agreement dated May 6, 2025 entered into by California Barrel Company LLC and the University (as the same may be amended or supplemented from time to time in accordance with the provisions thereof).

“Development Agreement” means that certain Development Agreement entered into by the City and County of San Francisco and California Barrel Company LLC, dated as of September 22, 2020 (as the same may be amended or supplemented from time to time in accordance with the provisions thereof).

“Disbursement Agreement” means that certain agreement by and among CFIA, Developer, Trustee and the University to pay the development costs under the LDDA, dated as of May 6, 2025.

“Dispute” means any dispute, disagreement or controversy between or among the Parties concerning their respective rights and obligations under the Agreement, including concerning any Loss, alleged breach or failure to perform and remedies.

“Effective Date” means the effective date of the Ground Lease.

“Event of Default” has the meaning ascribed thereto in the Ground Lease.

“Governmental Authority” means any and all entities, courts, tribunal or other judicial, adjudicative or legislative decision-making body, or boards, agencies, bureaus, commissions, offices, divisions, subdivisions, departments, bodies, or authorities of any nature whatsoever of any governmental unit (Federal, state, county, city or otherwise) having jurisdiction, whether now or hereafter in existence, including the University of California.

“Improvements” means the facility to be built by Developer pursuant to the LDDA to be used for a proton therapy facility, life science innovation laboratory and other medical office and/or life science uses.

“Indemnitees” has the meaning ascribed thereto in the Ground Lease.

“Indenture” means those certain Bonds by the Issuer pursuant to an Indenture, as the same may be amended or supplemented from time to time in accordance with the provisions thereof.

“Issuer” means California Infrastructure and Economic Development Bank and includes such party’s successor and assigns under the Indenture.

“Landlord” means The Regents Of The University Of California, a California Public Corporation, as landlord (and includes its successors and assigns).

“LDDA” means that certain Lease Disposition and Development Agreement dated as of May 6, 2025 entered into between Developer and CFIA to design and construct the Improvements.

“Lien” means any lien, mortgage, deed of trust, hypothecation, encumbrance, pledge, collateral assignment, assignment, charge, lease, easement, right of way, license, servitude, right of others or security interest of any kind whatsoever, including any arising under any conditional sale or other title retention agreement.

“Loan Agreement” means that certain agreement between Issuer as lender, and CFIA as borrower pursuant to which the proceeds of the Bonds will be loaned to CFIA.

“Loss” or “Losses” when used with reference to any indemnity hereunder means any and all claims, demands, losses, liabilities, damages (including foreseeable and unforeseeable consequential damages), liens, obligations, interest, injuries, penalties, fines, lawsuits and other proceedings, judgments and awards and costs and expenses (including Attorneys’ Fees and Costs, and consultants’ fees and costs) of whatever kind or nature, known or unknown, contingent or otherwise.

“Master Ground Lease” means the Ground Lease.

“Party” and “Parties” mean The Regents Of The University Of California, a California Corporation, as landlord, and Campus Facilities Improvement Association, a California non-profit corporation, as tenant.

“Permitted Liens” means (i) the lien of real estate taxes, supplemental taxes, and assessments, (ii) encroachments of existing improvements into the public right of way, (iii) those exceptions identified in the survey, dated _____, 2025, prepared by _____, (iv) those exceptions identified in the Pro Forma Owner’s Policy of Title Insurance, dated _____, prepared by First American Title Company (Issuing Office: 4750 Willow Road, Suite 275, Pleasanton, CA 94588), and (v) any encumbrance expressly permitted under the Transaction Documents or otherwise approved by Landlord or the University.

“Permitted Use” means development, construction and operation of the Site, Improvements and Premises and any uses permitted under the Space Lease.

“Person” means natural persons, firms, joint ventures, associations, trusts, partnerships, corporations, limited liability companies, public bodies, and similar entities, whether for profit or non-profit.

“Plan” has the meaning ascribed thereto in the Ground Lease.

“Premises” means, collectively, the Improvements and the Site.

“Project Substantial Completion Date” has the meaning ascribed thereto in the LDDA (as the as the same may be amended or supplemented from time to time in accordance with the provisions thereof).

“Site” means approximately 1.15 acres of land owned by the University and referred to as “Block 2”, located within the Dogpatch Power Station project in the City and County of San Francisco.

“Space Lease Period” means the period commencing on the day immediately following the end of the Construction Period and continuing through the end of the Term.

“Space Lease Tenant” means the “Tenant” under the Space Lease, which shall initially mean University, but shall include University’s successors and assigns.

“Space Lease” means that certain Space Lease (as the same may be amended or supplemented from time to time in accordance with the provisions thereof) for the Premises by and between Developer, as “Landlord”, and the University, as “Tenant”, or their successors and assigns.

“State” means the State of California.

“Sub Ground Lease” means that certain Sub Ground Lease (as the same may be amended or supplemented from time to time in accordance with the provisions thereof) for the Site by and between CFIA, as “Landlord”, and Developer, as “Tenant”.

“Sub Ground Tenant” means the “Tenant” under the Sub Ground Lease, which shall initially mean Developer, but shall include Developer’s successors and assigns.

“Taking” has the meaning ascribed thereto in the Ground Lease.

“Taxes” means all federal, state, county, or local governmental or municipal taxes, fees, charges or other impositions of every kind and nature, whether general, special, ordinary or extraordinary, (including, without limitation, real estate taxes, general and special assessments, transit taxes, leasehold taxes or taxes based upon the receipt of rent, including gross receipts or sales taxes applicable to the receipt of rent, personal property taxes imposed upon the fixtures, machinery, equipment, apparatus, systems and equipment, appurtenances, furniture and other personal property used in connection with the Premises or any portion thereof) that shall be paid or accrued during the Term because of or in connection with the ownership, leasing or operation of the Premises, or any portion thereof, including, without limitation: (i) any tax on the rent, right to rent or other income from the Premises, or any portion thereof, or as against the business of leasing the Premises, or any portion thereof; (ii) any assessment, tax, fee, levy or charge in addition to, or in substitution, partially or totally, of any assessment, tax, fee, levy or charge previously included within the definition of real property tax, it being acknowledged by Tenant and Landlord that Proposition 13 was adopted by the voters of the State of California in the June 1978 election (**“Proposition 13”**) and that assessments, taxes, fees, levies and charges may be imposed by governmental agencies for such services as fire protection, street, sidewalk and road maintenance, refuse removal and for other governmental services formerly provided without charge to property owners or occupants, and, in further recognition of the decrease in the level and quality of governmental services and amenities as a result of Proposition 13, (iii) any governmental or private assessments or costs under governmental or private cost-sharing agreements for the purpose of augmenting or improving the quality of services and amenities normally provided by governmental agencies; (iv) any assessment, tax, fee, levy, or charge allocable to or measured by the area of the Premises or the Base Rent or Other Rent payable under the Space Lease, including, without limitation, any business or gross income tax or excise tax with respect to the receipt of such rent, or upon or with respect to the possession, leasing, operating, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises, or any portion thereof; (v) any assessment, tax, fee, levy or charge, upon this transaction or any document to which Tenant is a party, creating or transferring an interest or an estate in the Premises; and (vi) all of the real estate taxes and assessments imposed upon or with respect to the Premises and all of the real estate taxes and assessments imposed on the land and improvements comprising the Site.

“Tenant’s Interest” means Tenant’s entire interest in (i) the Site, (ii) the Improvements and (iii) this Master Ground Lease.

“Tenant” means Campus Facilities Improvement Association, a California non-profit corporation, as tenant (and includes its successors and assigns).

“Term” means the period set forth in the Ground Lease.

“Termination Date” has the meaning ascribed thereto in the Ground Lease.

“Transaction Documents” means this Master Ground Lease, the Sub Ground Lease, the Space Lease, the LDDA and related exhibits, the Disbursement Agreement and the Bond Documents executed, delivered and/or recorded by the Landlord, Tenant and/or Developer in connection therewith or in connection with the transactions contemplated by the Ground Lease.

“Transition Period” means the period reasonably necessary (not to exceed one hundred twenty (120) days) following the expiration or earlier termination of the Sub Ground Lease for Sub Ground Tenant to transition operation and management of the Improvements to Space Lease Tenant.

“Trustee” means The Bank of New York Mellon Trust Company, N.A.

“Underlying Documents” means the Transaction Documents, and all current or future ground leases and master leases, development agreements, including the Development Agreement and the Development Assignment Agreement, easements, licenses, operating agreements, declarations, restrictive covenants, covenants, conditions and restrictions affecting the Premises (and any portion thereof), reciprocal easement agreements, parking licenses, in each case memorialized by instruments recorded in the Official Records affecting the Premises.

“University of California” means The Regents of the University of California, to the extent it is acting in its sovereign and autonomous governmental capacity under Article IX of the California State Constitution (as distinguished from acting in its proprietary capacity).

“University” means The Regents Of The University Of California, a California Corporation.

“Work” means the “Developer’s Work” pursuant to and as defined in the LDDA.

Term of Lease

Lease. Landlord leases to Tenant, and Tenant leases from Landlord, the Site.

Term. The term of the Master Ground Lease (“Term”) will commence on the Effective Date and terminate as of the date the Space Lease is terminated or expires pursuant to its terms. The Master Ground Lease will expire without further notice at expiration of the Term, and no holding over will be permitted. Any holding over by Tenant after expiration will not constitute a renewal or extension nor will it give Tenant any rights in or to the Premises or any part thereof.

Lease Consideration

Bond Documents and Developer Ground Lease. Tenant will: (i) enter into the Bond Documents to which it is a party, including the Loan Agreement, (ii) make a portion of the proceeds of the Bonds available to the Developer pursuant to the Disbursement Agreement, and (iii) ground lease the Site to the Developer pursuant to the Sub Ground Lease, all so that Developer may construct the Project in accordance with the LDDA.

Payment of Rent. There will be no rent payable under the Master Ground Lease.

Uses and Restrictions

Sub Ground Lease. Tenant will ground lease the Site to the Developer pursuant to the Sub Ground Lease so that Developer can construct the Project in accordance with the LDDA and the Sub Ground Lease.

Balance of Term. Upon Completion of the Project in accordance with the LDDA, the Premises will be occupied by the University pursuant to the Space Lease.

Financing of Project

Tenant will be responsible for undertaking the issuance of the Bonds and making a portion of the proceeds thereof available to Developer for construction of the Project and pursuant to the Disbursement Agreement. Any other financing which would encumber Tenant’s Interest in the Master Ground Lease, or any amendment, renewal, refinancing, or refunding of any such financing, will be subject to the prior written approval of Landlord, which approval Landlord may grant or withhold at its sole and absolute discretion, and in no event will any other such financing create any Lien or claim on or with respect to, or otherwise encumber, any rights, interests, powers,

benefits, privileges or other assets of Landlord, including the right, title and interest of Landlord in, to and under the Master Ground Lease or in its fee interest in the Site.

Taxes and Assessments

Taxes and Assessments. The parties intend and expect that the leasehold estate of Tenant created by the Master Ground Lease, and the Project, will be eligible for exemption under California law from Taxes.

Maintenance of Exemption. Landlord will diligently pursue and attempt to maintain exemption of the Premises from Taxes. Tenant will cause any Sub Ground Tenant to cooperate in connection with the same, at Landlord's request. Nothing contained in the Master Ground Lease is intended to change the degree to which the interest or estate of Tenant created by the Master Ground Lease is subject to Taxes; however, to the extent any Taxes are assessed, Landlord will have the responsibility to pay all Taxes.

Tax Obligations. Between the Parties, in the absence of any exemption Landlord will pay the Taxes.

Right to Contest. Landlord will have the right, at its own expense, to contest the amount, imposition, applicability or validity of any Taxes by appropriate proceedings which will operate to prevent the collection of any such Taxes so contested or the sale of the Premises or any part thereof to satisfy the same.

Compliance with Applicable Laws and Ordinances

Pursuant to the Sub Ground Lease and LDDA, at all times during the Term, Tenant will cause Sub Ground Tenant to conform to, obey, and comply with all present and future Applicable Laws which in any way are applicable to the Master Ground Lease, the Sub Ground Lease, the Space Lease, any other Transaction Documents or the transactions contemplated thereunder, the use of the Premises, or any development, repair, replacement, demolition, renovation, construction, restoration, excavation, operation, maintenance and/or management being done on or to the Premises. Pursuant to the Sub Ground Lease, the Tenant will also require that the Sub Ground Tenant not use, suffer, nor permit the Premises, or any part thereof to be used in any manner that would constitute a legal nuisance or an unreasonable annoyance to any student, employee, or visitor to the Campus or for any hazardous purpose. Without limiting the foregoing, Tenant recognizes that it is the practice of the Landlord to require payment of prevailing wage rates pursuant to any construction contract to improve space to be leased by the Landlord.

Construction of Improvements

The Project will be developed and constructed by Developer pursuant to the LDDA Agreement and Sub Ground Lease.

Default in Construction. If Sub Ground Tenant defaults in the performance of its obligations under the Sub Ground Lease or the LDDA, beyond any applicable notice and cure periods, then Tenant will cooperate with Landlord in the exercise of Landlord and Tenant's resulting rights under the LDDA and Sub Ground Lease, including, if requested by Landlord, the termination of the LDDA, the Sub Ground Lease or the Assigned Agreements or the Tenant's assumption of all Assigned Agreements, and the subsequent assignment of such Assigned Agreements to Landlord.

All Liens and Rights are Subordinate to Landlord. Tenant's rights, as well as the rights of any Person, including the rights of the Sub Ground Tenant, the Issuer, or any lender, financing party, mortgagee, architect, engineer, independent contractor, sublessee, tenant, prime or general contractor, subcontractor (of any tier) mechanic, laborer, materialmen, or other Lien or claim holder, and any successor or assignee of the foregoing, will always be and remain subordinate, inferior, and junior to Landlord's title, interest, and estate in the Site. Tenant will not create or permit to be created or to remain, and shall discharge, any Lien upon the Site or on any other property or asset of Landlord, or any part thereof, or the income therefrom, other than Permitted Liens. Nothing in the Master Ground Lease will be deemed or construed in any way as constituting the consent or request of Landlord, express or implied, by inference or otherwise, to the filing of any Lien against the Premises by any architect,

engineer, independent contractor, prime or general contractor, subcontractor (of any tier), mechanic, laborer, materialmen or other Person for the performance of any labor or the furnishing of any materials or services for or in connection with the Premises or any part thereof.

Title to the Work. Pursuant to the Sub Ground Lease, title to the Work, including any modifications or additions thereto during the Term, will be vested in the Sub Ground Tenant until the Termination Date, at which time all title to and ownership of the Building will automatically and immediately vest in Landlord (as assignee of Tenant's interests under the Sub Ground Lease), free and clear of any and all Liens other than Permitted Liens and at no additional cost to Landlord, provided that, if requested by Landlord, Tenant will (and will cause Sub Ground Tenant to) execute such deeds, transfer and other instruments as may be reasonably requested by Landlord in connection therewith. Tenant will cause Sub Ground Tenant to ensure that the title to and ownership of the Work is transferred to Landlord free and clear of any and all Liens other than the Permitted Liens.

Easements

Landlord reserves to itself the right to grant to others in the future nonexclusive access or utility easements, licenses or other rights of way over, under, through, across or on the Site in locations that will not materially or unreasonably interfere with Tenant's or Developer's use of the Site or Developers consent of the Tenant's or Sub Ground Tenant's right or obligations under other Transaction Documents.

Operation of Improvements

Upon the Completion of the Improvements in accordance with the LDDA, Tenant will cause the Sub Ground Tenant, pursuant to the Sub Ground Lease, to deliver possession of the Premises to the Space Lease Tenant pursuant to the Space Lease.

Security Interest

Further Action and Documents. Tenant agrees from time to time, at Landlord's expense, to promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that Landlord may reasonably request, in order to perfect and protect any pledge, assignment, security interest or other Lien granted or intended to be granted under the LDDA, the Sub Ground Lease or any other Transaction Document, and/or to enable Landlord to exercise and enforce its rights and remedies with respect to any Lien, including with respect to any Lien.

Financing Statements. Tenant authorizes Landlord to file at any time one or more financing and/or continuation statements, and amendments thereto, relating to all or any part of the Assigned Agreements (or with respect to any Lien in favor of Landlord under any other Transaction Document) without the signature of Tenant where permitted by Applicable Law.

Landlord May Perform; Power of Attorney. If Sub Ground Tenant fails to perform any covenant or agreement contained in the Sub Ground Lease and if such failure (i) is not a result of a default by the "Tenant" under the Space Lease and (ii) shall continue uncured after the giving of notice and the expiration of any applicable cure period, then Landlord may enforce the rights and remedies thereunder, and Tenant hereby assigns to Landlord any and all rights, powers, privileges and remedies it has pursuant to the Sub Ground Lease in connection therewith. Tenant hereby irrevocably appoints Landlord as Tenant's attorney-in-fact, with full power and authority in the place and stead of Tenant and in the name of Tenant or otherwise, if a default occurs by Sub Ground Tenant under the Sub Ground Lease, beyond applicable notice and cure periods, to take any action and to execute any instrument which Landlord may deem necessary or desirable to accomplish the purposes of the Transaction Documents, including:

To ask, demand, collect, sue for, recover, compromise, receive, and give acquittance and receipts for moneys due and to become due under or in connection with the Sub Ground Lease; and

To file any claims or take any action or institute any proceedings which Landlord may deem necessary or desirable to enforce compliance with the terms and conditions of the Sub Ground Lease or the rights of Landlord and Tenant with respect to any of the Sub Ground Lease.

No Duty of Landlord. The powers conferred on Landlord under the Ground Lease are solely to protect its interests in this Master Ground Lease, the other Transaction Documents and the Premises and shall not, in any event, impose any duty upon Landlord to exercise any such rights, powers, authorities or privileges. Landlord will have no duty to take any action to preserve any rights, powers, authorities or privileges against any Persons or any other rights, powers, authorities or privileges pertaining to the Master Ground Lease, the Sub Ground Lease, or any other Transaction Documents.

Assignment of Lease

Except for the ground lease of the Site to the Sub Ground Tenant pursuant to the Sub Ground Lease, and the lease of the Improvements from the Sub Ground Tenant to the Space Lease Tenant pursuant to the Space Lease, and any other transfer permitted by the terms of the Sub Ground Lease or the Space Lease, Tenant will not have the right to assign, transfer, lease, sublease, hypothecate or otherwise encumber Tenant's Interest or any portion thereof or any rights, powers, authorities or privileges appurtenant thereto, or to sublease the Premises or any portion thereof, without the prior written consent of Landlord, which consent may be withheld in Landlord's sole and absolute discretion, and which consent may be subject to any conditions reasonably required by Landlord to protect Landlord's economic and programmatic interests in the Master Ground Lease, the LDDA, the Sub Ground Lease, the Space Lease or the Premises. Any attempt to assign, transfer, lease, sublease, hypothecate or otherwise encumber without Landlord's consent shall be voidable by Landlord and, at Landlord's election, shall constitute an Event of Default under the Master Ground Lease.

Maintenance of Property

Pursuant to the Sub Ground Lease, Tenant will cause the Sub Ground Tenant at all times during the Term to keep and maintain, or cause to be kept and maintained, the Premises and all adjoining areas out to the perimeter pavement, and appurtenances and every part thereof, and all structures or improvements that may exist on, in, or be made a part of the Premises, in a sanitary, clean and structurally sound condition.

Indemnification by Landlord

Except to the extent caused by the intentional wrongful acts or gross negligence of Tenant or any of the Indemnitees, Landlord releases and agrees to indemnify, defend and hold Tenant and Indemnitees from and against any and all Claims, caused by, arising out of, or otherwise happening in connection with the Transaction Documents or the development, construction, use, financing or occupancy of the Premises, or resulting from any acts or occurrences on or about the Premises during the Term of the Master Ground Lease.

Landlord acknowledges to Tenant that as between Landlord and Tenant, Landlord's obligation to pay to the Trustee the amounts specified as Base Rent pursuant to the Space Lease is absolute and unconditional. Landlord covenants that it shall make such payments in the amounts and at the times specified in the Space Lease regardless of whether the Improvements is complete or available for use for any reason including failure of the Developer to complete the development and construction of the Improvements, the alleged or actual invalidity of the Master Ground Lease, the Sub Ground Lease, the Space Lease or any other document or agreement, or by virtue of any other reason or circumstance whatsoever. If any legal challenge are brought by any person that threatens the ability or legal authority of the University to make Base Rent payments pursuant to the Space Lease or otherwise would, could or might have the effect of causing a failure by the Issuer to make any payments on or with respect to the Bonds when due, then:

- (a) Tenant will pay to the Trustee such amounts at such times as necessary to prevent any such failure, and

(b) Landlord will indemnify Tenant for any amounts required to be so paid by Tenant to the Trustee and will pay to Tenant such amounts and at such times as necessary so that Tenant will have sufficient funds to make any such payment when such payment is due without the necessity of Tenant making any such payment from its own funds.

The obligations of Landlord under this section will survive the expiration or earlier termination of the Master Ground Lease or any finding of invalidity or unenforceability thereof unless such finding expressly includes the provisions of this section. All proper Claims submitted to Landlord under the Ground Lease shall be paid within thirty (30) days after receipt of such Claims by Landlord.

Insurance

Unless required in connection with the Bond Documents, Tenant will not be required to maintain any insurance with respect to the Premises in connection with the Master Ground Lease, but will require that the Sub Ground Tenant maintain the insurance required pursuant to the LDDA, Sub Ground Lease and Space Lease.

Damage and Destruction

Should the Premises be damaged or destroyed, in whole or in part, by fire, flood, earthquake, windstorm or other elements, casualty, accident, war, riot, public disorder, or acts of any Governmental Authority, or any other cause or happening, the parties agree: the LDDA, the Sub Ground Lease and the Space Lease, as applicable, will govern the parties' respective rights and obligations; provided Tenant shall take no actions in connection therewith without the express prior written consent of Landlord in each instance. The provisions of the Master Ground Lease constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises and any statute or regulation of the State of California, including Sections 1932(2) and 1933(4) of the California Civil Code, with respect to any rights or obligations concerning damage or destruction in the absence of an express agreement between the Parties, and any other statute or regulation, now or hereafter in effect, shall have no application to the Master Ground Lease or any damage or destruction to all or any part of the Premises.

Condemnation

If, during the Term, the Premises, or any portion thereof or interest therein, shall be appropriated, taken or damaged by reason of the exercise of the power of eminent domain by any entity except the University of California, whether by condemnation proceedings or otherwise, or any transfer of the Premises shall be made in avoidance of an exercise of the power of eminent domain by any entity except the University of California (all of the foregoing being hereinafter referred to as a "Taking"), the rights and obligations of Landlord and Tenant with respect to said Taking shall be as set forth in the Sub Ground Lease and Space Lease; provided Tenant will take no actions in connection therewith without the expressed prior written consent of Landlord. Tenant waives any and all rights it might otherwise have pursuant to Sections 1265.130 of the California Code of Civil Procedure.

Access to Premises

During the Construction Period, Landlord has the right to access the Premises as provided in the LDDA.

Events of Default and Remedies

Events of Default Defined. The following shall be "Events of Default" under the Ground Lease, and the terms "Event of Default" shall mean, whenever it is used, any one or more of the following events:

(a) Tenant fails to perform or cause to be performed any term, covenant, condition, or provision hereof required to be performed by Tenant, and to correct such failure within thirty (30) days after written notice specifying such failure is given to Tenant by Landlord. 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 Landlord, it shall not constitute an Event of Default if corrective action is instituted by Tenant within such thirty (30) day period and diligently pursued until the failure is corrected.

(b) Tenant (i) is dissolved, liquidated or terminated or be adjudicated as bankrupt or insolvent; (ii) makes a general assignment for the benefit of its creditors; (iii) files a petition, answer, or consent seeking, or have entered against it (or fail reasonably to contest the material allegations of any petition for) an order for relief under any provision of the Bankruptcy Code (or any similar remedy under any provision of the Bankruptcy Code), or consent to the institution of any proceedings thereunder; (iv) convenes a meeting of its creditors, or any class thereof, for the purpose of effecting a moratorium upon or extension or composition of its debts; (v) admits in writing that it is generally not able to pay its debts as they mature or generally not pay its debts as they mature; or (vi) applies for a consent to the appointment of a receiver, trustee, custodian, liquidator or other similar official of all or a portion of its assets.

(c) The occurrence of any of the following: (i) a petition is filed or any case or proceeding described in (b) above is commenced against Tenant or against the assets of Tenant unless such petition and the case or proceeding initiated thereby is dismissed within ninety (90) days from the date of the filing; (ii) an answer is filed by Tenant admitting the allegations of any such petition; or (iii) a court of competent jurisdiction enters an order, judgment or decree appointing, without the consent of Tenant, a custodian, trustee, agent, or receiver of Tenant or for all or any part of its assets or authorizing the taking possession by a custodian, trustee, agent or receiver of Tenant of all or any part of its assets unless such appointment is vacated or dismissed or such possession is terminated within ninety (90) days from the date of such appointment or commencement of such possession, but not later than five (5) days before the proposed sale of any assets of Tenant by Tenant's custodian, trustee, agent or receiver, other than in the ordinary course of the business of Tenant;

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

(e) Any other event that is expressly stated to be an Event of Default elsewhere in the Master Ground Lease.

Remedies. Upon the occurrence of an Event of Default, Landlord may pursue one of the following remedies in addition to any other remedies it may have under Applicable Law or in equity, each and all of which shall be cumulative and nonexclusive, without any notice or demand whatsoever:

(a) Cause Tenant to assign its interest in any of the Transaction Documents to an entity of Landlord's choosing.

(b) Landlord may, but shall not be obligated to, make any payment or perform or otherwise cure any obligation, provision, covenant or condition on Tenant's part to be observed or performed (and may enter the Premises for such purposes if needed). Any damages or judgments arising out of Tenant's default of its obligations under the Ground Lease shall be satisfied only out of Tenant's interest and estate in the Premises, and Tenant shall have no personal liability beyond such interest and estate with respect to such damages or judgments.

(c) If the Space Lease has been terminated, terminate the Master Ground Lease.

No Waiver. No waiver by Landlord of any non-compliance, violation or breach by Tenant of any of the terms, provisions or covenants contained in the Master Ground Lease will be effective unless in writing or will be deemed or construed to constitute a waiver of any other or later non-compliance, violation or breach by Tenant of the same or any other of the terms, provisions, and covenants. Forbearance by Landlord in enforcement of one or more of the remedies provided upon a default by Tenant shall not be deemed or construed to constitute a waiver of such default.

Landlord Default. Landlord is not in default under the Ground Lease unless Landlord fails to perform any of its obligations within a reasonable time, but in no event later than thirty (30) days after written notice by Tenant

to Landlord specifying wherein Landlord has failed to perform such obligation; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for performance then Landlord shall not be in default if Landlord commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion. Any damages or judgments arising out of Landlord's default of its obligations under the Master Ground Lease shall be satisfied only out of Landlord's interest and estate in the Premises, and Landlord shall have no personal liability beyond such interest and estate with respect to such damages or judgments.

Expiration or Termination

Extinguishment of Tenant's Rights. The Master Ground Lease shall not be terminated for any reason whatsoever while the Space Lease remains in full force and effect. Upon the expiration or earlier termination of the Space Lease for any reason whatsoever, the Term of the Master Ground Lease shall automatically end, and all rights, benefits, privileges and interests of Tenant under the Master Ground Lease (as well as of all Persons whomsoever claiming by, through or under Tenant), shall immediately cease and terminate, excluding only (i) those rights, benefits, privileges and interests necessary for the performance of Sub Ground Tenant's obligations during the Transition Period, and (ii) those provisions hereof which, by their terms, expressly survive any such expiration or termination. Upon the expiration or earlier termination of this Master Ground Lease, the Premises, including all improvements, infrastructure, engines, machinery, generators, boilers, furnaces, elevators, fire escapes, and all lifting, lighting, heating, cooling, refrigerating, air conditioning, ventilating, gas, electric and plumbing apparatus, appliances and fixtures, as well as other fixtures attached to or within the Premises, and all personal property of Tenant and Sub Ground Tenant located thereon following the Transition Period, will thence forward constitute and belong to and be the absolute property of Landlord or Landlord's designee(s), successors and assigns, without further act or conveyance, and without liability to make any payment or other compensation to Tenant, Sub Ground Tenant, or to any other Person whomsoever, and free, clear and discharged from all and every Lien and claim of any nature or character created or attempted to be created by Tenant or Sub Ground Tenant (or by any Person claiming by, through or under Tenant or Sub Ground Tenant) at any time. Tenant agrees, at the end of the Term and any Transition Period, to surrender unto Landlord, the Premises, subject to the rights of the Space Lease Tenant under the Space Lease, and the rights of any sublessees, tenants or other occupants under the Space Lease, with then existing buildings, other structures, infrastructure, fixtures and improvements constructed and located thereon and therein, in the condition then existing. During the Transition Period, Sub Ground Tenant (or any Person claiming by, through or under Tenant or Sub Ground Tenant) shall continue to have access and use of the Premises as reasonably necessary to perform the duties and obligations required during such Transition Period under the Transaction Documents. No such access or use shall be deemed holding over by Tenant under this Master Ground Lease.

Submission of Matters to Landlord for Approval

Any matter which must be submitted to and consented to or approved in writing by Landlord, as required under the Master Ground Lease, shall be submitted to Landlord in accordance with the notice requirements in the Master Ground Lease.

Holding Over by Tenant

Tenant will not use or remain in possession of the Premises after the end of the Term. There shall be no renewal whatsoever of the Master Ground Lease by operation of law.

Miscellaneous

Preservation of Tax Status of Bonds. Neither Party will take any action with respect to the Premises that would adversely affect the exclusion of the interest payable on the Bonds from gross income for Federal income tax purposes. Neither Party will take any action with respect to the Premises which would otherwise result in a breach of any representations, warranties, conditions, or covenants of Tenant or Landlord as set forth in the Bond Documents.

SUB GROUND LEASE

Definitions

The following terms have the indicated definitions in the Sub Ground Lease:

“Additional Ground Rent” means any amounts payable by Tenant to Landlord under this Sublease other than Base Ground Rent.

“Affiliate” means, as to any Person, any other Person that, directly or indirectly, Controls, is Controlled by, or is under common Control with such Person or is a director or officer of such Person or an Affiliate of such Person.

“Applicable Law” means: (a) any statute, law, code, regulation, ordinance, rule or common law; (b) any binding judgment (other than regarding a Loss or other Dispute); (c) any binding judicial or administrative writ, order, judgment, injunction, award or decree (other than regarding a Loss or other Dispute); (d) any written directive, guideline, policy requirement or other governmental restriction (including those resulting from the initiative or referendum process); or (e) any similar form of decision of or determination by, or any written interpretation or administration of any of the foregoing by, any Governmental Authority, in each case which is applicable to or has an impact on the Site, the Improvements or the Premises, whether taking effect before or after the Effective Date.

“Assigned Agreements” means the Construction Contracts, as defined in the LDDA.

“Bankruptcy Code” means Title 11 of the United States Code and any other Federal, state or foreign bankruptcy, insolvency, rehabilitation, reorganization, liquidation or similar laws, now or hereafter in effect.

“Base Ground Rent Commencement Date” means the same date as the Space Lease Base Rent Commencement Date.

“Base Ground Rent Payment Date” means the Base Ground Rent Commencement Date and each subsequent date specified in the Sub Ground Lease, provided that if the corresponding Space Lease Base Rent is not paid or payable on such date, then the applicable Base Ground Rent Payment Date shall be the applicable date upon which the corresponding Space Lease Base Rent is actually paid.

“Base Ground Rent” means the Space Lease Base Rent actually paid by the University directly to the Trustee pursuant to the Base Rent Assignment Agreement.

“Base Rent Assignment Agreement” means that certain Base Rent Assignment Agreement by and between the Tenant and the Trustee dated as of the Effective Date.

“Bond Documents” means, collectively, the Indenture, the Loan Agreement, Base Rent Assignment, and all other instruments or agreements executed by the Trustee, Issuer and/or Landlord in connection with the issuance and delivery of the Bonds and the proceeds thereof.

“Bonds” means those certain California Infrastructure and Economic Development Bank Revenue Bonds (UCSF Clinical and Life Sciences Building) Series 2025 issued by Issuer pursuant to the Indenture.

“Business Day” means any day other than (a) a Saturday or a Sunday, (b) a day on which commercial banks in San Francisco, California are authorized or obligated by law, government decree or executive order to be closed or (c) a day observed as a holiday by the State of California or the Federal government.

“Campus” means the University of California at San Francisco’s Mission Bay Campus.

“**Casualty**” means fire, flood, earthquake, windstorm, the elements, casualty, accident) war, riot, public disorder, acts authorized or unauthorized by the government or any other cause or happening.

“**CFIA**” means Campus Facilities Improvement Association, a California non-profit corporation.

“**City**” means the City and County of San Francisco.

“**Construction Period**” means the period commencing on Effective Date and continuing until the Project Substantial Completion Date.

“**Consumer Price Index**” means the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers, San Francisco/Oakland/San Jose, California Average, subgroup “All Items” (1982-84=100). If at any time during the Term said index is terminated or does not have the format recited above, the Parties shall, by mutual agreement, select a comparable official index that may be published by the Bureau of Labor Statistics or a successor or similar governmental agency as may then exist or be most nearly equivalent thereto.

“**Control**” (and the co-relative terms “Controlling,” “Controlled by,” and “under common Control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of outstanding securities, equity, or other beneficial ownership interests, by contract or otherwise.

“**Default Assignee**” means an assignee (or assignees) of Tenant’s interest in the Space Lease and this Sublease identified by Landlord or the University within thirty (30) days of receipt of the Default Assignment Notice.

“**Default Assignment Notice**” has the meaning ascribed thereto in **Section 23.5** of the Sub Ground Lease.

“**Default Assignment Right**” has the meaning ascribed thereto in **Section 23.5** of the Sub Ground Lease.

“**Developer**” means Tenant, in its capacity as “Developer” under the LDDA, and its successors and assigns under the LDDA.

“**Development Agreement Assignment**” means that certain Assignment and Assumption Agreement dated _____ entered into by California Barrel Company LLC and the University (as the same may be amended or supplemented from time to time in accordance with the provisions thereof).

“**Development Agreement**” means that certain Development Agreement entered into by the City and County of San Francisco and California Barrel Company LLC, dated as of September 22, 2020 (as the same may be amended or supplemented from time to time in accordance with the provisions thereof).

“**Disbursement Agreement**” means the Disbursement Agreement by and among CFIA, Tenant, Trustee and the University of an even date with the Sub Ground Lease.

“**Dispute**” means any dispute, disagreement or controversy between or among the Parties concerning their respective rights and obligations under the Agreement, including concerning any Loss, alleged breach or failure to perform and remedies.

“**Effective Date**” means _____, the date the Sub Ground Lease is executed.

“**Event of Default**” has the meaning ascribed thereto in **Article 23** of the Sub Ground Lease.

“**Force Majeure**” means acts of a public enemy; fires; floods; explosions; epidemics; quarantine or other public health restrictions issued by a Governmental Authority; freight embargoes; strikes; boycotts; obstructive actions by labor organizations; demonstrations; earthquakes in excess of a magnitude of 3.5 on the Richter Scale;

tidal waves; archeological finds on the Site; shortage of, or inability to obtain materials or reasonably acceptable substitute materials (provided that the applicable Party has ordered such materials on a timely basis and the acts or omissions of the applicable Party are not otherwise at fault for such inability to obtain materials); acts of terror or terrorism; emergency declarations by a Governmental Authority; war and related causes; nuclear perils; or explosion or nuclear, radioactive, chemical or biological contamination not caused by the applicable Party.

“Governmental Authority” means any and all entities, courts, tribunal or other judicial, adjudicative or legislative decision-making body, or boards, agencies, bureaus, commissions, offices, divisions, subdivisions, departments, bodies, or authorities of any nature whatsoever of any governmental unit (Federal, state, county, city or otherwise) having jurisdiction whether now or hereafter in existence, including the University of California.

“Ground Lease Assignment Agreement” has the meaning ascribed thereto in Section 18.3 of the Sub Ground Lease.

“Ground Rent” means, collectively, Base Ground Rent plus any Additional Ground Rent.

“Improvements” means a facility for a proton therapy facility, life science innovation laboratory and other medical office and/or life science uses to be developed on the Premises.

“Indemnitees” has the meaning ascribed thereto in **Article 15** of the Sub Ground Lease.

“Indenture” means an indenture by and between Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee.

“Issuer” means California Infrastructure and Economic Development Bank and such party’s successor and assigns under the Indenture.

“Landlord Transfer” has the meaning ascribed thereto in **Section 28.19** of the Sub Ground Lease.

“Landlord” means Campus Facilities Improvement Association, a California non-profit corporation (and includes its successors and assigns).

“LDDA” means the Lease Disposition and Development Agreement dated as of _____, 2025 (as amended or supplemented from time to time) with Tenant and CFIA.

“Lien” means any lien, mortgage, deed of trust, hypothecation, encumbrance, pledge, collateral assignment, assignment, charge, lease, easement, right of way, license, servitude, right of others or security interest of any kind whatsoever, including any arising under any conditional sale or other title retention agreement.

“Loan Agreement” means the loan agreement (as amended or supplemented from time to time) between Issuer as lender, and CFIA as borrower.

“Loss” or **“Losses”** when used with reference to any indemnity hereunder means any and all claims, demands, losses, liabilities, damages (including foreseeable and unforeseeable consequential damages), liens, obligations, interest, injuries, penalties, fines, lawsuits and other proceedings, judgments and awards and costs and expenses (including Attorneys’ Fees and Costs, and consultants’ fees and costs) of whatever kind or nature, known or unknown, contingent or otherwise.

“Master Ground Lease” means the Master Ground Lease of even date with the Sub Ground Lease with respect to the Site (as amended or supplemented from time to time).

“Net Proceeds” means, when used with respect to an insurance or condemnation award, or with respect to any other recovery on a contractual claim or a claim for damage to or for taking of property, the gross proceeds from such award or recovery less the reasonable amounts paid for expenses (including Attorneys’ Fees and Costs and any extraordinary expenses) incurred in the collection of such gross proceeds.

“Overdue Interest Rate” means, for any date, the lesser of (a) the rate of ten percent (10%) per annum; or (b) the maximum non-usurious rate under Applicable Law.

“Party” means Landlord or Tenant and **“Parties”** means Landlord and Tenant.

“Permitted Liens” means (i) the lien of real estate taxes, supplemental taxes, and assessments, (ii) encroachments of existing improvements into the public right of way, (iii) those exceptions identified in the survey, dated _____, 2024, prepared by _____, (iv) those exceptions identified in the Pro Forma Owner’s Policy of Title Insurance, dated _____, prepared by First American Title Company (Issuing Office: 4750 Willow Road, Suite 275, Pleasanton, CA 94588), and (v) any encumbrance expressly permitted under the Transaction Documents or otherwise approved by Landlord or the University.

“Permitted Use” means development, construction and operation of the Site, Improvements and Premises and any uses permitted under the Space Lease.

“Person” means natural persons, firms, joint ventures, associations, trusts, partnerships, corporations, limited liability companies, public bodies, and similar entities, whether for profit or non-profit.

“Premises” means the Site and the Improvements.

“Project Substantial Completion Date” has the meaning ascribed thereto in the LDDA (as the as the same may be amended or supplemented from time to time in accordance with the provisions thereof).

“Site” means land that is the subject of the Sublease, as described in the legal description attached to the Sub Ground Lease as Exhibit A.

“Space Lease Assignment Agreement” means a lease assignment agreement between Landlord (or its designee), Tenant and University, in the form attached to the Sub Ground Lease.

“Space Lease Base Rent Commencement Date” means the first day Space Lease Base Rent is due and payable under the Space Lease.

“Space Lease Base Rent” means the monthly Base Rent under the Space Lease that is related to the Bonds and is payable by University directly to the Trustee as assignee of Tenant.

“Space Lease Period” means the period commencing on the day immediately following the end of the Construction Period and continuing through the end of the Term.

“Space Lease Tenant” means the “Tenant” under the Space Lease, which shall initially mean University, but shall include University’s successors and assigns.

“Space Lease” means that certain Space Lease (as the same may be amended or supplemented from time to time in accordance with the provisions thereof) for the Premises by and between Developer, as “Landlord”, and the University, as “Tenant”, or their successors and assigns.

“State” means the State of California.

“Sub Ground Lease” or **“Sublease”** means the Sub Ground Lease dated as of the Effective Date by and between Landlord and Tenant.

“Taking” has the meaning ascribed thereto in the Sub Ground Lease.

“Taxes” means all federal, state, county, or local governmental or municipal taxes, fees, charges or other impositions of every kind and nature, whether general, special, ordinary or extraordinary, (including, without limitation, real estate taxes, general and special assessments, transit taxes, leasehold taxes or taxes based upon the

receipt of rent, including gross receipts or sales taxes applicable to the receipt of rent, personal property taxes imposed upon the fixtures, machinery, equipment, apparatus, systems and equipment, appurtenances, furniture and other personal property used in connection with the Premises or any portion thereof) that shall be paid or accrued during the Term because of or in connection with the ownership, leasing or operation of the Premises, or any portion thereof, including, without limitation: (i) any tax on the rent, right to rent or other income from the Premises, or any portion thereof, or as against the business of leasing the Premises, or any portion thereof; (ii) any assessment, tax, fee, levy or charge in addition to, or in substitution, partially or totally, of any assessment, tax, fee, levy or charge previously included within the definition of real property tax, it being acknowledged by Tenant and Landlord that Proposition 13 was adopted by the voters of the State of California in the June 1978 election (“**Proposition 13**”) and that assessments, taxes, fees, levies and charges may be imposed by governmental agencies for such services as fire protection, street, sidewalk and road maintenance, refuse removal and for other governmental services formerly provided without charge to property owners or occupants, and, in further recognition of the decrease in the level and quality of governmental services and amenities as a result of Proposition 13, (iii) any governmental or private assessments or costs under governmental or private cost-sharing agreements for the purpose of augmenting or improving the quality of services and amenities normally provided by governmental agencies; (iv) any assessment, tax, fee, levy, or charge allocable to or measured by the area of the Premises or the Base Rent or Other Rent payable under the Space Lease, including, without limitation, any business or gross income tax or excise tax with respect to the receipt of such rent, or upon or with respect to the possession, leasing, operating, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises, or any portion thereof; (v) any assessment, tax, fee, levy or charge, upon this transaction or any document to which Tenant is a party, creating or transferring an interest or an estate in the Premises; and (vi) all of the real estate taxes and assessments imposed upon or with respect to the Premises and all of the real estate taxes and assessments imposed on the land and improvements comprising the Site.

“**Tenant’s Interest**” means Tenant’s entire interest in (i) the Site, (ii) the Improvements, and (iii) this Sublease.

“**Tenant’s Parties**” has the meaning ascribed thereto in **Article 15** of the Sub Ground Lease.

“**Tenant**” means Power Station Block 2 Development Company LLC, a Delaware limited liability company (and includes its successors and assigns).

“**Term**” means the period set forth in **Section 2.3**.

“**Termination Date**” means the date on which the Term hereof ends by termination or expiration of this Sublease, as described in **Section 2.3** below.

“**Transaction Documents**” means the Master Ground Lease, this Sub Ground Lease, the Space Lease, the LDDA, the Disbursement Agreement, the Bond Documents executed, delivered and/or recorded by CFIA, Tenant and/or University in connection therewith or in connection with the transactions contemplated hereunder.

“**Transition Period**” means the period reasonably necessary (not to exceed one hundred twenty (120) days) following the expiration or earlier termination of this Sublease for Tenant to transition operation and management of the Improvements to Space Lease Tenant.

“**Trustee**” has the meaning ascribed thereto in the Recitals.

“**Underlying Documents**” means the Transaction Documents, and all current or future ground leases and master leases, development agreements, including the Development Agreement and the Development Assignment Agreement, easements, licenses, operating agreements, declarations, restrictive covenants, covenants, conditions and restrictions affecting the Premises (and any portion thereof), reciprocal easement agreements, parking licenses in each case memorialized by instruments recorded in the Official Records affecting the Premises.

“**University of California**” means The Regents of the University of California, to the extent it is acting in its sovereign and autonomous governmental capacity under Article IX of the California State Constitution (as distinguished from acting in its proprietary capacity).

“University” has the meaning ascribed thereto in the Recitals.

“Work” means the “Developer’s Work” pursuant to and as defined in the LDDA.

Term of Lease

Lease. Landlord subleases to Tenant, and Tenant subleases from Landlord, the Site.

Term. The term of the Sub Ground Lease will commence on the Effective Date and terminate at the earlier of (i) the last day of the term of the Space Lease, or (ii) such other date that the Sub Ground Lease is sooner terminated in accordance with the terms of the Sub Ground Lease. The Sub Ground Lease will expire without further notice at expiration of the Term, and no holding over will be permitted. Any holding over by Tenant after expiration will not constitute a renewal or extension nor will it give Tenant any rights in or to the Premises or any part thereof.

Early Termination. In addition to the remedies provided in the Sub Ground Lease, either Landlord or Tenant may, upon delivery of written notice to the other Party and the Trustee, terminate the Sub Ground Lease in its entirety before expiration of the Term in the event that the LDDA is terminated prior to the Project Substantial Completion Date. As a condition to such right of Landlord or Tenant to terminate the Sub Ground Lease, Landlord must either: (a) assume the Tenant’s interest in the Space Lease (or cause the assumption thereof by Landlord’s designee) and keep the Space Lease in full force and effect, and deliver an opinion of nationally recognized bond counsel to the effect that such actions do not adversely affect the tax-exempt status of the Bonds, (b) arrange for assumption of Landlord’s interest in the Sub Ground Lease by the University, as Landlord under the Master Ground Lease, or (c) acquire (or cause Landlord’s designee to acquire) the uncompleted Improvements, in which case Landlord (or its designee, as applicable) shall pay to the Trustee all amounts then required by the Trustee for defeasance and payment of the Bonds (either at maturity or, if sooner, on their first optional redemption date) in accordance with their terms.

Assignment/Termination. Notwithstanding the Sub Ground Lease, but subject to the Base Rent Assignment Agreement, if Tenant assigns its interest as “Landlord” under the Space Lease, Landlord (or its designee) and Tenant shall promptly enter into a Space Lease Assignment Agreement whereby (i) if Tenant’s interest in the Space Lease is being assigned to Landlord pursuant to the Space Lease Assignment Agreement, the Sublease will be terminated as of the effective date of the Space Lease Assignment Agreement, (ii) if Tenant’s interest in the Space Lease is being assigned to Landlord’s designee (or Tenant’s designee) pursuant to the Space Lease Assignment Agreement, Tenant’s interest in the Sublease will be assigned to such designee pursuant to a Ground Lease Assignment Agreement and as of the effective date of such assignment and assumption by Landlord’s or Tenant’s designee, Tenant will have no further rights or obligations under the Sub Ground Lease and will be released from all liability arising thereafter under the Sublease (except anything that expressly survives the expiration or earlier termination of the Sublease). Nothing in this provision will (a) permit further assignment of the Space Lease Base Rent (which will continue to be absolutely assigned to the Trustee in accordance with the Base Rent Assignment Agreement) or (b) materially or adversely affect the legality, enforceability or validity of the Bonds and related Bond Documents, failing which such assignment shall be void *ab initio*.

Lease Consideration

Payment of Rent. Rent will be paid to Landlord in accordance with the provisions of the Sub Ground Lease.

Base Ground Rent. The Base Ground Rent payable to Landlord under the Sub Ground Lease will be equal to the Space Lease Base Rent, which will be paid by the University directly to the Trustee pursuant to the Base Rent Assignment Agreement, on behalf and as assignee of the Tenant, and upon such payment of Space Lease Base Rent to the Trustee, the Base Ground Rent payable to Landlord will be paid. The Base Ground Rent will be paid on each Base Ground Rent Payment Date starting on the Base Ground Rent Commencement Date. All such payments of Space Lease Base Rent will be fully credited to Tenant’s obligation to pay Base Ground Rent under the Sub Ground Lease. The obligation of Tenant to make the Base Ground Rent payments is absolute and unconditional, and until

such time as the total Base Ground Rent payable under the Sub Ground Lease has been paid in full (or provision for the payment thereof will have been made pursuant to the Indenture and the Sub Ground Lease), the Tenant will not discontinue or suspend any payment of Base Ground Rent, whether or not the Premises or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by set-off or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever. Tenant will execute and deliver the Base Rent Assignment Agreement so that the Space Lease Base Rent is paid directly to the Trustee, and further agrees that Landlord may enforce the Base Rent Assignment Agreement (directly or through a direction to the Trustee) in order to assure that such Space Lease Base Rent is paid directly to the Trustee.

Additional Ground Rent. To the extent that Tenant is obligated to pay any Additional Ground Rent under the Sub Ground Lease, and does not pay such amounts directly in accordance with the provisions set forth in the Sub Ground Lease, such amounts will be paid to Landlord in immediately available funds, in lawful money of the United States of America, within thirty (30) days after written demand therefor.

Uses and Restrictions

Construction Period. Tenant is authorized during the Construction Period to perform the Work in accordance with the LDDA.

Balance of Term. During the Space Lease Period, the Premises will be occupied by the Space Lease Tenant pursuant to the terms of the Space Lease.

Financing of Project

Landlord is responsible for the issuance of the Bonds and making a portion of the proceeds available to Tenant per the Disbursement Agreement. Tenant will not obtain any other financing that would encumber the Tenant's interest in the Sublease during the Construction Period or remaining Term without the written approval of the Landlord and University.

Taxes and Assessments

Taxes and Assessments. The Parties intend and expect that the leasehold estate of Tenant created by the Sub Ground Lease and the Improvements will be eligible for exemption, under California law, from Taxes. Nonetheless, Landlord makes no representation or warranty regarding Taxes, and Landlord shall bear no responsibility for the assessment thereof.

Maintenance of Exemption. Nothing contained in the Sub Ground Lease is intended to change the degree to which the interest or estate of Tenant created by the Sub Ground Lease is subject to Taxes; however, to the extent any Taxes are assessed, Tenant and Landlord shall have the responsibilities and rights set forth in the Sub Ground Lease.

Tax Obligations. In the absence of an applicable exemption, Tenant will pay, as Additional Ground Rent, prior to the delinquency date thereof, all Taxes, but only to the extent Tenant is reimbursed for the same by the University (i) during the Construction Period, under the LDDA, or (ii) during the Space Lease Period, under the Space Lease prior to such delinquency date.

Right to Contest. Tenant shall have the right, at its own expense, to contest or to permit the University as tenant under the Space Lease to contest, the amount or validity of any Taxes by appropriate proceedings, diligently conducted in good faith, which shall operate to prevent the collection of any such Property Tax so contested or the sale of the Premises or any part thereof to satisfy the same. Tenant will, if requested by Landlord to do so in order to protect Landlord from any sale or foreclosure against the Premises or any part thereof, provide a good and sufficient surety bond or other security deemed appropriate by Landlord in the amount of such Property Tax plus

estimated penalties which may be imposed, provided further that Tenant shall bear any and all costs, liability, or damage, including attorneys' fees and costs arising out of such contest.

Exclusion of Certain Taxes. Tenant's obligation to pay Taxes levied and assessed against the Premises or any part thereof will exclude business, income, or profits taxes levied or assessed solely against Landlord by Federal, State, or other Governmental Authorities, unless such Property Tax is levied in lieu of Taxes which would have been otherwise payable by Tenant under the Sub Ground Lease.

Compliance with Applicable Laws and Ordinances

At all times during the term, the Tenant will conform to, obey, and comply with all Underlying Documents and all present and future Applicable Laws that are in any way are applicable to (i) the Master Ground Lease and the Sub Ground Lease or (ii) the use of the Premises or any (iii) any development, repair, replacement, demolition, renovation, construction, restoration, or excavation being done on or to the Premises. Tenant shall not use, suffer or to permit the Premises, or any part thereof to be used in any manner that would constitute a legal nuisance or an unreasonable annoyance to any student, employee, or visitor of or to the Site or the Space Lease Tenant or for any hazardous purpose in violation of Laws. If, at any time during the Term of the Sub Ground Lease, any addition, alteration, change, or repair or other work of any nature, structural or otherwise, be lawfully required or ordered by an applicable Governmental Authority or become necessary on account of any Applicable Law then in effect, the entire expense thereof, will be paid by the Tenant (subject to the terms of the Space lease) and, in no event, shall the Landlord be called upon to contribute thereto or do or pay for any work of any nature whatsoever on or relating to the Premises.

Construction of Improvements

All Liens and Rights are Subordinate to Landlord. Tenant's rights, as well as the rights of any other Person (other than Issuer) claiming under Tenant, including the rights of any lender, financing party, mortgagee, architect, engineer, independent contractor, assignee, sublessee, tenant, prime or general contractor, subcontractor (of any tier), mechanic, laborer, materialmen, or other Lien or claim holder, and any and all successors and assignees of each of the foregoing, claiming under Tenant (but not under the University), will always be and remain subordinate, inferior, subject and junior to Landlord's leasehold and University's fee title, interest, and estate in the Site. Except as otherwise expressly permitted hereunder, Tenant shall not create or permit or suffer to be created, to exist or to remain, and shall discharge (but Tenant will have no obligation to prevent the University, Issuer or Landlord, or any of their affiliates from creating) any Lien levied on account of any mechanic's, laborer's, or materialman's Lien, or any security agreement, conditional bill of sale, title retention agreement, chattel mortgage, or otherwise that constitutes a Lien upon the Site or on any other property or asset of Landlord, or any part thereof, or the income therefrom, other than Permitted Liens. Nothing in the Sub Ground Lease will be deemed or construed in any way as constituting the consent or request of Landlord, express or implied, by inference or otherwise, to the filing of any Lien against the Premises by any architect, engineer, independent contractor, prime or general contractor, subcontractor (of any tier), mechanic, laborer, materialmen, or other Person for the performance of any labor or the furnishing of any materials or services for or in connection with the Premises or any part thereof.

Title to the Developer's Work. Title to the Improvements, including any modifications or additions thereto during the Term shall be vested in Tenant until the Termination Date, at which time all title to and ownership of the Improvements shall automatically and immediately vest (without the necessity of any further action being taken by Tenant or Landlord or any instrument being executed and delivered by Tenant to Landlord) in Landlord, at no additional cost to Landlord; provided that, if requested by Landlord, Tenant shall execute such deeds, transfer and other instruments as may be reasonably requested by Landlord (or University) in connection therewith. Tenant shall ensure that the title to and ownership of the Developer's Work is transferred to Landlord free and clear of any and all Liens other than the Permitted Liens.

Easements

In the event after the Construction Period the installation or maintenance of future utility lines in easements causes any damage to the Premises, or any portion thereof, including pavement, curbs and sidewalks, Landlord shall repair the same, or cause the same to be repaired, at Landlord's expense. Tenant shall remain responsible to repair,

at its expense, any such damage required by, arising out of or in connection with the Work under the LDDA or Tenant's maintenance and repair obligations under the Space Lease.

Operation of Project

General. Upon the Project Substantial Completion Date, Tenant will deliver possession of the Improvements to the Space Lease Tenant pursuant to the Space Lease, and will perform its obligations thereunder.

Standards of Operation. Tenant will perform its obligations under the Sub Ground Lease as required under the LDDA and the Space Lease.

Assignment of Lease

Assignment by Tenant. Except for the Space Lease (and any rights to assign or transfer permitted thereunder), the Default Assignment Right set forth in **Section 23.5** of the Sub Ground Lease, and the provisions of the Base Rent Assignment Agreement, Tenant will not assign or transfer, hypothecate or otherwise encumber Tenant's Interest or any portion thereof or any right or privilege appurtenant thereto, or sublease the Premises or any portion thereof, without the prior written consent of Landlord and University, in each case, which consent may be withheld in Landlord's and/or University's sole and absolute discretion. No consent by Landlord or the University is required to enter into the Space Lease, or to permit any assignment, transfer or hypothecation by the tenant permitted under the Space Lease or any transfer, hypothecation, assignment or sublease contemplated in the Base Rent Assignment Agreement, or to exercise the Default Assignment Right. Any attempt to assign this Sublease without Landlord's and/or University's consent shall be voidable by Landlord and/or University, at each of their sole election, and shall constitute an Event of Default under this Sublease. The consent by Landlord and/or University to any transfer, hypothecation, assignment or subleasing shall not constitute a waiver of the necessity for such consent to any subsequent assignment, transfer, hypothecation or subleasing. Notwithstanding anything to the contrary herein, without Landlord's or University's consent, Tenant may transfer, assign, hypothecate or sublease its interest in this Sublease to any person or entity that will concurrently be assuming Tenant's obligations (as "Landlord") under the Space Lease (and subject to any restrictions on assignment set forth in the Space Lease).

Insurance

Insurance. Tenant's insurance requirements are addressed in the LDDA and the Space Lease.

Waiver of Subrogation Rights. Landlord and Tenant each waives any right of recovery against the other due to loss of or damage to the property of either Landlord or Tenant to the extent such loss of or damage to property arises out of the acts of God or any other perils whether or not such perils have been insured, self insured or non insured.

Damage and Destruction

Should the Premises be damaged or destroyed, in whole or in part, by fire, flood, earthquake, windstorm, the elements, casualty, accident, war, riot, public disorder, acts authorized or unauthorized by the government or any other cause or happening (each a "Casualty"), Tenant will give Landlord prompt notice thereof, and the Parties agree as follows:

Development Agreement. Prior to the Project Substantial Completion Date, in the event of a Casualty, Tenant's rights and obligations will be governed by the terms and conditions of the LDDA.

Restoration; Termination. After the Project Substantial Completion Date, Tenant will diligently and with commercially reasonable promptness repair the Premises pursuant to the Space Lease. If the Casualty Assignment occurs under the Space Lease as a result of a Casualty, then: (i) if Tenant's Interest in the Space Lease is being assigned to Landlord pursuant to the Space Lease Assignment Agreement, then the Sub Ground Lease will be terminated as of the effective date of the Space Lease Assignment Agreement, and (ii) if Tenant's Interest in the Space Lease is being assigned to any person or entity other than Landlord pursuant to the Space Lease Assignment

Agreement, then Tenant's Interest in the Sub Ground Lease will be assigned to such designee pursuant to an assignment agreement in substantially the same form as the Space Lease Assignment Agreement (the "Ground Lease Assignment Agreement"), and as of the effective date of such assignment, Tenant will have no further rights or obligations under the Sub Ground Lease.

Landlord Cooperation. Landlord will reasonably cooperate with Tenant in the procurement and issuance of all permits, licenses, and approvals necessary to commence and complete such restoration, provided that Landlord shall not be required to incur any cost or expense in doing so.

Waiver of Statutory Provisions. The provisions of the Sub Ground Lease constitute an express agreement between Landlord and Tenant with respect to any casualty to all or any part of the Improvements, and any statute or regulation, including, Sections 1932(2) and 1933(4) of the California Civil Code, with respect to any rights or obligations concerning damage or destruction in the absence of an express agreement between the parties, and any other statute or regulation, now or hereafter in effect, shall have no application to the Sub Ground Lease or any damage or destruction to all or any part of the Improvements.

Condemnation

General Rights and Obligations. If, during the Term, the Premises, or any portion thereof or interest therein, shall be appropriated, taken or damaged by reason of the exercise of the power of eminent domain by any entity except the University, whether by condemnation proceedings or otherwise, or any transfer of the Premises shall be made in avoidance of an exercise of the power of eminent domain by any entity except the University (all of the foregoing being hereinafter referred to as a "Taking"), the rights and obligations of Landlord and Tenant with respect to said Taking shall be as provided in the Sub Ground Lease, and Tenant waives any and all rights it might otherwise have pursuant to Section 1265.130 of The California Code of Civil Procedure.

Termination due to Taking. If the "Taking Assignment" (as defined in the Space Lease) under the Space Lease occurs as a result of a Taking, then (i) if Tenant's Interest in the Space Lease is being assigned to Landlord pursuant to the Space Lease Assignment Agreement, then the Sub Ground Lease will be terminated as of the effective date of the Space Lease Assignment Agreement, and (ii) if Tenant's Interest in the Space Lease is being assigned to Landlord's designee pursuant to the Space Lease Assignment Agreement, then Tenant's Interest in the Sub Ground Lease will be assigned to such designee pursuant to the Ground Lease Assignment Agreement, and as of the effective date of such assignment, Tenant will have no further rights or obligations and be release from all liability arising under the Sub Ground Lease. It is understood and acknowledged by the parties that the Space Lease Tenant is entitled to the entire award pursuant to the terms of the Space Lease, and Landlord will assign to the Space Lease Tenant any and all right, title and interest Landlord may have in such award and will take such actions as may be required to effectuate such assignment.

Taking Without Termination. In the event of any Taking which does not result in the termination of the Sub Ground Lease in accordance with the foregoing, then: (i) Landlord will not be entitled to any part of the award as damages or otherwise for such condemnation and Tenant is to receive the full amount of such award, and (ii) Tenant will commence all work required to restore the Improvements if required under the Space Lease.

Events of Default and Remedies

Events of Default Defined. The following will be "Events of Default" under the Sub Ground Lease, and the terms "Event of Default" or "Default" will mean, whenever they are used in the Sub Ground Lease, any one or more of the following events:

(a) Tenant actively prevents the University from paying Space Lease Base Rent directly to the Trustee pursuant to the Base Rent Assignment Agreement or fails to pay any Additional Ground Rent at the times specified in the Sub Ground Lease and such failure shall continue for fifteen (15) days after written notice thereof from Landlord.

(b) Tenant fails to perform or cause to be performed any other term, covenant, condition, or provision under the Sub Ground Lease required to be performed by Tenant, other than as referred to in (a) above, and to correct such failure within thirty (30) days after written notice specifying such failure is given to Tenant by Landlord. 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 Landlord, it shall not constitute an Event of Default if corrective action is instituted by Tenant within the applicable period and diligently pursued until the failure is corrected.

(c) Tenant (i) is dissolved, liquidated or terminated or be adjudicated as bankrupt or insolvent; (ii) makes a general assignment for the benefit of its creditors; (iii) files a petition, answer, or consent seeking, or have entered against it (or fail reasonably to contest the material allegations of any petition for) an order for relief under any provision of the Bankruptcy Code (or any similar remedy under any provision of the Bankruptcy Code), or consent to the institution of any proceedings thereunder; (iv) convenes a meeting of its creditors, or any class thereof, for the purpose of effecting a moratorium upon or extension or composition of its debts; (v) admits in writing that it is generally not able to pay its debts as they mature or generally not pay its debts as they mature; or (vi) applies for a consent to the appointment of a receiver, trustee, custodian, liquidator or other similar official of all or a portion of its assets.

(d) The occurrence of any of the following: (i) a petition is filed or any case or proceeding described in (b) above is commenced against Tenant or against the assets of Tenant unless such petition and the case or proceeding initiated thereby is dismissed within ninety (90) days from the date of the filing; (ii) an answer is filed by Tenant admitting the allegations of any such petition; or (iii) a court of competent jurisdiction enters an order, judgment or decree appointing, without the consent of Tenant, a custodian, trustee, agent, or receiver of Tenant or for all or any part of its assets or authorizing the taking possession by a custodian, trustee, agent or receiver of Tenant of all or any part of its assets unless such appointment is vacated or dismissed or such possession is terminated within ninety (90) days from the date of such appointment or commencement of such possession, but not later than five (5) days before the proposed sale of any assets of Tenant by Tenant's custodian, trustee, agent or receiver, other than in the ordinary course of the business of Tenant;

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

(f) Any other event that is expressly stated to be an Event of Default elsewhere in the Sub Ground Lease.

Notwithstanding anything to the contrary contained herein, no Event of Default by Tenant shall have occurred if (a) Tenant's failure to perform any term, covenant, condition, or provision required to be performed by Tenant under this Sublease is attributable to the University's failure to perform the same or a similar term, covenant, condition, or provision under the Space Lease and (b) Tenant is using commercially reasonable efforts to enforce the University's performance of such same or similar term, covenant, condition, or provision under the Space Lease.

Remedies. Upon the occurrence of an Event of Default, Landlord may pursue only those remedies expressly set forth in the Sub Ground Lease (and listed below). Landlord waives other remedies available to it under Applicable Law, the Parties agreeing that the limited remedies provided in the Sub Ground Lease are a material inducement to Tenant entering into the transactions contemplated by the Sub Ground Lease, and absent such limited remedies Tenant would not have entered into this Sub Ground Lease; provided during the term of the LDDA such remedies shall be limited to the remedies set forth in the LDDA:

(a) Terminate the Sub Ground Lease, and thereafter, without legal process, and without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession and control of the Premises to the complete exclusion of Tenant, and upon thirty (30) days' notice, cause Tenant to assign its interest in the Space Lease (other than its interest in the Space Lease Base Rent, which has been absolutely assigned

to the Trustee in accordance with the Base Rent Assignment Agreement) to Landlord, or its designee (if applicable), pursuant to the Space Lease Assignment Agreement.

(b) Landlord will have the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if lessee has the right to sublet or assign, subject only to reasonable limitations). Accordingly, if Landlord does not elect to terminate the Developer Ground Lease on account of any Event of Default by Tenant, Landlord may, from time to time, without terminating the Sub Ground Lease, enforce all of its rights and remedies under the Sub Ground Lease, including the right to recover all rent as it becomes due.

(c) Landlord may, but shall not be obligated to, make any such payment or perform or otherwise cure any such obligation, provision, covenant or condition on Tenant's part to be observed or performed (and may enter the Premises for such purposes), and recover from Tenant all reasonable costs expended by Landlord in connection with such efforts, plus any damages recoverable under Applicable Laws.

No Waiver. No waiver by Landlord of any violation or breach by Tenant of any of the terms, provisions and covenants contained in the Sub Ground Lease (i) will be effective unless in writing executed by Landlord, and (ii) will be deemed or construed to constitute a waiver of any other or later violation or breach by Tenant of the same or any other of the terms, provisions, and covenants contained in the Sub Ground Lease. Forbearance by Landlord in enforcement of one or more of the remedies provided in the Sub Ground Lease upon a default by Tenant will not be deemed or construed to constitute a waiver of such default. The acceptance of any Ground Rent under the Sub Ground Lease by Landlord following the occurrence of any default, whether or not known to Landlord, will not be deemed a waiver of any such default, except only a default in the payment of the Ground Rent so accepted.

Landlord Default. Landlord will not be in default under the Sub Ground Lease unless Landlord fails to perform any of its obligations within a reasonable time, but in no event later than thirty (30) days after written notice by Tenant to Landlord specifying wherein Landlord has failed to perform such obligation; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for performance then Landlord shall not be in default if Landlord commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion. Any damages or judgments arising out of Landlord's default of its obligations under the Sub Ground Lease will be satisfied only out of Landlord's interest and estate in the Premises, and Landlord will have no personal liability beyond such interest and estate with respect to such damages or judgments.

Tenant Triggered Default Assignment Right. Notwithstanding Article 13, but subject to the Base Rent Assignment Agreement, Tenant may elect upon a "Tenant Default" by "Tenant" under the Space Lease, with written notice to Landlord and University ("Default Assignment Notice"), to assign its interest in the Space Lease (other than its interest in the Space Lease Base Rent, which has been absolutely assigned the Trustee in accordance with the Base Rent Assignment Agreement) to Landlord, or its designee (if applicable), pursuant to the Space Lease Assignment Agreement (the "Default Assignment Right"). Within thirty (30) days of receipt of the Default Assignment Notice, Landlord or the University may identify an assignee (or assignees) of Tenant's interest in the Space Lease and this Sublease (such assignee, is the "Default Assignee"). If no such Default Assignee is timely identified, then the Default Assignee shall be deemed to be Landlord (or its designee). Upon identification of the Default Assignee, the Default Assignee and Tenant shall promptly enter into the Space Lease Assignment Agreement whereby: (i) if Tenant's interest in the Space Lease is being assigned to Landlord pursuant to the Space Lease Assignment Agreement, then this Sublease shall be terminated as of the effective date of the Space Lease Assignment Agreement, and (ii) if Tenant's interest in the Space Lease is being assigned to Landlord's designee pursuant to the Space Lease Assignment Agreement, then Tenant's interest in this Sublease shall be assigned to such designee pursuant to a Ground Lease Assignment Agreement, and as of the effective date of such assignment and assumption by the Default Assignee, Tenant shall have no further rights or obligations hereunder and shall be released from all liability arising thereafter under this Sublease (except for anything that expressly survives the expiration or earlier termination of this Sublease). Notwithstanding anything to the contrary contained herein, Tenant shall not be allowed to exercise the Default Assignment Right if an Event of Default by Tenant is then continuing; further provided, nothing in this provision shall (a) permit further assignment of the Space Lease Base Rent (which the parties recognize and shall continue to be absolutely assigned to the Trustee in accordance with the

Base Rent Assignment Agreement) or (b) materially or adversely affect the legality, enforceability or validity of the Bonds and related Bond Documents, failing which such Default Assignment Notice shall be void ab initio.

Landlord Triggered Default Assignment Right. Notwithstanding Article 13, but subject to the Base Rent Assignment Agreement, upon an exercise of the “Landlord Default Assignment Right” by “Tenant” under the Space Lease, the Default Assignee, the Default Assignee and Tenant shall promptly enter into the Space Lease Assignment Agreement whereby: (i) if Tenant’s interest in the Space Lease is being assigned to Landlord pursuant to the Space Lease Assignment Agreement, then this Sublease shall be terminated as of the effective date of the Space Lease Assignment Agreement, and (ii) if Tenant’s interest in the Space Lease is being assigned to Landlord’s designee pursuant to the Space Lease Assignment Agreement, then Tenant’s interest in this Sublease shall be assigned to such designee pursuant to a Ground Lease Assignment Agreement, and as of the effective date of such assignment and assumption by the Default Assignee, Tenant shall have no further rights or obligations hereunder and shall be released from all liability arising thereafter under this Sublease (except for anything that expressly survives the expiration or earlier termination of this Sublease); further provided, nothing in this provision shall (a) permit further assignment of the Space Lease Base Rent (which the parties recognize and shall continue to be absolutely assigned to the Trustee in accordance with the Base Rent Assignment Agreement) or (b) materially or adversely affect the legality, enforceability or validity of the Bonds and related Bond Documents, failing which such Default Assignment Notice shall be void ab initio.

Expiration or Termination

Extinguishment of Tenant’s Rights. Upon the expiration or earlier termination of this Sublease for any reason whatsoever, the Term shall automatically end, and all rights, benefits privileges and interests of Tenant under this Sublease (as well as of all Persons whomsoever claiming by, through or under Tenant), shall immediately cease and terminate, excluding only (i) those rights, benefits, privileges and interests necessary for the performance of Tenant’s obligations during the Transition Period, and (ii) those provisions hereof which, by their terms, expressly survive any such expiration or termination. Upon the expiration or earlier termination of this Sublease for any reason whatsoever, the Premises, including all improvements, infrastructure, engines, machinery, generators, boilers, furnaces, elevators, fire escapes, and all lifting, lighting, heating, cooling, refrigerating, air conditioning, ventilating, gas, electric and plumbing apparatus, appliances and fixtures, as well as other fixtures attached to or within the Premises, and all personal property of Tenant located thereon following the Transition Period, shall thence forward constitute and belong to and be the absolute property of Landlord or Landlord’s designee(s), successors and assigns, without further act or conveyance, and without liability to make any payment or other compensation to Tenant or to any other Person whomsoever, and free, clear and discharged from all and every Lien and claim of any nature or character created or attempted to be created by Tenant (or by any Person claiming by, through or under Tenant) at any time. Tenant agrees, at the end of the Term and any Transition Period, to surrender unto Landlord the Premises, subject to the rights of the Space Lease Tenant under the Space Lease, and the rights of any sublessees, tenants or other occupants under the Space Lease, with then existing Improvements, buildings, other structures and other improvements constructed and located thereon and therein, in its then as is and where is condition.

Transition Period. During the Transition Period, Tenant (or any Person claiming by, through or under Tenant) shall continue to have access and use of the Premises as reasonably necessary to perform the duties and obligations required during such Transition Period under the Space Lease. No such access or use shall be deemed holding over by Tenant under this Sublease and no Rent shall be due from Tenant during such Transition Period.

Submission of Matters to Landlord for Approval

Any matter which must be submitted to and consented to or approved in writing by Landlord or University or any matter which must be submitted to Landlord or University which may become effective if not denied by Landlord or University, as required under the Sub Ground Lease, shall be submitted to Landlord in accordance with the Sub Ground Lease. Any review by Landlord of any matter submitted to Landlord is for Landlord’s own convenience and purpose only. By undertaking such review, Landlord does not obtain or have any liability to Tenant or any other person, including the insurers and lenders of Tenant.

Miscellaneous

No Waiver of Rights by Landlord. No failure of Landlord to exercise any power given Landlord under the Sub Ground Lease or to insist upon strict compliance by Tenant with its undertakings, duties and obligations under the Sub Ground Lease, and no custom or practice of the Parties at variance with the provisions of the Sub Ground Lease will constitute a waiver of Landlord's right to demand exact compliance with the provisions contained in the Sub Ground Lease.

Provisions are Binding Upon Assigns and are Real Covenants. Each of the provisions of the Sub Ground Lease will apply to, extend to, be binding upon and inure to the benefit or detriment of not only the Parties, but also the legal representatives, successors and permitted assigns of each party to the Sub Ground Lease, and will be deemed and treated as real covenants running with the Site during the term of the Sub Ground Lease. The Parties further acknowledge and agree that the Trustee, the owners of the Bonds, the University, and their respective successors and permitted assigns, will be deemed third party beneficiaries under the Sub Ground Lease. Whenever a reference to the parties hereto is made, such reference shall be deemed to include the legal representatives, successors and permitted assigns of said Party, the same as if in each case expressly stated.

Applicable Law and Court Proceedings. The Sub Ground Lease will be governed, construed, performed and enforced in accordance with the laws of the State of California (excluding principles of conflict of law). Any suit, action or proceeding against any party arising out of or relating to Sub Ground Lease, any transaction contemplated thereby, or any judgment entered by any court in respect of any thereof may be brought in Superior Court located in the City and County of San Francisco, California and each party submits to the nonexclusive jurisdiction of such court for the purpose of any such suit, action or proceeding.

Subordination. Notwithstanding anything else contained in the Sub Ground Lease, Landlord agrees that the financing of the acquisition, construction, and furnishing of the Project will directly benefit Landlord's operations and Landlord agrees that its interest in and to the rents, revenues, issues and profits relating to the operation of the Improvements, including all Net Proceeds and reserve funds, as well as any and all rights to any and all contracts, agreements and other instruments in connection with the design, acquisition, construction, equipping, installation and operation of the Improvements, including all Assigned Agreements shall be junior and subordinate to the interest, if any, of the Trustee in any such Assigned Agreements as granted or provided in any of the Bond Documents. Landlord agrees to cause the University to agree, pursuant to the Master Ground Lease, not to disturb the Tenant's rights to possession of the Site and the Improvements pursuant to the Sub Ground Lease in the event of a termination of the Landlord's interest in the Master Ground Lease due to a default by Landlord under the Sub Ground Lease, so long as (i) such default by Landlord was not caused by Tenant's failure to perform its obligations under the Sub Ground Lease, (ii) an Event of Default by Tenant under the Sub Ground Lease is not then continuing, and (iii) Tenant executes any documents reasonably requested by the University in connection therewith, and Tenant agrees to attorn to the University as a direct tenant under the Sub Ground Lease in such event, such agreement to attorn self operable and without the need for further documentation.

Preservation of Tax Exemption. Landlord and Tenant each agree to not take any action with respect to the Improvements that would adversely affect either the exclusion of the interest payable on the Bonds from gross income for Federal income tax purposes, or would otherwise result in a breach of any representations, conditions, or covenants of Tenant or Landlord as set forth in the Bond Documents.

Continuing Disclosure. During the Term Tenant will provide such information about the Premises and the performance of its obligations under the Sub Ground Lease as may be necessary for the Landlord and University to comply with any applicable requirements of any continuing disclosure agreement entered into pursuant to SEC Rule 15c2-12.

Tax Covenants. Tenant agrees that it will: (i) not claim tax deductions for depreciation of the Premises; (ii) not treat itself as the "tax owner" of the Site or Project on its books or records; or (iii) not treat itself as the owner of the Bond proceeds for tax or accounting purposes. Tenant covenants that it will not take any action or fail to take any action, if such action or the failure to take such action would, in the opinion of nationally recognized bond counsel, adversely affect either the exclusion of the interest payable on the Bonds from gross income for Federal income tax purposes, or the status of the Bonds as applicable.

Payments for Tenant by Landlord. If Tenant fails to procure or cause to be procured the insurance required by Landlord under the Sub Ground Lease or fails to pay any insurance premium, Taxes, or any other sum in the Sub Ground Lease required to be paid by Tenant (other than Ground Rent), Landlord may, after expiration of the applicable cure period, if any, procure on behalf of Tenant any such insurance, and pay on behalf of Tenant any such payment or payments as may be necessary, in addition to and without prejudicing any other remedies of Landlord under the Sub Ground Lease. Any sum(s) so paid or expended by Landlord on behalf of Tenant shall be deemed rental under the Sub Ground Lease, and will immediately be reimbursed and paid by Tenant to Landlord within fifteen (15) days after demand by Landlord, plus an administrative fee of ten percent (10%) to compensate Landlord for its administrative costs incurred in taking such actions and collecting such sums from Tenant.

Transfer of Landlord's Interest. Tenant acknowledges that, subject to the terms and provisions of the Master Ground Lease, Landlord has the right, at any time with notice to Tenant, to transfer all or any portion of its interest in the Site, Improvements, and/or in this Sublease (a "**Landlord Transfer**"), provided that (i) any assignee assumes in writing the obligations of Landlord under this Sublease first arising or accruing after the date of such transfer, and (ii) any such transfer shall not impair or prejudice the rights of Tenant or the Space Lease Tenant under this Sublease or under Space Lease. A Landlord Transfer does not require the consent of Tenant, but if the Landlord Transfer is to any entity that is not a non-profit to facilitate the financing structure contemplated in the Transaction Documents, then Tenant shall be entitled to exercise its assignment rights, following any assignment constituting a Landlord Transfer by assigning its rights, interests and obligations in, to and under this Sub Ground Lease to a prospective assignee by notice delivered to Landlord within (30) days of the Landlord Transfer. During the ninety (90) day period following receipt of the notice of Tenant's election, the Parties will cooperate in good faith and expend commercially reasonable efforts (without any obligation to incur material costs) to identify an assignee (or assignees) of Tenant's interest in the Space Lease and this Sub Ground Lease (the "**Assignee**"). If no such Assignee is timely identified, then the Assignee shall be deemed to be Landlord (or its designee). If Tenant exercises its assignment right under this Section 28.19, then upon identification of the Assignee, such Assignee and Tenant shall promptly enter into the Space Lease Assignment Agreement and Ground Lease Assignment Agreement, whereby Tenant's rights, interests and obligations in, to and under the Space Lease and this Sub Ground Lease shall be fully transferred and assigned to, and assumed by, the Assignee for the remainder of the Term; Tenant shall be released from its obligations under the Space Lease and this Sub Ground Lease from and after the effective date of such assignment and assumption, excluding any obligations that by their nature survive such transfer. The liability of any transferee of Landlord shall be limited to the interest of such transferee in the Premises and such transferee shall be without personal liability under this Sublease, and Tenant hereby expressly waives and releases such personal liability on behalf of itself and all Persons claiming by, through or under Tenant. Tenant further acknowledges that Landlord may assign its interest in this Sublease to the Trustee as additional security and agrees that such an assignment shall not release Landlord from its obligations hereunder and that Tenant shall continue to look to Landlord for the performance of its obligations hereunder. At any time that Space Lease Tenant is no longer the University or the University is no longer the "Landlord" under the Master Ground Lease or CFIA is no longer the Landlord under this Sublease, the Parties shall promptly enter into an amendment to this Sublease documenting that the same Person is no longer the Tenant and "Landlord" under the Master Ground Lease or that CFIA is no longer the "Landlord" under the Developer Ground Lease, adjusting, as necessary, any terms that are no longer reasonably applicable.

Force Majeure. If any event of Force Majeure prevents a Party from performing an obligation under this Space Lease or causes a delay in the performance of such obligation, but expressly excluding financial inability, such Party shall be excused from such performance, or such performance obligation shall be postponed for the duration of the Force Majeure event. For avoidance of doubt, in no event shall Force Majeure excuse or postpone Tenant's obligation to pay rent or other charges to be paid by Tenant pursuant to this Sub Ground Lease or be grounds for Tenant to abate or receive a credit against any portion of rent due under this Sub Ground Lease (if any).

SPACE LEASE

DEFINITIONS SPACE LEASE

Definitions

The following terms have the indicated definitions in the Space Lease.

“**ADA**” means the Americans with Disabilities Act of 1990, 42 U.S.C. §12181 *et seq.* and its regulations.

“**Additional Rent Commencement Date**” has the meaning ascribed thereto in the Summary of Lease Terms.

“**Additional Rent**” has the meaning ascribed thereto in the Space Lease.

“**Affiliate**” (and the co-relative terms “**Affiliation**” and “**Affiliated with**”) means, as to any Person, any other Person that, directly or indirectly, Controls, is Controlled by, or is under common Control with such Person.

“**Alteration Notice**” has the meaning ascribed thereto in **Section 17.1**.

“**Alterations**” has the meaning ascribed thereto in **Section 17.1**.

“**Annual Capital Costs**” has the meaning ascribed thereto in **Section 4.4**.

“**Applicable Law**” means: (a) any statute, law, code, regulation, ordinance, rule or common law; (b) any binding judgment (other than regarding a Loss or other Dispute); (c) any binding judicial or administrative writ, order, judgment, injunction, award or decree (other than regarding a Loss or other Dispute); (d) any written directive, guideline, policy requirement or other governmental restriction (including those resulting from the initiative or referendum process); or (e) any similar form of decision of or determination by, or any written interpretation or administration of any of the foregoing by, any Governmental Authority, in each case which is applicable to or has an impact on the Site, the Improvements or the Premises, whether taking effect before or after the Effective Date.

“**Asset Management Fee**” means a fee equal to the sum of (a) the wages, salaries, fees and benefits of any employee of Landlord or an Affiliate (at the level of asset manager or below) who devotes his or her employed time to the asset management of the Facility (prorated to reflect time spent on operating and managing the Facility) vis-a-vis time spent on matters unrelated to operating and managing the Facility, and (b) thirty percent (30%) of the costs incurred in the foregoing clause (a), but not less than a minimum fee that will be mutually and reasonably agreed upon by the Parties concurrently with selection of the Property Manager and taking into consideration the asset management and other obligations of Landlord to be performed during the Term under the Space Lease and the Developer Ground Lease.

“**Bankruptcy Code**” means Title 11 of the United States Code and any other federal, state or foreign bankruptcy, insolvency, rehabilitation, reorganization, liquidation or similar laws, now or hereafter in effect.

“**Base Rent Assignment Agreement**” has the meaning ascribed thereto in Section 4.1.

“**Base Rent Commencement Date**” has the meaning ascribed thereto in the Summary of Lease Terms.

“**Base Rent Payment Date**” has the meaning ascribed thereto in the Summary of Lease Terms.

“**Base Rent**” has the meaning ascribed thereto in **Section 4.1**.

“**Bond Administrative Charges**” has the meaning ascribed thereto in **Section 4.5**.

“Bond Documents” means, collectively, the Indenture, the Loan Agreement, Base Rent Assignment Agreement, and all other instruments or agreements executed by the Trustee, Issuer and/or underwriters in connection with the issuance and delivery of the Bonds and the proceeds thereof.

“Bond Issuance Date” means the date the Bonds are issued pursuant to the Indenture.

“Bonds” has the meaning ascribed thereto in the Recitals.

“Building Systems” means all electrical, mechanical, plumbing, storm and sanitary sewer, HVAC, vertical transportation (including elevators), and fire and life safety systems and equipment which serve the Facility and/or the Premises, including, without limitation, any rooftop package, HVAC units, distribution lines and internal venting systems and all utility meters (except to the extent such utility meters are owned and maintained by public utilities), and all other systems and equipment necessary for the proper functioning of the Facility and/or the Premises.

“Business Day” means any day other than (i) a Saturday or a Sunday, (ii) a day on which commercial banks in San Francisco, California are authorized or obligated by law, government decree or executive order to be closed or (iii) a day observed as a holiday by the State of California or the Federal government.

“Calendar Year” means each twelve (12) month period from January 1 through December 31 during the Lease Term.

“Capital Account Payment” has the meaning ascribed thereto in **Section 4.4**.

“Capital Account” has the meaning ascribed thereto in **Section 4.4**.

“Capital Expense Work” has the meaning ascribed thereto in **Section 16.3**.

“Casualty Assignment” has the meaning ascribed thereto in **Section 20.5**.

“Casualty Notice” has the meaning ascribed thereto in **Section 20.1**.

“Casualty” has the meaning ascribed thereto in **Article 20**.

“CFIA” has the meaning ascribed thereto in the Recitals.

“City” has the meaning ascribed thereto in the Recitals.

“Claim” has the meaning ascribed thereto in **Section 13.1**.

“Control” and the co-relative terms **“Controlling,” “Controlled by,”** and **“under common Control with”**) means, with respect to a Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of outstanding securities, equity, or other beneficial ownership interests, by contract or otherwise. The possession, directly or indirectly, by another Person of a right to approve or consent to (or otherwise restrict) certain business or affairs of the specified Person through major decision rights or similar protective approval rights shall not, in and of itself, constitute or indicate Control, nor shall a Person be deemed not to possess Control solely because another Person possesses, directly or indirectly, such major decision rights or similar protective approval rights with respect to the specified Person.

“Default Assignee” has the meaning ascribed thereto in **Section 23.2.5**.

“Default Assignment Notice” has the meaning ascribed thereto in **Section 23.2.5**.

“Default Rate” has the meaning ascribed thereto in **Section 23.2.4**.

“Developer Ground Lease” has the meaning ascribed thereto in the Recitals.

“Developer’s Work” has the meaning ascribed thereto in the LDDA.

“Developer” means Landlord (and its successors and assigns), in its capacity as “Developer” under the LDDA, in its capacity as “Tenant” under the Developer Ground Lease, and/or in its capacity as a party to any other Underlying Document.

“Development Agreement Assignment” means that certain Assignment and Assumption Agreement dated _____ entered into by California Barrel Company LLC and the University.

“Development Agreement” means that certain Development Agreement entered into by the City and County of San Francisco and California Barrel Company LLC, dated as of September 22, 2020 (as amended from time to time).

“Development” has the meaning ascribed thereto in the Recitals.

“Disbursement Agreement” has the meaning ascribed thereto in the Recitals.

“Dispute” means any dispute, disagreement or controversy between or among the Parties concerning their respective rights and obligations under the Agreement, including concerning any Claim, alleged breach or failure to perform and remedies.

“Effective Date” has the meaning ascribed thereto in the Preamble.

“Emergency” means an event or condition that (i) threatens the health, safety, and/or well-being of the occupants or property on the Premises, or (ii) if not promptly corrected, cured or addressed, would prevent Tenant from continuing ongoing use of the Premises to conduct its normal business operations, or (iii) causes material interference with Tenant’s access to the Premises.

“Facility” has the meaning ascribed thereto in the Recitals.

“First Class Condition” means a condition comparable to other “Class A” life science, clinical, office and administrative buildings of comparable age and condition in the Mission Bay sub-market area.

“Fiscal Year” means July 1 of a Calendar Year to June 30 of the following Calendar Year.

“Force Majeure” means acts of a public enemy; fires; floods; explosions; epidemics; quarantine or other public health restrictions issued by a Governmental Authority; freight embargoes; strikes; boycotts; obstructive actions by labor organizations; demonstrations; earthquakes in excess of a magnitude of 3.5 on the Richter Scale; tidal waves; shortage of, or inability to obtain materials or reasonably acceptable substitute materials (provided that the applicable Party has ordered such materials on a timely basis and the acts or omissions of the applicable Party are not otherwise at fault for such inability to obtain materials); acts of terror or terrorism; emergency declarations by a Governmental Authority; war and related causes; nuclear perils; explosion or nuclear, radioactive, chemical or biological contamination not caused by the applicable Party.

“Governmental Authority” means any and all entities, courts, tribunal or other judicial, adjudicative or legislative decision-making body, or boards, agencies, bureaus, commissions, offices, divisions, subdivisions, departments, bodies, or authorities of any nature whatsoever of any governmental unit (Federal, state, county, city or otherwise) having jurisdiction, whether now or hereafter in existence, including the University of California.

“Indenture” means that certain indenture means by and between the Issuer and the Trustee for the proceeds of the Bonds to be loaned to CFIA pursuant to the Loan Agreement.

“Issuer” means California Infrastructure and Economic Development Bank.

“Landlord Default” has the meaning ascribed thereto in **Section 24.1**.

“Landlord’s Parties” has the meaning ascribed thereto in **Section 10.3**. Landlord’s Parties does not include CFIA, Tenant or any of Tenant’s Parties.

“Landlord’s Repair Obligations” has the meaning ascribed thereto in Section 16.1.

“Landlord” means Power Station Block 2 Development Company LLC, a Delaware limited liability company.

“LDDA” has the meaning ascribed thereto in the Recitals.

“Lease Commencement Certificate” has the meaning ascribed thereto in Section 3.2.

“Lease Commencement Date” has the meaning ascribed thereto in **Section 3.1**.

“Lease Expiration Date” has the meaning ascribed thereto in **Section 3.1**.

“Lease Term” has the meaning ascribed thereto in **Section 3.1**.

“Lease Year” has the meaning ascribed thereto in **Section 3.1**.

“Legal Compliance Reference Date” means the 2025 code year for Building Code compliance and for ADA compliance.

“Lien” means any lien, mortgage, deed of trust, hypothecation, encumbrance, pledge, collateral assignment, assignment, charge, lease, easement, right of way, license, servitude, right of others or security interest of any kind whatsoever, including any arising under any conditional sale or other title retention agreement.

“Loan Agreement” has the meaning ascribed thereto in the Recitals.

“Lockup Date” means the date occurring twelve (12) months after the Project Substantial Completion Date.

“Master Ground Lease” has the meaning ascribed thereto in the Recitals.

“Monthly Additional Rent” has the meaning ascribed thereto in **Section 4.2**.

“Non-Developer Work” has the meaning ascribed thereto in the LDDA.

“Operating Deficiency” has the meaning ascribed thereto in **Section 16.2**.

“Operating Expense Estimate” means a written notice from Landlord to Tenant that sets forth the total estimated Operating Expenses for the upcoming Fiscal Year, and Tenant’s estimated monthly payments of Additional Rent for such Fiscal Year.

“Operating Expenses” means all amounts, costs and expenses incurred or accrued by Landlord in connection with the maintenance, operation, repair, restoration (but subject to the terms of **Article 20** of the Space Lease), and management of the Facility and Premises, including Landlord’s obligations under **Section 16.1** of the Space Lease, including all Taxes (except those paid by Tenant or for which Tenant has obtained an exemption pursuant to **Article 5**); costs of insurance maintained by Landlord hereunder; supplies; the Asset Management Fee; property management fees (including fees and reimbursements paid to the Property Manager); all sums expended in connection with all general maintenance (including costs to maintain the Premises in a First Class Condition); repairs; painting; cleaning, sweeping and janitorial services; maintenance and repair of signs; trash removal; sewage; maintenance and repair of any fire protection systems, elevator systems, lighting systems, storm drainage systems,

heating, ventilation and air conditioning systems and other utility and/or mechanical systems; any governmental imposition or surcharge imposed upon Landlord with respect to the Facility or Premises or assessed against the Facility or Premises; materials; tools; rental paid for maintenance and operating machinery and equipment; service agreements on equipment; maintenance, and repair of the roof (including repair of leaks and resurfacing) and the exterior surfaces of all improvements (including painting); maintenance and repair of structural parts (including repair of leaks and resurfacing) and the exterior surfaces of all improvements (including painting); maintenance and repair of structural parts (including foundation, floor slabs and load bearing walls); window cleaning; elevator or escalator services; materials handling; fees for licenses and permits relating to the Facility; the cost of complying with rules, regulations and orders of Governmental Authorities; accounting fees; the cost of contesting the validity or applicability of any governmental enactment which may affect Operating Expenses to the extent the contest has been approved by Tenant; and personnel to implement such services (including, without limitation, if Landlord deems necessary, maintenance personnel, and engineers); payments under any equipment rental agreement; any costs payable by Landlord under the Developer Ground Lease following the Project Substantial Completion Date; or any costs allocated to the Premises or Site pursuant to Underlying Documents which are billed directly to Landlord and not paid by Tenant.

“Other Rent” has the meaning ascribed thereto in the **Section 4.2**.

“Party” and **“Parties”** has the meaning ascribed thereto in the Preamble.

“Permitted Occupant” has the meaning ascribed thereto in **Section 18.2**.

“Permitted Use” means a proton therapy treatment facility, a life science incubator, and other office, medical office, research and development, lab and/or life science facility or such other uses as Tenant deems appropriate in its discretion to the extent consistent with the Space Lease, the Underlying Documents, Applicable Law and the University’s education, research, health or public service missions.

“Person” means natural persons, firms, joint ventures, associations, trusts, partnerships, corporations, limited liability companies, public bodies and similar entities, whether for profit or non-profit.

“Pharmacy Areas” has the meaning ascribed thereto in **Section 19.3**.

“Plan” has the meaning ascribed thereto in **Section 11.2.4**.

“Policy 5402” has the meaning ascribed thereto in **Section 11.2.3**.

“Premises” has the meaning ascribed thereto in **Article 2**.

“Privacy Rules” has the meaning ascribed thereto in **Section 19.2**.

“Project Substantial Completion Date” has the meaning ascribed thereto in the LDDA (as the same may be amended or supplemented from time to time in accordance with the provisions thereof).

“Property Management Agreement” has the meaning ascribed thereto in **Section 16.5**.

“Property Manager” has the meaning ascribed thereto in **Section 16.2**.

“Reconciliation” means a detailed written accounting based upon an aggregate amount of the Operating Expenses (including Taxes), Alteration costs, and Annual Capital Costs incurred by Landlord during each Fiscal Year (including any portion of the final Fiscal Year of the Lease Term if the Lease Expiration Date is not on June 30), which shall reflect any offsets of unpaid amounts due from Landlord to Tenant pursuant to the terms of the Space Lease.

“Rent” has the meaning ascribed thereto in **Section 4.2**.

“Restoration Work Letter” has the meaning ascribed thereto in **Section 20.4**.

“Second Alteration Request” has the meaning ascribed thereto in **Section 17.1**.

“Secured Areas” has the meaning ascribed thereto in **Section 19.2**.

“Self-Insurance Program” has the meaning ascribed thereto in **Section 14.1**.

“Significant Change” means a change in Control of Landlord. None of the following shall be deemed a change in Control of Landlord (or a Significant Change): a transfer of economic or Controlling interests in Landlord, or in any Person directly or indirectly holding an interest in Landlord, between or among any of the beneficial owners of any such Person, to any of their respective immediate family members or spouses, to any of their respective lineal descendants or such descendants spouses, or to any estate, trust, trustee, guardianship, custodianship or other fiduciary arrangement or estate planning vehicle for the primary benefit of any one or more of the foregoing individuals.

“Site” has the meaning ascribed thereto in the Recitals.

“Space Lease Assignment Agreement” has the meaning ascribed thereto in Section 20.5.

“Space Lease” has the meaning ascribed thereto in the Preamble.

“Specialized Systems Management Company” has the meaning ascribed thereto in Section 16.1.

“Specialized Systems” has the meaning ascribed thereto in **Section 16.1**.

“Taking Assignment” has the meaning ascribed thereto in **Section 25.1.4**.

“Taking Notice” has the meaning ascribed thereto in **Section 25.1.1**.

“Taking” has the meaning ascribed thereto in **Section 25.1.1**.

“Taxes” means all federal, state, county, or local governmental or municipal taxes, fees, charges or other impositions of every kind and nature, whether general, special, ordinary or extraordinary, (including, without limitation, real estate taxes, general and special assessments, ad valorem assessments, transit taxes, leasehold taxes or taxes based upon the receipt of rent, including gross receipts or sales taxes applicable to the receipt of rent, personal property taxes imposed upon the fixtures, machinery, equipment, apparatus, systems and equipment, appurtenances, furniture and other personal property used in connection with the Premises (as distinguished from sales taxes applicable to materials used in the Developer’s Work), or any portion thereof) that shall be paid or accrued during the Term because of or in connection with the ownership, leasing or operation of the Premises, or any portion thereof, including, without limitation: (i) any tax on the rent, right to rent or other income from the Premises, or any portion thereof, or as against the business of leasing the Premises, or any portion thereof; (ii) any assessment, tax, fee, levy or charge in addition to, or in substitution, partially or totally, of any assessment, tax, fee, levy or charge previously included within the definition of real property tax, it being acknowledged by Tenant and Landlord that Proposition 13 was adopted by the voters of the State of California in the June 1978 election (**“Proposition 13”**) and that assessments, taxes, fees, levies and charges may be imposed by governmental agencies for such services as fire protection, street, sidewalk and road maintenance, refuse removal and for other governmental services formerly provided without charge to property owners or occupants, and, in further recognition of the decrease in the level and quality of governmental services and amenities as a result of Proposition 13; (iii) any governmental or private assessments or costs under governmental or private cost-sharing agreements for the purpose of augmenting or improving the quality of services and amenities normally provided by governmental agencies; (iv) any assessment, tax, fee, levy, or charge allocable to or measured by the area of the Premises or the Base Rent or Other Rent payable hereunder, including, without limitation, any business or gross income tax or excise tax with respect to the receipt of such rent, or upon or with respect to the possession, leasing, operating, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises, or any portion thereof;

(v) any assessment, tax, fee, levy or charge, upon this transaction or any document to which Tenant is a party, creating or transferring an interest or an estate in the Premises; and (vi) all of the real estate taxes and assessments imposed upon or with respect to the Premises and all of the real estate taxes and assessments imposed on the land and improvements comprising the Site.

“**Tenant Casualty Notice**” has the meaning ascribed thereto in **Section 20.1**.

“**Tenant Default Assignment Right**” has the meaning ascribed thereto in **Section 23.2.5**.

“**Tenant Default**” has the meaning ascribed thereto in **Section 23.1**.

“**Tenant Facility Coordinator**” has the meaning ascribed thereto in **Section 4.4**.

“**Tenant Taking Notice**” has the meaning ascribed thereto in **Section 25.1.1**.

“**Tenant Transfer**” has the meaning ascribed thereto in **Section 18.2**.

“**Tenant**” means The Regents Of The University Of California, a California public corporation.

“**Transaction Documents**” means the Master Ground Lease, the Developer Ground Lease, the Space Lease, the LDDA, the Disbursement Agreement executed, delivered and/or recorded by the Landlord, Tenant and/or CFIA in connection therewith or in connection with the transactions contemplated hereunder.

“**Transfer**” has the meaning ascribed thereto in **Section 18.1**.

“**Transition Period**” means the period reasonably necessary (not to exceed one hundred twenty (120) days) following the expiration or earlier termination of the Space Lease for Landlord to transition operation and management of the Improvements to Tenant. “**Trustee**” has the meaning ascribed thereto in the Recitals.

“**Transition Work**” has the meaning ascribed thereto in **Section 3.5**.

“**Underlying Documents**” means the (i) Master Ground Lease, Developer Ground Lease, and all current or future ground leases and master leases, development agreements, including the Development Agreement and the Development Assignment Agreement, access agreements, easements, licenses, operating agreements, declarations, restrictive covenants, covenants, conditions and restrictions affecting the Facility (and any portion thereof), reciprocal easement agreements, parking licenses in each case memorialized by instruments recorded in the Official Records affecting the Facility, and (ii) any access agreements facilitating the construction of the Facility as contemplated in the LDDA.

“**University of California**” means The Regents of the University of California, to the extent it is acting in its sovereign and autonomous governmental capacity under Article IX of the California State Constitution (as distinguished from acting in its proprietary capacity).

“**University**” means the Regents of the University of California.

Premises

Landlord leases to Tenant and Tenant leases from Landlord, upon the terms and conditions set forth in the Space Lease, that certain Premises.

Term

Lease Term. The Lease Term will commence on the Lease Commencement Date (which is the Bond Issuance Date) and will expire on the Lease Expiration Date (which is the last day of the month when last Base Rent Payment Date occurs). No holding over will be permitted. If the LDDA terminates prior to the Project Substantial

Completion Date, then Landlord shall assign Landlord's interest under the Space Lease (other than its interests assigned pursuant to the Base Rent Assignment Agreement) to CFIA or its designee pursuant to a Space Lease Assignment Agreement.

During the Transition Period, Landlord will have access and use of the Premises to perform the duties and obligations requires during the Transition Period under the Space Lease. During the Transition Period, at Tenant's cost, terminate or assign to Tenant all service, repair and maintenance, property management agreements pertaining to the Improvements and Facility provided, Landlord is released from all liability thereunder from and after the date of such assignment, (ii) coordinate with Tenant regarding transfer of management and operation of the Building Systems and Premises to Tenant, and (iii) deliver the following to Tenant, or Tenant's appointed agent:

(a) All plans and specifications maintained by Landlord for the Improvements and Facility, together with warranties, guaranties and operating manuals.

(b) All personal property used for the maintenance and repair of the Improvements and Facility.

(c) Copies of any repair and maintenance records for the Improvements and Facility.

(d) all items in the Landlord's possession or control which Tenant may require in their possession of management of the Facility. The applicable rights and obligations of the Parties shall survive the expiration or earlier termination of the Space Lease to the extent necessary to facilitate the Transition Work.

Rent

Base Rent. Starting on the Base Rent Commencement Date, Tenant will pay the Trustee, on behalf and as assignee of the Landlord pursuant to that certain Base Rent Assignment Agreement (the "Base Rent Assignment Agreement"), Base Rent on each Base Rent Payment Date starting on the Base Rent Commencement Date. All such payments will be fully credited to Tenant's obligation to pay Base Rent under the Space Lease. The Base Rent payable under the Space Lease will be comprised of separately stated principal and interest components as set forth in the Space Lease, and will be for the payment of all principal and interest payable under the Bonds, until the principal and interest payable under the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture. The Base Rent will be paid in immediately available funds, in lawful money of the United States of America, and deposited in that certain fund held by the Trustee and established pursuant to the Indenture to hold the Base Rent payments made under the Space Lease. The payments of Base Rent will at all times be sufficient to pay the total amount of principal and interest payable under the Bonds on their next succeeding payment date. The obligation of Tenant to make the Base Rent payments set forth above is absolute and unconditional, and until such time as the total Base Rent payable under the Space Lease has been paid in full (or provision for the payment thereof shall have been made pursuant to the Indenture), the Tenant will not discontinue or suspend any payment of Base Rent, whether or not the Premises or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by set-off or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever. In accordance with the Developer Ground Lease, Landlord acknowledges that the Base Rent paid by Tenant under the Space Lease will be used to satisfy Landlord's obligation to pay Base Ground Rent (as defined in the Developer Ground Lease) pursuant to the Developer Ground Lease.

Additional Rent and Other Rent; Additional Rent Commencement Date. In addition to the Base Rent, but not until the beginning of the Additional Rent Commencement Date, Tenant shall pay to Landlord as Additional Rent all Operating Expenses payable in equal monthly installments in advance on or before the first day of each month (the "Monthly Additional Rent"). The amount of Additional Rent payable hereunder shall be adjusted as provided below. Additional Rent is inclusive of Operating Expenses only. In addition to the foregoing, all other expenses expressly payable by Tenant under the Space Lease, including payments for Alteration costs, and the Capital Account Payments, will be deemed to be "Other Rent". "Rent" shall mean Base Rent, Additional Rent, Other Rent, and Capital Account Payments, collectively. If the Additional Rent Commencement Date is other than the first day of a calendar month, then the Additional Rent for that month will be prorated on a daily basis, based on

a thirty (30) day month. Additional Rent and any Other Rent will be payable to Landlord at the address specified in the Space Lease or at such other address as Landlord may from time to time designate to Tenant in writing.

Operating Expenses. Landlord will deliver an Operating Expense Estimate to Tenant at least thirty (30) days before the start of each Fiscal Year, Tenant's monthly payments of Additional Rent will be adjusted to equal the amounts set forth in the Operating Expense Estimate delivered by Landlord to Tenant. Landlord may adjust Tenant's estimated Additional Rent payments (no more than one (1) time each Fiscal Year unless otherwise agreed to by both parties in writing), with delivery of an additional Operating Expense Estimate, such adjustment to be effective as of the next first day of a month that occurs at least thirty (30) days after Tenant's receipt of such supplemental Operating Expense Estimate.

Landlord will deliver a Reconciliation to Tenant within ninety (90) days after the end of the Fiscal Year, and within ninety (90) days of the Lease Expiration Date if the Lease Expiration Date is not on December 31st. If the estimated Additional Rent paid by Tenant is less than the actual Additional Rent payable for such Calendar Year, then Tenant shall pay the difference to Landlord within thirty (30) days after receipt of such Reconciliation, and if the estimated Additional Rent paid by Tenant is more than the actual Additional Rent payable for such Calendar Year, Landlord will refund such overpayment of Additional Rent at the time it delivers such Reconciliation, such obligations to survive the termination of the Space Lease.

Within 24 months after receipt of any Reconciliation, Tenant has the right at its own cost and expense, to audit or inspect Landlord's records each year with respect to Operating Expenses, Alteration costs, and Annual Capital Costs incurred by Landlord and to be paid by Tenant provided no material, economic default by Tenant under the Space Lease that remains uncured following notice and cure.

Notwithstanding anything in the Space Lease to the contrary, Operating Expenses will expressly exclude: (i) all costs associated with the operation of the business of the ownership or entity which constitutes "Landlord", as distinguished from the costs of Facility operations, including, but not limited to, costs of partnership, accounting and legal matters, costs of selling, syndicating, financing, mortgaging, or hypothecating any of the Landlord's interest in the Facility, and interest on debt or amortization payments on any mortgages or deeds of trust or any other debt service or instrument encumbering the Facility or the Site, and depreciation of the Facility; (ii) costs arising from Claims, disputes or potential disputes in connection with potential or actual Claims, litigation or arbitration pertaining to Landlord's ownership of the Facility; (iii) costs incurred by Landlord in connection with the initial construction of the Facility, and initial construction of related facilities, Capital Expense Work funded through Capital Account Payments; (iv) costs that are already allocated between the parties under the LDDA; (v) payments in respect to overhead or profit to subsidiaries or affiliates of Landlord, or to any party, or for supplies or other materials to the extent that the costs of such services, supplies, or materials exceed the costs that would have been paid had the services, supplies or materials been provided by parties unaffiliated with the Landlord on a competitive basis; (vi) Landlord's general corporate overhead and general administrative expenses; (vii) wages, salaries, fees and benefits of any employee who does not devote substantially all of his or her employed time to the Facility unless such wages, salaries, fees and benefits are prorated to reflect time spent on operating and managing the Facility vis-a-vis time spent on matters unrelated to operating and managing the Facility; provided, that in no event shall Operating Expenses for purposes of the Space Lease include wages, salaries, fees and/or benefits attributable to personnel above the level of asset manager; (viii) any compensation paid to clerks, attendants, concierges or other persons working in or managing commercial concessions operated by Landlord; (ix) advertising and promotional expenditures, and costs of signs in or on the Facility identifying the owner of the Facility; (x) Landlord's personal and corporate income taxes, inheritance and estate taxes, and other business taxes and assessments, franchise, gift and documentary transfer taxes, and any real estate taxes billed to and paid by Tenant; (xi) tax penalties and interest incurred as a result of Landlord's negligence or willful failure to make payments and/or to file any tax or informational return(s) when due, unless such non-payment is due to Tenant's nonpayment of Rent; (xii) any costs covered by the warranties given by Landlord to Tenant in the Space Lease and in the LDDA or covered by warranties, if any; (xiii) costs incurred in connection with upgrading the Facility to comply with life, fire and safety codes, ordinances, statutes or other governmental rules, regulations, laws, statutes, ordinances or requirements imposed by any Governmental Authority or insurance company with respect to the Facility that were being enforced and were in effect prior to the Legal Compliance Reference Date, including, without limitation, the ADA, including penalties or damages incurred due to such non-compliance (other than as a result of Tenant's actions or inactions); (xiv) rent for any office space occupied by asset management personnel to the extent the size or rental rate of such

office space exceeds the size or fair market rental value of office space occupied by management personnel of comparable projects, with adjustment where appropriate for the size of the applicable project, and if used for the management of other projects as well, such rent shall be appropriately pro-rated; (xv) any asset management fee other than the Asset Management Fee; (xvi) overhead and profit increment paid to Landlord or to Affiliates of Landlord for goods and/or services in or to the Facility to the extent the same exceeds the costs of such goods and/or services rendered by unaffiliated third parties on a competitive basis; (xvii) any costs, fees, dues, contributions or similar expenses for political, charitable, industry association or similar organizations; (xviii) any bad debt loss, rent loss, or reserves for bad debt or rent loss; (xvix) acquisition costs for sculptures, paintings, or other objects of art whether or not installed in, on, or upon the Facility; (xx) entertainment, dining, or travel expenses for Landlord's employees; (xxi) flowers or flower services, balloons, or similar gift items provided to any entity, including Tenant, other occupants, employees, vendors, contractors, and agents; (xxii) any fines, costs, penalties or interest resulting from the negligence or willful misconduct of the Landlord, its agents, employees, or contractors; (xxiii) costs incurred by Landlord due to a Landlord Default; (xxiv) the assessment or billing of Operating Expenses that results in Landlord being reimbursed more than one hundred percent (100%) of the total Operating Expenses incurred by Landlord for the Fiscal Year in question and (xxv) any other costs or expenses expressly excluded from Operating Expenses pursuant to the Space Lease.

Capital Account. In addition to Base Rent, Additional Rent, and Other Rent, Tenant shall pay to Landlord the annual sum of the Capital Account Payment in equal monthly installments in advance on or before the first day of each month, to be held by Landlord in to the Capital Account. Tenant will be entitled to 100% of the funds in the Capital Account (including any interest and monies earned) remaining on the date of the expiration or earlier termination of the Lease Term. The Capital Account will be established, deposited and held in a federally chartered bank, in such interest bearing accounts designated by Tenant, and reasonably approved by Landlord, and the Parties will execute all instruments required to establish and maintain such accounts. All interest earned on the Capital Account shall be added to amounts then on deposit in such deposit account and shall be reported by Tenant for tax purposes. Tenant will have the right to instruct Landlord to adjust or change the designated accounts from time to time during the Lease Term, subject to Landlord's reasonable approval. Tenant will be entitled to an accounting of the funds in the Capital Account (including interest and monies earned) at any time upon written request and Landlord will take such actions as are reasonably required in connection therewith.

Taxes

Bond Administrative Changes. Tenant will pay all Bond administrative costs and other similar expenses from time to time required to be paid in connection with the Bond, directly to Trustee in accordance with Base Rent Assignment Agreement.

From and after occupancy by Tenant, the Parties expect the Premises to be exempt from Taxes, pursuant to Article XIII, Section 3(d) of the California Constitution, as a result of the Tenant's exclusive use thereof. Tenant will take such actions as are reasonably necessary and appropriate to secure and maintain the said assessment and tax exemption during the period of the Lease Term and Tenant's occupancy of the Premises, and Landlord shall reasonably assist Tenant with such efforts. To the extent Tenant is unable to obtain all such exemptions, then (i) Operating Expenses shall include any and all such Taxes that are billed to Landlord and (ii) Tenant will be responsible for paying any and all such Taxes billed directly to the proper taxing authority on or before the date due. If Landlord receives any tax statements or related documents it will promptly forward the same to Tenant, in all cases in sufficient time for Tenant to pay such Taxes before the date due and so that Tenant may obtain any available early payment discounts.

Delivery of the Premises

Delivery. On the Project Substantial Completion Date, Landlord will deliver possession of the Premises to Tenant in the condition required by the LDDA and the Space Lease. No Additional Rent or Other Rent shall accrue under the Space Lease, nor shall Tenant have any obligation to perform the covenants or observe the conditions contained in the Space Lease until the Premises have been so delivered, except for Tenant's obligation to pay Base Rent. Landlord shall have no obligation to perform the covenants or observe the conditions contained in the Space Lease until the Premises have been so delivered.

Use

Use. Tenant will use the Premises for the Permitted Use. Tenant shall not use the Premises for any use prohibited by the Underlying Documents or for a primary business that involves e-cigarettes, vaping, cannabis or other similar business models, or for business or activities that are generally considered pornographic, obscene or defamatory, or consists of any material or activity with a primary context (i) aimed at furthering a political candidacy or (ii) the conduct of research that is reasonably likely to incite protest at the Site (unless otherwise approved in advance by Landlord).

Compliance with Laws

Excluding the Specialty Systems, Landlord will comply with all Applicable Laws (including but not limited to the ADA and all applicable Laws regarding payment of prevailing wage), with respect to the Premises, and shall make any improvements, modifications or additions to the Premises required for compliance. Any reasonable costs incurred by Landlord for compliance with Applicable Laws will be subject to reimbursement as Alterations under of the Space Lease. Subject to Landlord's obligations above, Tenant will observe and comply with all Applicable Laws, (including orders, rules, requirements, and regulations of a Federal, State or local nature, and of any and all governmental authorities or agencies and of any board of fire underwriters or other similar organization) respecting the manner in which the Premises are or should be used by Tenant and will be responsible for any improvements, modifications or additions to the Specialty Systems required for compliance with Applicable Laws.

Insurance Requirements

Tenant's Insurance. Tenant will satisfy its insurance obligations under the Space Lease through Tenant's program(s) of insurance, which may be comprised of but not limited to self-insurance program(s) that are formal self-funded retention program(s), traditional insurance, alternative risk transfer vehicles, captives or any combination thereof (a "**Self-Insurance Program**"); provided that Tenant may only use a Self-Insurance Program if (a) Tenant under the Space Lease is the Regents of University of California or an Affiliate thereof; (b) Tenant shall be liable to Landlord for the full amount of coverage that would have been available to Landlord if the insurance policy(ies) had been obtained by Tenant from a third-party insurer, in full compliance with the provisions of this Article 14, and Tenant shall pay on behalf of, defend, and indemnify Landlord's Parties against all amounts that would have been payable by a third-party insurer had Landlord been named as an additional insured under such insurance policy(ies), with no deductible amount applicable to such policy(ies); and (c) Tenant shall waive any rights of recovery against Landlord's Parties for any damage or loss that would have been insured against by Tenant's insurance policies if the insurance coverages required under Article 14 were provided and in effect. Tenant will provide to Landlord all documents (including certificates of insurance) that Landlord may reasonably request to evidence that such coverages are in place and satisfy Tenant's insurance obligations under the Space Lease. Landlord and Tenant agree to maintain the Premises in accordance with any loss engineering recommendations made by Tenant's insurance carrier. Tenant, at its sole cost and expense, will insure its activities in connection with the Space Lease and obtain, keep in force and maintain insurance as follows:

(a) General Liability (contractual liability included) with minimum limits as follows:

- (i) Each Occurrence for Bodily Injury and Property Damage \$3,000,000
- (ii) Products/Completed Operations Aggregate \$3,000,000
- (iii) Personal and Advertising Injury \$3,000,000
- (iv) General Aggregate \$5,000,000

(b) Business Automobile Liability for owned, non owned, or hired automobiles with a combined single limit of not less than \$1,000,000 per occurrence.

(c) Special Form-Property Insurance covering the Facility (including Specialized Systems, the Developer's Work, all other improvements, Alterations and additions to the Premises and all of Tenant's equipment, trade fixtures, inventory, fixtures and other personal property located on or in the Premises) against all risks, in an amount equal to one hundred percent (100%) of the full replacement value of the Facility (and all improvements and personal property) to conform with then current codes and the costs of demolition and debris removal, excluding land and the footings, foundations and installations below the basement level, without deduction for depreciation of the covered items and in amounts that meet any co-insurance clauses of the policies of insurance, with a water damage, vandalism and malicious mischief endorsement, sprinkler leakage coverage, business interruption coverage for one (1) year, and such other coverages as may be required by CFIA pursuant to the Developer Ground Lease.

(d) Workers' Compensation as required by California law and Employers Liability with \$1 million limit.

(e) Pollution Insurance. Pollution Insurance with limits of not less than \$10,000,000 per occurrence and aggregate, covering unknown pre-existing and new pollution conditions on, at, under or migrating from the Premises, including (1) on- and off-site cleanup, (2) bodily injury, sickness, disease, mental anguish or shock sustained by any person, including death (with no requirement that the mental anguish be as a result of physical injury), and (3) property damage, including physical injury to or destruction of tangible property including the resulting loss of use thereof, and diminution in value and the loss of use of tangible property that has not been physically injured or destroyed), unknown off-site pollution conditions (including cleanup, injury, bodily injury, and property damage), mold/fungi, business interruption, and known disclosed conditions (including bodily injury and third party property damage). The Pollution Insurance shall continue in force for not less than ten (10) years and schedule this Lease as an "insured contract."

The coverages referred to under subclauses (a), (b), (c) and (e) above shall include Landlord and CFIA as an additional insureds. The coverage referred to under subclause (c) shall include Landlord and its mortgagees (if any) as loss payees as their interests may appear. A waiver of subrogation shall apply in favor of the Landlord's Parties all insurance required to be carried by Tenant herein. Tenant shall be solely responsible for its own deductibles and self-insured retentions. Any insurance requirements placed on Tenant shall survive the expiration or termination of the Agreement where context so requires. Tenant, upon the execution of the Space Lease, will furnish Landlord and CFIA with certificates of insurance evidencing compliance with all requirements, evidencing the Landlord's and CFIA's additional insured status. The certificates will state that the insurers will endeavor to provide for thirty (30) days advance written notice to Landlord and CFIA of any cancellation of any of the above insurance coverages. The coverages required in the Space Lease will not limit the liability of Tenant under the Space Lease.

Landlord's Insurance. Landlord, at its sole cost and expense, reimbursable in full as part of Operating Expenses, will insure its activities in connection with the Space Lease and obtain, keep in force and maintain insurance as follows:

(f) Commercial Form General Liability Insurance (contractual liability included) with minimum limits as follows:

- (i) Each Occurrence \$3,000,000
- (ii) Products/Completed Operations Aggregate \$3,000,000
- (iii) Personal and Advertising Injury \$3,000,000
- (iv) General Aggregate \$5,000,000

If the above insurance is written on a claims-made form, it shall continue for three (3) years following termination of the Space Lease. The insurance will have a retroactive date of placement prior to or coinciding with the Lease Commencement Date.

(g) Business Automobile Liability Insurance for owned, scheduled non owned, or hired automobiles with a combined single limit of not less than \$1,000,000 per occurrence.

(h) Workers' Compensation and Employer's Liability as required by California law.

The coverages referred to under subclauses (a) and (b) above shall include Tenant and CFIA as an additional insureds. Landlord, upon the execution of the Space Lease, will furnish Tenant with binders of insurance evidencing compliance with all requirements, along with endorsements evidencing the Tenant's and CFIA's additional insured status. The policies shall state that the insurers will endeavor to provide for thirty (30) days (ten (10) days for non-payment of premium) advance written notice to Tenant and CFIA of any cancellation of any of the above insurance coverages. The coverages required in the Space Lease will not limit the liability of Landlord.

Repair and Maintenance

Landlord and Tenant Obligations. Landlord shall repair and maintain the portion of the Premises constructed as part of Developer's Work in First Class Condition; provided that subject to waivers of subrogation under the Space Lease, Tenant shall be solely responsible for the repair, maintenance, operation and compliance with Applicable Laws for all equipment, systems and improvements on or within the Premises installed as Non-Developer Work, and including any subsequent alterations and improvements of the same ("**Specialized Systems**"). The materials and equipment used and installed by a Party in the course of its maintenance and repair work shall be of substantially equal or better quality than the original materials and equipment. Each Party shall reasonably cooperate with the other Party to help the other perform its obligations, and each Party shall proceed diligently to perform its obligations, including performance as soon as possible in the event of an Emergency.

Standards of Operation. Landlord shall perform its obligations under the Space Lease in a manner that demonstrates managerial and maintenance skill, knowledge, judgment and practice required in order to ensure that the Premises is operated, repaired, maintained and managed in First Class Condition and consistent with the scope of asset management obligations described in the Space Lease. Landlord may engage a third party property management company ("Property Manager") to fulfill its obligations. If Tenant reasonably believes that the Landlord is materially deficient in meeting the standards of operation, maintaining the Premises, or otherwise performing under the Space Lease in a manner or to an extent causing a Landlord Default under the Space Lease relating to the maintenance of the Premises (each of which shall be an "Operating Deficiency"), such Operating Deficiency shall be resolved by the following process:

(a) Tenant shall notify Landlord in writing of the nature and specific circumstances or events causing such Operating Deficiency. Landlord and Tenant shall meet and confer within five (5) Business Days following such notification to confirm the existence of the Operating Deficiency and to agree upon a mutually agreeable cure.

(b) If Landlord agrees that such Operating Deficiency exists, it shall cure, or cause to be cured, the deficiency within fifteen (15) Business Days following the date Landlord and Tenant met and conferred, or such other time period as Landlord and Tenant agree is appropriate, provided that if such Operating Deficiency cannot reasonably be cured within a fifteen (15) Business Day period, Landlord shall not be in breach of this obligation if it starts its curative efforts within such 15- Business Day period and thereafter completes such cure with diligence and in good faith

(c) If Landlord does not agree that such Operating Deficiency exists, or if Tenant believes that Landlord is not pursuing the completion of the cure with all diligence and in good faith, then either party may resolve the dispute in the manner prescribed by the Space Lease to resolve disputes.

(d) If there is an Operating Deficiency, Tenant may immediately notify Landlord and if Landlord fails to commence to correct the Emergency situation within 24 hours, Tenant may correct the same.

Capital Expense Work. As used in the Space Lease, the term "Capital Expense Work" means any one (1) particular repair, maintenance, or improvement event required to be performed by Landlord to the extent such expense would be generally categorized as a "capital expense" in accordance with sound real estate accounting and

management practices; provided Capital Expense Work shall not include (A) any repair or restoration work required due to Casualty or Taking, (B) any work that is covered by a warranty given by Landlord under either the Space Lease or the LDDA, or under any Required Warranties, (C) any improvements, modifications or additions to the Premises required for compliance with Laws to the extent triggered by Tenant's Alterations or change in use of the Premises, (D) any work required due to the recklessness or willful misconduct of Landlord or its employees, agents, contractors or subcontractors (of any tier), including Landlord's failure to properly repair and maintain the Premises in accordance with the Space Lease, (E) any work required due to the negligent, reckless, or willful actions of Tenant or its employees, agents, contractors, including Tenant's failure to properly repair and maintain the Premises in accordance with the Space Lease.

Property Manager. Landlord and Tenant will meet to (i) establish criteria for the selection of a Property Manager, (ii) identify potential candidates, and (iii) develop a scope of services to be provided by Property Manager. Landlord will obtain 3 proposals and select a Property Manager based on the established criteria and enter into a Property Management Agreement. Tenant has the right to direct the Landlord to terminate and replace the Property Manager with a manager mutually acceptable to Tenant and Landlord.

Alterations, Mechanics' Liens

Alterations. Without the need for Landlord's consent, Tenant will be allowed to make any improvements, alterations and modifications (collectively "Alterations") to the Premises that it desires so long as such Alterations do not affect the Building's roof, roof membrane, any structural component or any Building Systems or the proper functioning thereof; violate or require a change in any occupancy certificate applicable to the Building or the Premises; trigger a legal requirement which would require that any alteration or improvement be made to the Building or the Premises; or materially and adversely affect access to the Premises or the circulation of traffic or parking at the Premises. All other Alterations shall require Landlord's consent, which consent shall not be unreasonably withheld, delayed, or conditioned. Landlord shall have the right to reasonably object to any proposed Alterations with written notice to Tenant given within five (5) days after receipt of the Alteration Notice, but only if the Alterations will result in a material increase in Landlord's costs of repairing and maintaining the Building, and only to the extent that Landlord is not able to pass through such cost increase to Tenant as Operating Expenses. In connection with any Alterations performed by Tenant: (i) Landlord will be given at least fifteen (15) days prior written notice of such Alterations in reasonable detail (the "Alteration Notice"), (ii) the Alterations shall be performed in a good and workmanlike manner in accordance with good construction practices and applicable Law and with such permits as are required by applicable Law, (iii) Tenant, at its sole cost, shall construct any improvements or modifications, including capital improvements, that are required to be made to the Premises pursuant to applicable Laws as a result of such Alterations, (iv) such Alterations shall be performed by licensed and bondable contractors and subcontractors selected by Tenant and reasonably approved by Landlord, and (v) Tenant shall deliver to Landlord copies of plans and specifications for such Alterations. Tenant shall insure the Alterations in accordance with the Space Lease. Landlord's approval of any plans, contractor(s) and subcontractor(s) of Tenant shall not release Tenant or any such contractor(s) and/or subcontractor(s) from any liability with respect to such Alterations and will create no liability or responsibility on Landlord's part concerning the completeness of such Alterations or their design sufficiency or compliance with Laws.

Landlord Performance of Alterations. If Tenant desires that Landlord construct the Alterations it will communicate this request to Landlord, and Landlord and Tenant shall meet and confer on the desired Alterations, and after meeting at least three (3) times during a 20-day period after Tenant's request, Landlord shall have the right either to agree or not to agree to construct any such Alterations in Landlord's sole and absolute discretion. Any failure of Landlord to respond to any such request by Tenant shall be deemed to be Landlord's election not to construct such Alterations. If Landlord agrees to (i) provide construction management services to construct any Alterations, (ii) retain the contractor(s) to perform the Alterations, or (iii) direct the Property Manager to perform construction management services (and subject to Property Manager's agreement to provide such services), then construction of Alterations shall further be at Tenant's sole cost and on such terms and conditions as Landlord and Tenant may agree, including whether to cause construction by a design-bid/permit-build approach, or a design-build approach, and the terms of any construction management fee and warranty of Landlord's, construction of the Alterations. Landlord and Tenant will duly execute and deliver a work letter agreement for construction of the Alterations reflecting the agreement of Tenant and Landlord.

Mechanic's Liens. The Parties will keep the Premises free from any Liens arising out of any work performed by, materials furnished to, or obligations incurred by the Parties.

Assignment and Subletting

Landlord Transfer. Other than the Base Rent Assignment Agreement and as otherwise set forth in Article 18 of the Space Lease, Landlord shall not (i) sell, convey, assign, transfer, alienate or otherwise dispose of all or any of its interests, rights or obligations ("**Transfer**"), or (ii) permit a Significant Change to occur, without in each instance obtaining the prior written approval of Tenant. Such approval by Tenant to a Transfer or Significant Change shall be given, withheld, or conditioned (i) prior to the Lockup Date, in Tenant's sole and absolute discretion and (ii) from and after the Lockup Date, in Tenant's reasonable discretion. Consent to any one Transfer or Significant Change shall not be a waiver of the requirement for such consent for each and every Transfer or Significant Change. Landlord may at any time Transfer the Space Lease to an Affiliate of Landlord (without the consent of Tenant) so long as it contemporaneously Transfers its interest as "Tenant" in the Developer Ground Lease and as "Developer" in the LDDA to the same Affiliate.

Tenant Transfer. Tenant may Transfer or assign its interest in the Space Lease or otherwise sublease the Premises (or any portion thereof) to any Person, so long as (a) Tenant obtains any consent required under the Transaction Documents, and (b) the University remains primarily obligated for the performance of all of its obligations hereunder (a "**Tenant Transfer**"). A Tenant Transfer does not require the consent of Landlord, but Landlord is entitled to exercise its assignment rights under the Space Lease. Tenant may, without the prior consent of Landlord, sublease or license any use or occupancy some or all of the Premises to persons or entities having a formal affiliation with Tenant, or other University user groups, or to Tenant's partners, employees, agents, contractors or consultants performing services for Tenant or its clients, all such uses being deemed to be used by a "**Permitted Occupant**" provided such uses are consistent with the educational, research, health or public services missions of the University.

Destruction

Should the Premises be damaged or destroyed, in whole or in part, by fire, flood, earthquake, windstorm, the elements, casualty, accident, war, riot, public disorder, or any other cause or happening (each a "Casualty"), the Parties agree as follows:

(a) **Restoration Notice.** Within thirty (30) days of the Casualty, Landlord shall notify Tenant in writing (the "Casualty Notice") of its reasonable estimate of how long it will take (after the date of the Casualty) to completely restore the Premises including time required to obtain insurance, to prepare plans for reconstruction, to obtain building permits, to account for weather conditions, and to complete the likely contract bidding process and all other relevant factors. Within sixty (60) days after receipt of the Casualty Notice, Tenant shall deliver to Landlord written notice of Tenant's determination of whether to proceed with the restoration of the Premises (the "Tenant Casualty Notice").

(b) **No Termination; Base Rent Continues.** Regardless of the extent of the Casualty and/or the period required to completely restore the Premises, neither party will have the right to terminate the Space Lease due to a Casualty. Additionally, Tenant's obligation to pay the full amount of Base Rent due under the Space Lease will not be abated for any period of time due to a Casualty, and Tenant will remain obligated to pay Base Rent as and when it becomes due during any restoration period, even if the entire Premises is destroyed or Tenant is not able to use all or any portion of the Premises due to a Casualty. Without limiting the foregoing, Tenant's obligation to pay Base Rent to the Trustee pursuant to the Base Rent Assignment Agreement will survive any assignment of the Space Lease from Landlord to CFIA pursuant to the Casualty Assignment.

(c) **Landlord's Restoration.** If the Tenant Casualty Notice is to proceed with the restoration of the Premises, Landlord's obligation to restore the Premises shall be conditioned upon a work letter setting forth such terms and conditions as Landlord and Tenant may agree, including whether to cause construction by a design-bid/permit-build approach or a design-build approach, any fees Landlord may charge in connection therewith, and the terms of any warranty of Landlord's work (the "Restoration Work Letter"). If Landlord and Tenant fail to execute, in their respective sole and absolute discretion, the Restoration Work Letter within ninety (90) days after

delivery of the Tenant Casualty Notice, then the Tenant Casualty Notice shall instead be deemed a notice not to proceed with the restoration of the Premises, and the provisions of paragraph (e) below shall govern. If the Restoration Work Letter is fully executed in a timely manner, then Landlord shall diligently and with commercially reasonable promptness repair and restore the Premises to the condition existing prior to the Casualty (except for Tenant's personal property), in accordance with the plans, specifications, schedule and other information submitted with the Casualty Notice and subject to the payment of applicable construction costs by Tenant. During a restoration period, if Tenant elects in writing to have Landlord provide Tenant with any temporary services that Tenant may reasonably require to continue using, operating and occupying the Premises, Landlord will do so (subject to mutual agreement with respect to administrative and other fees Landlord may charge in connection therewith) and Tenant shall pay Landlord for such costs and fees as Other Rent.

(d) Casualty Assignment. If the Tenant Casualty Notice is not to proceed, Landlord shall assign Landlord's interest in the Space Lease (other than its interests assigned pursuant to the Base Rent Assignment Agreement) to CFIA or its designee (the "Casualty Assignment") pursuant to the Space Lease Assignment Agreement and CFIA (or its designee) and Landlord shall enter into an assignment agreement in the form attached to the Space Lease as Exhibit D (the "Space Lease Assignment Agreement"). By the Space Lease Assignment Agreement, Landlord's rights, interests and obligations in, to and under the Space Lease will be fully transferred and assigned to, and assumed by, CFIA (or its designee) for the remainder of the Lease Term, and Landlord will be released from its obligations under the Space Lease from and after the effective date of such assignment and assumption, excluding any obligations that by their nature survive such transfer, in particular Landlord's indemnity obligations and its obligations with regard to any Reconciliation of Additional Rent and resulting payment to Tenant of any over-payment.

No Termination or Abatement

Tenant acknowledges and agrees that Tenant has no right whatsoever to terminate the Space Lease for any reason whatsoever, and that in no event, whether based on a casualty event, condemnation, Landlord Default, or any other cause whatsoever, Tenant's obligations to pay the Base Rent to the Trustee pursuant to the Base Rent Assignment Agreement and the Additional Rent and Other Rent to Landlord pursuant to the Space Lease will not be abated, reduced or terminated. The Space Lease will automatically terminate upon the date the Bonds are fully paid or provision for the payment thereof has been made in accordance with the Indenture or the expiration or earlier termination of the Master Ground Lease for any reason whatsoever.

Default by Tenant

Default. Each of the following events will be a "Tenant Default":

- (a) A failure to pay Base Rent as and when due and payable; or
- (b) A failure to pay Additional Rent or Other Rent as and when due and payable when such failure continues for a period in excess of ten (10) Business Days after written notice; or
- (c) the failure refusal of Tenant to commence or perform its obligations under the Space Lease following notice of the occurrence of an emergency, to the extent (x) Tenant's performance of such obligation is necessary to prevent injury or loss of life, (y) the nature of such obligation is such that Landlord cannot perform such obligation for itself as permitted, and (z) the nature of such obligation is such that it can be commenced promptly upon the occurrence of an emergency
- (d) Tenant fails to perform or observe any other covenant or undertaking of Tenant under the Space Lease and such failure continues for a period in excess of twenty (20) Business Days after written notice thereof; provided if the nature of Tenant's obligation is such that more than twenty (20) Business Days are required for performance, then Tenant will not be in default if Tenant commences performance within such twenty (20) Business Day period and thereafter diligently prosecutes the same to completion within forty (40) Business Days following such notification; or

(e) Tenant (i) is dissolved, liquidated or terminated or be adjudicated as bankrupt or insolvent; (ii) makes a general assignment for the benefit of its creditors; (iii) files a petition, answer, or consent seeking, or have entered against it (or fail reasonably to contest the material allegations of any petition for) an order for relief under any provision of the Bankruptcy Code (or any similar remedy under any provision of the Bankruptcy Code), or consents to the institution of any proceedings thereunder; (iv) convenes a meeting of its creditors, or any class thereof, for the purpose of effecting a moratorium upon or extension or composition of its debts; (v) admits in writing that it is generally not able to pay its debts as they mature or generally not pay its debts as they mature; or (vi) applies for a consent to the appointment of a receiver, trustee, custodian, liquidator or other similar official of all or a portion of its assets; or

(f) The occurrence of any of the following: (i) a petition is filed or any case or proceeding described in paragraph (d) above is commenced against Tenant or against the assets of Tenant unless such petition and the case or proceeding initiated thereby is dismissed within ninety (90) days from the date of the filing; (ii) an answer is filed by Tenant admitting the allegations of any such petition; or (iii) a court of competent jurisdiction enters an order, judgment or decree appointing, without the consent of Tenant, a custodian, trustee, agent, or receiver of Tenant or for all or any part of its assets or authorizing the taking possession by a custodian, trustee, agent or receiver of Tenant or all or any part of its assets unless such appointment is vacated or dismissed or such possession is terminated within ninety (90) days from the date of such appointment or commencement of such possession, but not later than five (5) days before the proposed sale of any assets of Tenant by Tenant's custodian, trustee, agent or receiver, other than in the ordinary course of the business of Tenant; or

(g) A lien is filed against the Premises or Facility, or Landlord's interest therein, by reason of any work, labor, services or materials performed or furnished, to Tenant or anyone holding the Facility or the Premises by, through or under Tenant, and Tenant fails to cause the same to be vacated and canceled of record, or bonded off in accordance with applicable Laws within thirty (30) days.

Landlord's Sole and Exclusive Remedies. If a Tenant Default occurs and is continuing, Landlord will be entitled to exercise only those the remedies set forth below, but waives any other remedies available to it under applicable law, the parties agreeing that the limited remedies provided in the Space Lease are a material inducement to Tenant entering into the transactions contemplated by the Space Lease, and absent such limited remedies Tenant would not have entered into the Space Lease. In particular, but without limitation, Landlord waives any rights it may have to terminate the Space Lease or Tenant's right to possession of the Premises due to any Tenant Default. Landlord shall have the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment and recover Rent as it becomes due, if lessee has the right to sublet or assign, subject only to reasonable limitations). Accordingly, if Landlord does not elect to exercise the Tenant Default Assignment Right on account of any Default by Tenant, Landlord may, from time to time, without terminating the Space Lease or assigning Landlord's interest in the Space Lease, enforce all of its rights and remedies under the Space Lease, including the right to recover all Rent as it becomes due.

Self Help. Landlord may elect to perform the obligation, with the actual costs Landlord incurs in such performance, plus a ten percent (10%) administrative fee and any reasonable legal fees incurred by Landlord due to the Tenant Default being payable by Tenant as Other Rent within thirty (30) days after Tenant's receipt of Landlord's written demand therefor.

Damages. Landlord will be entitled to seek from Tenant the amount of any damages suffered by Landlord due to a Tenant Default.

Interest. Any payment of Base Rent not paid by Tenant on the date due will bear interest at the rate (the "Default Rate") that is the lesser of (i) fifteen percent (15%) per annum, and (ii) the highest rate permitted by applicable Laws, from the date delinquent until paid in full; provided (A) in no event shall a delinquent payment of Base Rent accrue interest at a rate higher than the applicable "default" interest rate payable under the Indenture for such delinquent payment, and (B) in the event that the interest rate under subclause (A) is greater than the Default Rate, then Tenant shall separately be obligated to reimburse Landlord for such excess interest to the extent Landlord has been required to pay any such amounts to the Trustee in accordance with the Base Rent Assignment Agreement or any other agreement entered into in connection with the Bonds. Any payment of Additional Rent or Other Rent

not received within ten (10) Business Days of the date due will bear interest at the Default Rate, from the date delinquent until paid in full and shall incur a late fee of five percent (5%) of the overdue amount.

Tenant Default Assignment Right. Subject to the Base Rent Assignment Agreement, Landlord may elect upon a Tenant Default, with written notice to Tenant and CFIA, to assign its rights, interest and obligations under the Space Lease to CFIA or its designee (the “Tenant Default Assignment Right”). Within 30 days of receipt of the Tenant Default Notice, Tenant or CFIA, shall identify an assignee (or assignees) of Landlord’s interest in the Space Lease and the Developer Ground Lease (such assignee, is the “**Default Assignee**”). If no such Default Assignee is timely identified, then the Default Assignee shall be deemed to be CFIA. If Landlord exercises the Tenant Default Assignment Right, then CFIA (or its designee) and Landlord will promptly enter into the Space Lease Assignment Agreement whereby Landlord’s interest in the Space Lease will be fully transferred and assigned to, and assumed by, CFIA (or its designee) for the remainder of the Lease Term, and Landlord will be released from its obligations under the Space Lease from and after the effective date of such assignment, excluding any obligations that by their nature survive such transfer, in particular Landlord’s indemnity obligations and its obligations with regard to any Reconciliation of Additional Rent and resulting payment to Tenant of any over-payment; and Tenant shall pay to Landlord any damages owed to Landlord on account of such Tenant Default. Landlord will not be allowed to exercise the Tenant Default Assignment Right if a Landlord Default is then continuing. Without limiting the foregoing, Tenant’s obligation to pay Base Rent to the Trustee pursuant to the Base Rent Assignment Agreement will survive any assignment of the Space Lease from Landlord to CFIA (or its designee) pursuant to Landlord’s exercise of its Tenant Default Assignment Right.

Default by Landlord

Default. Each of the following events constitute a “Landlord Default”:

(a) A failure to pay any amounts as and when due and payable under the Space Lease when such failure continues for a period in excess of ten (10) Business Days after written notice (provided, that for the first such failure in any twelve (12)-month period, a second written notice shall be given and a Landlord Default shall not be deemed to have occurred unless Landlord fails to cure such failure within ten (10) Business Days thereafter); or

(b) The failure or refusal of Landlord to commence performance of any obligation it has under the Space Lease within a reasonable period of time after written notice of the occurrence of an Emergency, to the extent (x) Landlord’s performance of such obligation is necessary to prevent injury or loss of life, (y) the nature of such obligation is such that Tenant cannot perform such obligation for itself, and (z) the nature of such obligation is such that it can be commenced promptly upon the occurrence of an emergency; or

(c) Landlord fails, in any material respect, to perform or observe any covenant or undertaking of Landlord under the Space Lease and such failure continues for thirty (30) Business Days after delivery of written notice thereof by Tenant to Landlord; provided if the nature of Landlord’s obligation is such that more than thirty (30) Business Days are required for performance, then a Landlord Default will not have occurred so long as Landlord commences performance within such thirty (30) Business Day period and thereafter diligently prosecutes the same to completion within ninety (90) Business Days following such notification; or

(d) Landlord (i) is dissolved, liquidated or terminated or be adjudicated as bankrupt or insolvent; (ii) makes a general assignment for the benefit of its creditors; (iii) files a petition, answer, or consent seeking, or have entered against it (or fail reasonably to contest the material allegations of any petition for) an order for relief under any provision of the Bankruptcy Code (or any similar remedy under any provision of the Bankruptcy Code), or consent to the institution of any proceedings thereunder; (iv) convenes a meeting of its creditors, or any class thereof, for the purpose of effecting a moratorium upon or extension or composition of its debts; (v) admits in writing that it is generally not able to pay its debts as they mature or generally not pay its debts as they mature; or (vi) applies for a consent to the appointment of a receiver, trustee, custodian, liquidator or other similar official of all or a portion of its assets; or

(e) The occurrence of any of the following: (i) a petition is filed or any case or proceeding described in paragraph (d) above is commenced against Landlord or against the assets of Landlord unless such petition and the case or proceeding initiated thereby is dismissed within ninety (90) days from the date of the filing; (ii) an answer is

filed by Landlord admitting the allegations of any such petition; or (iii) a court of competent jurisdiction enters an order, judgment or decree appointing, without the consent of Landlord, a custodian, trustee, agent, or receiver of Landlord or for all or any part of its assets or authorizing the taking possession by a custodian, trustee, agent or receiver of Landlord or all or any part of its assets unless such appointment is vacated or dismissed or such possession is terminated within ninety (90) days from the date of such appointment or commencement of such possession, but not later than five (5) days before the proposed sale of any assets of Landlord by Landlord's custodian, trustee, agent or receiver, other than in the ordinary course of the business of Landlord; or

(f) The termination of the Developer Ground Lease as a result of a default by Landlord thereunder beyond any applicable notice and cure periods; or

Tenant's obligation to provide written notice to Landlord of a Landlord Default is limited to those instances where knowledge of the Landlord Default is within the actual knowledge of Tenant.

Remedies. If a Landlord Default occurs, Tenant is entitled to:

(a) Tenant may, but shall not be required to, perform the obligation that caused the Landlord Default, and Landlord will reimburse Tenant for such actual expenses as are incurred by Tenant while performing such obligations, plus a ten percent (10%) administrative fee, within thirty (30) days after receipt of demand therefor, along with any reasonable legal fees incurred by Tenant due to the Landlord Default; provided the self-help remedy set forth in this sentence with respect to any Landlord Default shall cease as of the day that Tenant first completes the cure of such Landlord Default as a result of exercising such self-help remedy. If Landlord fails to reimburse Tenant for Tenant's costs as required in the first sentence of this paragraph, or to dispute in good faith Landlord's obligation to do so, Tenant may thereafter abate the Additional Rent (and/or Other Rent) due under the Space Lease to recover such costs.

(b) Tenant is entitled to seek from Landlord the actual amount of any actual amount of any damages suffered by Tenant due to a Landlord Default.

(c) If Tenant is not in default under the Space Lease and remains obligated to pay Landlord all amounts due and owing under the Space Lease that arose prior to the assignment, Tenant may also require that Landlord assign its interest in the Space Lease to CFIA or its designee (the "Landlord Default Assignment Right") and to cause Landlord and CFIA (or its designee) to enter into the Space Lease Assignment Agreement whereby Landlord's rights, interests and obligations in, to and under the Space Lease and Developer Ground Lease will be fully transferred and assigned to, and assumed by, CFIA (or its designee) for the remainder of the Lease Term (or if Landlord's interest is being transferred to a designee of CFIA, then Landlord's interest in the Developer Ground Lease shall be assigned to the designee), and Landlord will be released from its obligations under the Space Lease and the Developer Ground Lease from and after the effective date of such assignment and assumption, excluding any obligations that by their nature survive such transfer, in particular Landlord's indemnity obligations and its obligations with regard to any Reconciliation of Additional Rent and resulting payment to Tenant of any overpayment; provided Tenant will not be allowed to exercise this forced assignment right if a Tenant Default is then continuing. Without limiting the foregoing, Tenant's obligation to pay Base Rent shall survive any assignment of the Space Lease from Landlord to CFIA (or its designee) pursuant to Tenant's exercise of its Landlord Default Assignment Right.

Condemnation

Taking. If the event of a Taking, the Parties agree as follows:

(a) Within thirty (30) days of the Taking, Landlord shall notify Tenant in writing (the "Taking Notice") of its reasonable estimate of how long it will take (after the date of the Taking) to restore the remaining portion of the Premises to the extent necessary to render them reasonably suitable for the purposes leased hereunder, including time required to obtain any awards, to prepare plans for reconstruction, to obtain building permits, to account for weather conditions, and to complete the likely contract bidding process and all other relevant factors.

Within sixty (60) days after receipt of the Taking Notice, Tenant shall deliver to Landlord written notice of Tenant's determination of whether to proceed with the restoration of the Premises (the "Tenant Taking Notice").

(b) Regardless of the extent of the Taking and/or the period required to restore the Premises, neither Party shall have the right to terminate the Space Lease due to a Taking. Additionally, Tenant's obligation to pay the full amount of Base Rent due under the Space Lease shall not be abated for any period of time due to a Taking, and Tenant shall remain obligated to pay Base Rent as and when it becomes due during any restoration period, even if the entire Premises is taken or Tenant is not able to use all or any portion of the Premises due to a Taking. Without limiting the foregoing, Tenant's obligation to pay Base Rent to the Trustee pursuant to the Base Rent Assignment Agreement shall survive any assignment of the Space Lease from Landlord to CFIA pursuant to the Taking Assignment.

(c) If the Tenant Taking Notice is to proceed with the restoration of the Premises, Landlord's obligation to restore the Premises shall be conditioned upon a Restoration Work Letter. If Landlord and Tenant fail to execute, in their respective sole and absolute discretion, the Restoration Work Letter within ninety (90) days after delivery of the Tenant Taking Notice, then the Tenant Taking Notice shall instead be deemed a notice to not proceed with the restoration of the Premises, and the provisions of paragraph (d) below shall govern. If the Restoration Work Letter is fully executed in a timely manner, then Landlord shall diligently and with commercially reasonable promptness repair and restore the Premises to the condition described in the Taking Notice (except for Tenant's personal property), in accordance with the plans, specifications, schedule and other information submitted therewith and subject to the payment of applicable construction costs by Tenant. During a restoration period, if Tenant elects in writing to have Landlord provide Tenant with any temporary services that Tenant may reasonably require to continue using, operating and occupying the Premises, Landlord shall do so and Tenant shall pay Landlord for such costs and fees as Other Rent.

(d) If the Tenant Taking Notice is not to proceed, Landlord shall exercise the Taking Assignment pursuant to the Space Lease Assignment Agreement and CFIA (or its designee) and Landlord shall enter into the Space Lease Assignment Agreement. By the Space Lease Assignment Agreement, Landlord's rights, interests and obligations in, to and under the Space Lease shall be fully transferred and assigned to, and assumed by, CFIA (or its designee) for the remainder of the Lease Term, and Landlord shall be released from its obligations under the Space Lease from and after the effective date of such assignment and assumption, excluding any obligations that by their nature survive such transfer, in particular Landlord's indemnity obligations and its obligations with regard to any Reconciliation of Additional Rent and resulting payment to Tenant of any over-payment. Within thirty (30) days after the Space Lease Assignment Agreement is executed and delivered, Landlord will be paid an additional amount equal to the net present value of the asset management fee.

(e) If all or any portion of the Premises are not occupied by Tenant as a result of a Taking, then during the time and to the extent the Premises, or any portion thereof, are unfit for Tenant's use and occupancy, Landlord will use commercially reasonable efforts to reduce or mitigate any Operating Expenses which can be reduced or mitigated for Tenant's benefit.

Award. In the event of any Taking as provided above, either whole or partial, where the Tenant Taking Notice is to proceed, Tenant will not be entitled to any part of the award as damages or otherwise for such condemnation and Landlord is to receive the full amount of such award, subject to the provisions of the Developer Ground Lease; provided nothing in the Space Lease shall prevent Tenant from making a separate claim for damages. If the Tenant Taking notice is not to proceed, Tenant will be entitled to the entire award related to such Taking, and Landlord assigns to Tenant any interest it may have in such award to Tenant and will take such actions as may be required to effectuate such assignment. Furthermore, Tenant will be entitled to receive and retain any amounts which may be specifically awarded in such condemnation proceedings because of the taking of its trade fixtures and personal property and for relocation expenses. Tenant waives its rights it might have under Section 1265.130 of the California Code of Civil Procedure.

No Subordination

The Space Lease, and the rights, title and interests of Tenant thereunder, shall in no event be subject or subordinated to any Lien which are or may be placed against the Landlord's interest or estate in the Site or Premises; provided, such restriction shall not apply to Liens or other claims made by Issuer.

Miscellaneous Provisions

Continuing Disclosure. During the Lease Term Landlord will provide such information about the Premises and the performance of its obligations under the Space Lease as may be necessary for Tenant or CFIA to comply with any applicable requirements of any continuing disclosure agreement entered into pursuant to SEC Rule 15C2-12.

Tax Covenants. Landlord agrees that it will: (i) not claim tax deductions for depreciation of the Premises; (ii) not treat itself as the "tax owner" of the Premises on its books or records; and (iii) not treat itself as the owner of the Bond proceeds for tax or accounting purposes. "**Tax**" shall include federal, state, and local income taxes. The Space Lease is intended to be a financing for federal, state, and local income tax purposes. Each Party shall take all tax positions under any and all tax returns consistent with the foregoing. Tenant covenants that it will not use or permit any use of the Premises, and will not take or permit to be taken any other action or actions, which would cause any Bond to be a "private activity bond" within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended, and any applicable regulations promulgated from time to time thereunder. Tenant further covenants that it will not take any action or fail to take any action, if such action or the failure to take such action would, in the opinion of nationally recognized bond counsel, adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Developer Ground Lease. Tenant will not take any actions on or about the Premises or in connection with the Space Lease that would cause a default by Landlord under the Developer Ground Lease, or a default by CFIA under the Master Ground Lease.

Non-Disturbance. In the event of a termination of the Landlord's interest in the Developer Ground Lease due to a default by Landlord thereunder, Tenant hereby agrees to attorn to CFIA as a direct tenant under the Space Lease and execute any documents reasonably requested by CFIA in connection therewith, and the Space Lease is not terminated, such agreement to attorn being self-operative and without the need for further documentation.

Force Majeure. If any event of Force Majeure prevents a party from performing an obligation under the Space Lease or causes a delay in the performance of such obligation, but expressly excluding financial inability, such party shall be excused from such performance or such performance obligation shall be postponed for the duration of the Force Majeure event

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APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

[Closing Date]

California Infrastructure
and Economic Development Bank
Sacramento, California

California Infrastructure and Economic Development Bank
Revenue Bonds (UCSF Clinical and Life Sciences Building), Series 2025
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the California Infrastructure and Economic Development Bank (the “Issuer”) in connection with issuance of \$_____ aggregate principal amount of California Infrastructure and Economic Development Bank Revenue Bonds (UCSF Clinical and Life Sciences Building), Series 2025 (the “Bonds”), issued pursuant to an indenture, dated as of May 1, 2025 (the “Indenture”), between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Indenture provides that the Bonds are issued for the stated purpose of making a loan of the proceeds thereof to the Campus Facilities Improvement Association (the “Borrower”) pursuant to a loan agreement, dated as of May 1, 2025 (the “Loan Agreement”), between the Issuer and the Borrower. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Loan Agreement, the Space Lease, dated as of _____, 2025 (the “Space Lease”), between The Regents of the University of California (“The Regents”), as tenant, and Power Station Block 2 Development Company LLC, a Delaware limited liability company, as landlord, the Tax Certificate and Agreement, dated the date hereof (the “Tax Certificate”), among the Issuer, the Borrower and The Regents, opinions of counsel to the Issuer, the Borrower, The Regents and the Trustee, certificates of the Issuer, the Borrower, The Regents, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery of each such document by each party thereto other than Issuer and The Regents and that each such document constitutes a valid and binding agreement of such party. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement, the Space Lease and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Loan Agreement, the Space Lease and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities such as the Issuer and The Regents in of the State of California. We

express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to any competitive bidding requirement affecting the Space Lease, or the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Indenture, the Loan Agreement or the Space Lease or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no view with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Issuer.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding agreement of, the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and the other assets pledged therefor under the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
3. The Loan Agreement has been duly executed and delivered by, and constitutes a valid and binding agreement of, the Issuer.
4. The Space Lease has been duly executed and delivered by, and constitutes a valid and binding agreement of, The Regents.
5. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX E

BOOK-ENTRY ONLY SYSTEM FOR THE BONDS

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC. THE INFRASTRUCTURE BANK, THE REGENTS AND THE BORROWER TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

So long as Cede & Co is the registered holder of the Bonds, as nominee of DTC, references in this Official Statement, including the Appendices hereto, to the Owners of the Bonds (other than as set forth under "TAX MATTERS") shall mean Cede & Co. and shall not mean the Beneficial Owners (as defined herein) of the Bonds.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information contained in such websites is not incorporated by reference herein. The information contained in such websites is not incorporated by reference herein.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds in the records of DTC. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct Participants' 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 Participants or Indirect Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

SO LONG AS CEDE & CO., AS THE NOMINEE FOR DTC, IS THE REGISTERED OWNER OF THE BONDS, THE INFRASTRUCTURE BANK AND THE TRUSTEE WILL TREAT CEDE & CO. AS THE ONLY REGISTERED OWNER OF THE BONDS FOR ALL PURPOSES UNDER THE INDENTURE, INCLUDING RECEIPT OF ALL PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE

BONDS, RECEIPT OF NOTICES, VOTING, AND REQUESTING OR DIRECTING THE TRUSTEE TO TAKE OR NOT TO TAKE, OR CONSENTING TO, CERTAIN ACTIONS UNDER THE INDENTURE.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to the Infrastructure Bank as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the 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 Infrastructure Bank or the Trustee, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Infrastructure Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Infrastructure Bank or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Infrastructure Bank or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered in accordance with the provisions set forth in the Indenture.

The Infrastructure Bank may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC in accordance with the provisions set forth in the Indenture.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the Infrastructure Bank, The Regents and the Borrower believe to be reliable, but the Infrastructure Bank, The Regents and the Borrower take no responsibility for the accuracy thereof. **THE INFRASTRUCTURE BANK,**

THE REGENTS, THE BORROWER AND THE TRUSTEE DO NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE BONDS; (B) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (C) THE PAYMENT OF DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS; (D) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO OWNERS; (E) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (F) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE, CEDE & CO., AS OWNER.

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