**NEW ISSUE—FULL BOOK-ENTRY** **RATINGS: Moody's: Aaa (Insured)**
**A1 (Underlying)**
**(Assured Guaranty Corp. Insured. See "RATINGS" herein)**

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the College, based upon analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other things, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2008 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, interest on the Series 2008 Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Bond counsel observes that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2008 Bonds. See "TAX MATTERS" herein.*

# $25,080,000
# HASTINGS COLLEGE OF THE LAW BONDS
## Series 2008

**Dated: Date of Delivery** **Due: April 1, as shown on inside cover**

The Series 2008 Bonds are being issued in fully registered form in denominations of $5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Interest on the Series 2008 Bonds will be payable on April 1 and October 1 of each year, commencing April 1, 2008. DTC will act as securities depository for the Series 2008 Bonds. Individual purchases of the Series 2008 Bonds will be made in book-entry form, all as described herein. Payments of principal, premium, if any, and interest on the Series 2008 Bonds will be paid by Wells Fargo Bank, National Association, as trustee (the "Trustee"), to DTC which is obligated in turn to remit such principal and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Series 2008 Bonds. See "APPENDIX D—Book-Entry System" herein.

**The Series 2008 Bonds are subject to redemption prior to their respective maturity dates, as more fully described herein.** See "THE SERIES 2008 BONDS" herein.

The Series 2008 Bonds are being issued by the College under Article 1 of Chapter 3 of Part 57 of Division 9 of Title 1 (commencing with Section 92200) of the California Education Code (the "Act") and pursuant to a Trust Agreement, dated as of April 1, 2003, as supplemented by a First Supplemental Trust Agreement, dated as of February 1, 2008 (the "Trust Agreement"), by and between the College and Wells Fargo Bank, National Association, for the purpose of financing and refinancing the construction, improvement, equipping, remodeling and renovation of facilities owned by the College, reimbursing certain project development costs, funding interest on the Series 2008 Bonds to and including April 1, 2009, and paying the costs of issuance associated with the issuance of the Series 2008 Bonds. The Series 2008 Bonds are payable from Available Funds (as defined herein) of the College. See "PLAN OF FINANCE" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 BONDS" herein.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Series 2008 Bonds by ASSURED GUARANTY CORP.

ASSURED GUARANTY®
ENDURING FINANCIAL STRENGTH℠
AAA S&P • Aaa Moody's • AAA Fitch

THE SERIES 2008 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE COLLEGE FOR WHICH THE COLLEGE IS OBLIGATED OR PERMITTED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COLLEGE HAS LEVIED OR PLEDGED OR WILL LEVY OR PLEDGE ANY OTHER FORM OF TAXATION. WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION, NEITHER THE SERIES 2008 BONDS NOR THE OBLIGATION OF THE COLLEGE TO MAKE PAYMENTS ON THE SERIES 2008 BONDS CONSTITUTES AN INDEBTEDNESS OF THE COLLEGE, THE UNIVERSITY OF CALIFORNIA OR ITS REGENTS, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS.

**Maturity Schedule**
**(See the Inside Cover hereof)**

*This cover page contains information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.*

*The Series 2008 Bonds will be offered when, as and if issued and received by the Successful Bidders, subject to the approval as to their legality by Bond Counsel to the College and certain other conditions. Public Financial Management, Inc., San Francisco, California, is serving as Financial Advisor to the College in connection with the issuance of the Series 2008 Bonds. Orrick, Herrington & Sutcliffe LLP, San Francisco, California, is serving as Disclosure Counsel to the College. Certain matters will be passed upon for the College by its General Counsel. It is anticipated that the Series 2008 Bonds will be available for delivery through the DTC book-entry system in New York, New York, on or about February 14, 2008.*

Dated: January 31, 2008.

## AMOUNTS, MATURITIES, INTEREST RATES AND YIELDS

## MATURITY SCHEDULE

## $25,080,000 Serial Bonds

| Maturity (April 1) | Principal Amount | Interest Rate | Yield | Maturity (April 1) | Principal Amount | Interest Rate | Yield |
|---|---|---|---|---|---|---|---|
| 2010 | $475,000 | 5.000% | 2.250% | 2020 | $ 730,000 | 3.750% | 3.850% |
| 2011 | 495,000 | 5.000 | 2.400 | 2021 | 760,000 | 3.875 | 3.950 |
| 2012 | 520,000 | 5.000 | 2.600 | 2022 | 785,000 | 4.000 | 4.125 |
| 2013 | 550,000 | 4.500 | 2.800 | 2023 | 820,000 | 4.125 | 4.200 |
| 2014 | 570,000 | 4.250 | 3.000 | 2024 | 850,000 | 4.250 | 4.300 |
| 2015 | 595,000 | 4.250 | 3.150 | 2025 | 890,000 | 4.375 | 4.400 |
| 2016 | 620,000 | 4.250 | 3.250 | 2026 | 925,000 | 4.375 | 4.500 |
| 2017 | 650,000 | 4.250 | 3.400 | 2027 | 970,000 | 4.500 | 4.600 |
| 2018 | 675,000 | 4.250 | 3.550 | 2028 | 1,010,000 | 4.500 | 4.650 |
| 2019 | 705,000 | 3.625 | 3.700 | | | | |

$5,790,000 4.625% Term Bond due April 1, 2033 Yield 4.750%
$5,695,000 4.750% Term Bond due April 1, 2037 Yield 4.800%

[†] Mr. West has resigned from the Board of Directors effective December 1, 2007. No successor has yet been appointed.

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No dealer, broker, salesperson or other person has been authorized by the College to give any information or to make any representations other than those contained herein, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2008 Bonds by any person in any jurisdiction which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2008 Bonds. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information or opinions set forth herein or in the affairs of the College since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more repositories.

The information in this Official Statement has been provided by the College and sources the College considers reliable. The Financial Advisor makes no representation as to the accuracy or sufficiency of the information contained in this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2008 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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" or other similar words. Such forward-looking statements may include, but are not limited to, certain statements contained in the information under the captions "DEBT SERVICE SCHEDULE," "RISK FACTORS," "HASTINGS COLLEGE OF THE LAW" and "BOOK-ENTRY SYSTEM" in APPENDIX D of this Official Statement.

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 COLLEGE DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

Assured Guaranty makes no representation regarding the Series 2008 Bonds or the advisability of investing in the Series 2008 Bonds. In addition, Assured Guaranty makes no representation regarding, nor does it accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading “BOND INSURANCE” and "APPENDIX G—SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY."

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**(continued)**

**$25,080,000**
**HASTINGS COLLEGE OF THE LAW BONDS**
**SERIES 2008**

## INTRODUCTION

*This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, and the offering of the Series 2008 Bonds to potential investors is made only by means of the entire Official Statement. Terms used in this Introduction and not otherwise defined shall have the respective meanings assigned to them elsewhere in this Official Statement.*

### General

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to set forth certain information concerning the issuance and sale by Hastings College of the Law (the "College") of its Series 2008 Bonds (the "Series 2008 Bonds") in the aggregate initial principal amount of $25,080,000. The Series 2008 Bonds are being issued pursuant to Article 1 of Chapter 3 of Part 57 of Division 9 of Title 1 (commencing with Section 92200) of the California Education Code (the "Act") and a Trust Agreement, dated as of April 1, 2003, as supplemented by a First Supplemental Trust Agreement, dated as of February 1, 2008 (the "Trust Agreement"), by and between the College and Wells Fargo Bank, National Association, as trustee thereunder (the "Trustee"). The Trust Agreement provides that the College may from time to time issue additional series of bonds ("Additional Indebtedness" and collectively with the Hastings College of the Law Bonds, Series 2003 (the "Series 2003 Bonds"), the Series 2008 Bonds, the "Bonds") payable from the same source of funds as the Series 2008 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 BONDS – Additional Indebtedness" herein. The College expects to issue Additional Indebtedness from time to time to finance and refinance other College capital improvements. See "PLAN OF FINANCE" herein.

## PLAN OF FINANCE

The Series 2008 Bonds are being issued for the purpose of financing a portion of the construction, improvement, equipping, remodeling and renovation of facilities owned by the College, specifically a 395-stall, multi-level parking garage, with 9,900 square feet of ground-level retail space and approximately 2,700 square feet of below-grade storage space, to be constructed on parcels located at the southeast corner of Golden Gate Avenue and Larkin Street in San Francisco, California (the "Series 2008 Project"), funding interest on the Series 2008 Bonds to and including April 1, 2009, and paying the costs of issuance associated with the issuance of the Series 2008 Bonds. All entitlements necessary for the Project have been received. The total development cost of the Series 2008 Project is estimated at approximately $24.36 million, approximately $23.4 million of which is expected to be funded from proceeds of the Series 2008 Bonds. The remainder of the development cost of the Series 2008 Project—approximately $956,000—will be funded with equity from the College.

The College currently does not have capital plans that will require future debt issuance. However, an institutional strategic planning process is commencing in 2008 that could lead to the adoption of future projects involving debt financing.

## SOURCES AND USES OF FUNDS

The sources and uses of funds with respect to the Series 2008 Bonds are set forth below:

| | |
|---|---|
| Sources: | |
| Bond Proceeds: | |
| Par Amount | $25,080,000.00 |
| Net Premium | 126,903.60 |
| | $25,206,903.60 |
| Uses of Funds: | |
| Series 2008 Project Fund | $23,407,882.00 |
| Interest Account(1) | 1,268,440.94 |
| Cost of Issuance Fund(2) | 198,035.46 |
| Bond Insurance Premium | 240,000.00 |
| Underwriter's Discount | 92,545.20 |
| | $25,206,903.60 |

(1) Represents capitalized interest on the Series 2008 Bonds to and including April 1, 2009.

(2) Includes bond counsel fees and expenses, disclosure counsel fees and expenses, fees of the financial advisor, fees of the Trustee, rating agency fees, printing costs, and certain miscellaneous expenses.

## THE SERIES 2008 BONDS

### General

The Series 2008 Bonds shall be designated "Hastings College of the Law Bonds, Series 2008" and shall be in the aggregate principal amount of $25,080,000. The Series 2008 Bonds shall be dated as of the date of delivery thereof, shall be issued only in fully registered form in denominations of five thousand dollars ($5,000) or any integral multiple of five thousand dollars ($5,000) (not exceeding the principal amount of Series 2008 Bonds maturing at any one time), and shall mature on the dates and in the principal amounts and bear interest at the rates as set forth in the following schedule:

| Maturity Date (April 1) | Principal Amount | Interest Rate |
|---|---|---|
| 2010 | $ 475,000 | 5.000 % |
| 2011 | 495,000 | 5.000 |
| 2012 | 520,000 | 5.000 |
| 2013 | 550,000 | 4.500 |
| 2014 | 570,000 | 4.250 |
| 2015 | 595,000 | 4.250 |
| 2016 | 620,000 | 4.250 |
| 2017 | 650,000 | 4.250 |
| 2018 | 675,000 | 4.250 |
| 2019 | 705,000 | 3.625 |
| 2020 | 730,000 | 3.750 |
| 2021 | 760,000 | 3.875 |
| 2022 | 785,000 | 4.000 |
| 2023 | 820,000 | 4.125 |
| 2024 | 850,000 | 4.250 |
| 2025 | 890,000 | 4.375 |
| 2026 | 925,000 | 4.375 |
| 2027 | 970,000 | 4.500 |
| 2028 | 1,010,000 | 4.500 |
| 2033 | 5,790,000 | 4.625 |
| 2037 | 5,695,000 | 4.750 |

The Series 2008 Bonds shall bear interest at the rates (based on a 360-day year of twelve 30-day months) set forth above, payable on April 1, 2008, and semiannually thereafter on April 1, and October 1 in each year. The Series 2008 Bonds shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication is an Interest Payment Date or during the period from the first day of the month in which an Interest Payment Date occurs to such Interest Payment Date, in which event they shall bear interest from such Interest Payment Date, or unless such date of authentication is prior to the first Record Date, in which event they shall bear interest from the date of delivery thereof; provided, however, that if at the time of authentication of any Series 2008 Bond interest is then in default on the Outstanding Series 2008 Bonds, such Series 2008 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding Series 2008 Bonds. Payment of interest on the Series 2008 Bonds due on or before the maturity or prior redemption thereof shall be made to the person whose name appears in the Series 2008 Bonds registration books kept by the Trustee pursuant to the Trust Agreement as the registered owner thereof as of the close of business on the Record Date for an Interest Payment Date, whether or not such day is a Business Day, such interest to be paid by check mailed on the Interest Payment Date by first-class mail to such registered owner at the address as it appears in such books; provided that upon the written request of a Holder of $1,000,000 or more in aggregate principal amount of Bonds received by the Trustee prior to the applicable Record Date, interest shall be paid by wire transfer in immediately available funds. Any such written request shall remain in effect until rescinded in writing by the Holder.

The principal of the Series 2008 Bonds shall be payable in lawful money of the United States of America at the Corporate Trust Office of the Trustee. Payment of the principal of the Series 2008 Bonds shall be made upon the surrender thereof at maturity or on redemption prior to maturity at the Corporate Trust Office of the Trustee.

The obligations of the College under the Series 2008 Bonds, including the obligation to make all payments of interest and principal when due, are absolute and unconditional, without any right of set-off or counterclaim and are payable from Available Funds of the College. "Available Funds" means all funds of the College lawfully available to pay Annual Debt Service, including but not limited to all income, rentals, fees, tuition, rates, charges, insurance proceeds, condemnation proceeds and other moneys derived from the ownership or operation of the College, but excluding any refundable deposits, fines or forfeitures, less (a) restricted gifts to the College, (b) amounts appropriated by the State for the support of the College, and (c) resident student fees, except to the extent such amounts or fees referred to in clauses (b) and (c), or any other moneys are from time to time designated by the College's Board of Directors for the payment of Annual Debt Service. The Series 2008 Bonds do not constitute an obligation of the College for which the College is obligated to levy or pledge any form of taxation; the College has no taxing power. Within the meaning of any constitutional or statutory debt limitation or restriction, neither the Series 2008 Bonds nor the obligation of the College to make payments on the Series 2008 Bonds constitute an indebtedness of the College, the University of California or its Regents, the State of California, or any of its political subdivisions.

The Series 2008 Bonds will be issued in fully registered form, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Series 2008 Bonds. Ownership interests in the Series 2008 Bonds may be purchased in book-entry form only. Purchasers will not receive securities certificates representing their interests in the Series 2008 Bonds purchased. Payments of principal of and interest on the Series 2008 Bonds will be paid by the Trustee to DTC which is obligated in turn to remit such principal and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Series 2008 Bonds. See "APPENDIX D — BOOK-ENTRY SYSTEM" herein.

**Redemption**

*Optional Redemption*. The Series 2008 Bonds maturing on or before April 1, 2018 are not subject to optional redemption prior to their respective stated maturity dates. The Series 2008 Bonds maturing on or after April 1, 2019 are subject to optional redemption prior to their respective stated maturity dates, at the option of the College, from the proceeds of Additional Indebtedness or any source of Available Funds (other than mandatory sinking fund payments), as a whole or in part on any date (and by lot within a maturity if less than all of the Series 2008 Bonds of a series of such maturity are then called for redemption) on or after April 1, 2018, at a redemption price equal to the principal amount of the Series 2008 Bonds called for redemption, together with accrued interest to the date fixed for redemption, without premium.

*Mandatory Redemption*. The Series 2008 Bonds maturing on April 1, 2033, upon notice as hereinafter provided, shall be subject to mandatory sinking fund redemption prior to maturity, in part on April 1 of each year on and after April 1, 2029, by lot, from mandatory sinking account payments in the amounts set forth below at a redemption price equal to the sum of the principal amount thereof, without premium, plus accrued interest thereon to the redemption date.

| Mandatory Sinking Account Payment Date (April 1) | Mandatory Sinking Account Payment Principal Amount |
|---|---|
| 2029 | $1,055,000 |
| 2030 | 1,105,000 |
| 2031 | 1,155,000 |
| 2032 | 1,210,000 |
| 2033* | 1,265,000 |

*Maturity.

The Series 2008 Bonds maturing on April 1, 2037, upon notice as hereinafter provided, shall be subject to mandatory sinking fund redemption prior to maturity, in part on April 1 of each year on and after April 1, 2034, by lot, from mandatory sinking account payments in the amounts set forth below at a redemption price equal to the sum of the principal amount thereof, without premium, plus accrued interest thereon to the redemption date.

| Mandatory Sinking Account Payment Date (April 1) | Mandatory Sinking Account Payment Principal Amount |
|---|---|
| 2034 | $1,325,000 |
| 2035 | 1,390,000 |
| 2036 | 1,455,000 |
| 2037* | 1,525,000 |

*Maturity.

**Selection of Bonds for Redemption**

If less than all Outstanding Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select the Series 2008 Bonds of such maturity date to be redeemed in any manner that it deems appropriate and fair and shall promptly notify the College in writing of the certificate numbers of the Series 2008 Bonds so selected for redemption. For purposes of such selection, Bonds shall be deemed to be composed of $5,000 multiples and any such multiple may be separately redeemed.

**Notice of Redemption**

Notice of redemption shall be mailed by first-class mail by the Trustee, not less than thirty (30) nor more than sixty (60) days prior to the redemption date to (i) the respective Holders of the Series 2008 Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories and (iii) one or more Information Services. Notice of redemption to the Securities Depositories and the Information Services shall be given by first-class mail or facsimile transmission. Each notice of redemption shall state the date of such notice, the redemption price, if any, (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Series 2008 Bonds of such maturity, to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the redemption price, if any, thereof and in the case of a Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice or any defect therein shall not invalidate any of the proceedings taken in connection with such redemption.

If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the Series 2008 Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice Bonds so called for redemption shall become due and payable, and from and after the date so designated interest on such Bonds shall cease to accrue, and the Holders of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed pursuant to the provisions of this section shall be cancelled by the Trustee and shall be destroyed with a certificate of destruction furnished to the College and shall not be reissued. The College agrees to reimburse the Trustee for costs incurred in connection with the microfilming or other permanent record relating thereto.

The College may direct that a conditional notice of redemption be delivered in connection with any optional redemption of bonds which shall state the conditions to the effectiveness of the redemption and shall provide that if such conditions are not met on or prior to the redemption date, such notice of redemption shall be deemed rescinded and of no force or effect.

## SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 BONDS

### General

In order to provide sufficient funds for repayment of principal and interest when due on the Series 2008 Bonds, the Board of Directors of the College is empowered and obligated to use all Available Funds of the College. "Available Funds" means all funds of the College lawfully available to pay Annual Debt Service, including but not limited to all income, rentals, fees, tuition, rates, charges, insurance proceeds, condemnation proceeds and other moneys derived from the ownership or operation of the College, but excluding any refundable deposits, fines or forfeitures, less (a) restricted gifts to the College, (b) amounts appropriated by the State for the support of the College, and (c) resident student fees, except to the extent such amounts or fees referred to in clauses (b) and (c), or any other moneys are from time to time designated by the College's Board of Directors for the payment of Annual Debt Service.

### Historical Total Operating Revenues, Available Funds, Net Expenses and Revenues Available for Debt Service

The following table presents the historical Total Operating Revenues, Available Funds, Net Expenses and Revenues Available for Debt Service received in the fiscal years ending June 30, 2003 through June 30, 2007. See also APPENDIX A under "FINANCIAL OPERATIONS— Available Funds, Net Expenses and Revenues Available for Debt Service."

**Historical Total Operating Revenues, Available Funds,**
**Net Expenses and Revenues Available for Debt Service**

| Fiscal Year Ending June 30, | Total Operating Revenues | Available Funds | Net Expenses | Revenues Available for Debt Service | Debt Service [1] | Coverage Ratio [2] |
|---|---|---|---|---|---|---|
| 2007 | $27,245,583 | $4,682,527 | $0 | $4,682,527 | $587,812 | 7.97x |
| 2006 | $28,076,972 | $5,359,222 | $0 | $5,359,222 | $589,754 | 9.09x |
| 2005 | $26,246,414 | $4,586,498 | $0 | $4,586,498 | $589,033 | 7.79x |
| 2004 | $20,296,155 | $5,560,142 | $2,079,813 | $3,480,329 | $581,596 | 5.98x |
| 2003 | $16,545,513 | $5,513,437 | $3,316,153 | $2,197,284 | $583,921 | 3.76x |

Source: Hastings College of the Law.
[1] Includes debt service payable from Available Funds, including annual debt service on energy loans due to the State of California, and the annual debt service on the Series 2003 Bonds. For a description of the College's existing liabilities, see APPENDIX A under "FINANCIAL OPERATIONS—Liabilities".
[2] The Coverage Ratio is used to measure the College's capacity for Additional Indebtedness. In calculating the Coverage Ratio, the College determines how much, if any, of the Available Funds are Available for Debt Service. To determine this amount , the following calculation is made:

In calculating Net Expenses, total operating expenses are adjusted to:

- remove depreciation expense
- remove those expenses funded by restricted private gifts and grants
- remove those expenses funded by state appropriations
- remove those expenses funded by resident student fees

This calculation may result in zero or negative total Net Expenses indicating that no Available Funds are needed to support the College's operating expenses. In other words, the College's operating expenses, as adjusted for depreciation expense, are fully supported by restricted private gifts and grants, state appropriations and resident student fees. As such, all other revenues of the College are Available for Debt Service.

Although the definition of Available Funds in the Trust Agreement excludes resident student fees, this revenue can be made available for debt service for the Series 2003 and Series 2008 bonds at the election of the Board of Directors, subject to any limitations that may be imposed in the future by the State Legislature. There are no currently imposed legal restrictions which would preclude the use of resident student fees to pay debt service.

## Bond Fund

At least 15 days prior to each Interest Payment Date, the College will, from Available Funds of the College, transfer to the Trustee for deposit in the Series 2008 Bond Fund established and maintained by the Trustee under the Trust Agreement, an amount equal to the principal, if any, and interest due on the Series 2008 Bonds on each such Interest Payment Date. The Trustee will transfer from the Series 2008 Bond Fund, in immediately available funds, for deposit into the following respective accounts, the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of funds sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any account subsequent in priority:

(a) Interest Account, and

(b) Principal Account

All money in each of such accounts will be held in trust by the Trustee and will be applied, used and withdrawn only for the purposes described below.

*Interest Account.* On or before each Interest Payment Date, the Trustee will set aside from the Series 2008 Bond Fund and deposit in the Interest Account that amount of money which, together with the amount then on deposit in the Interest Account, is equal to the amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

No deposit need be made in the Interest Account if the amount contained therein is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

All money in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Series 2008 Bonds as it will become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

Interest on the Series 2008 Bonds will be funded with proceeds of the Series 2008 Bonds to and including April 1, 2009 in the following amounts:

| Interest Payment Date | Capitalized Interest Amount |
|---|---|
| April 1, 2008 | $ 146,478.44 |
| October 1, 2008 | 560,981.25 |
| April 1, 2009 | 560,981.25 |

*Principal Account.* On each Principal Payment Date, the Trustee will set aside from the Series 2008 Bond Fund and deposit in the Principal Account an amount of money which, together with any amounts then on deposit in the Principal Account, is equal to the amount of all sinking fund payments required to be made on such Principal Payment Date into the respective sinking fund accounts for all Outstanding Term Bonds and the principal amount of all Outstanding Serial Bonds maturing on such Principal Payment Date.

No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds maturing by their terms on such Principal Payment Date plus the aggregate amount of all sinking fund payments required to be made on such Principal Payment Date for all Outstanding Term Bonds.

The Trustee will establish and maintain within the Principal Account a separate subaccount for the Term Bonds of each series and maturity (each, a "Sinking Account"). With respect to each Sinking Account, on each mandatory sinking account payment date established for such Sinking Account, the Trustee will apply the mandatory sinking account payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of the series and maturity for which such Sinking Account was established, upon the notice and in the manner described under the caption "THE SERIES 2008 BONDS – Redemption"; provided that, at any time prior to giving such notice of such redemption, the Trustee may upon the Written Request of the College, apply moneys in such Sinking Account to the purchase for cancellation of Term Bonds of such series and maturity 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 may be directed by the College, except that the purchase price (excluding accrued interest) will not exceed the redemption price that would be payable for such Bonds upon redemption by application of such Mandatory Sinking Account Payment. If, during the twelve-month period immediately preceding said mandatory sinking account payment date, the Trustee has purchased Term Bonds of such series and maturity with moneys in such Sinking Account, such Bonds so purchased will be applied, to the extent of the full principal amount thereof to reduce said mandatory sinking account payment.

All money in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Series 2008 Bonds as they will become due and payable, whether at maturity or redemption, except that any money in any sinking fund account will be used and withdrawn by the Trustee only to purchase or to redeem or to pay Term Bonds for which such sinking fund account was created.

The Trustee will establish and maintain within the Principal Account a separate account for the Term Bond maturing on April 1, 2033, designated as the 2033 Term Bond Series 2008 Sinking Account. Subject to the terms and conditions set forth in the Trust Agreement, the Term Bond maturing on April 1, 2033, will be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the amounts and upon the dates established in the Trust Agreement and set forth under the heading "THE SERIES 2008 BONDS—Redemption—Mandatory Redemption" herein.

The Trustee will establish and maintain within the Principal Account a separate account for the Term Bond maturing on April 1, 2037, designated as the 2037 Term Bond Series 2008 Sinking Account. Subject to the terms and conditions set forth in the Trust Agreement, the Term Bond maturing on April 1, 2037, will be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the amounts and upon the dates established in the Trust Agreement and set forth under the heading "THE SERIES 2008 BONDS—Redemption—Mandatory Redemption" herein.

Following the payments from the Principal Account and the Interest Account on each April 1, described above, any moneys remaining in the Bond Fund (other than proceeds of the Series 2008 Bonds deposited in the Interest Account to pay interest through and including April 1, 2009) will be transferred by the Trustee to the College.

**Additional Indebtedness**

The College may from time to time issue additional evidences of indebtedness for borrowed money, including but not limited to bonds, notes, bond anticipation notes, commercial paper, lease or installment purchase agreements or certificates of participation therein, payable from the same source of funds as the Series 2003 Bonds and the Series 2008 Bonds ("Additional Indebtedness" and collectively with the Series 2003 Bonds and the Series 2008 Bonds, the "Bonds"), but only subject to the provisions of the Trust Agreement, in order to (i) finance facilities or other costs determined by the Board of Directors to be necessary or convenient for the functioning of the College, and for payment of all costs incidental to or connected with the issuance of Additional Indebtedness for such purpose, and/or (ii) refund any Bonds then Outstanding, including payment of all costs incidental to or connected with such refunding. Among other conditions, the Trust Agreement requires that prior to the issuance of any Additional Indebtedness, the Trustee shall have received a Certificate of the College to the effect that, for the Fiscal Year immediately preceding the Fiscal Year in which such Additional Indebtedness is being issued, Revenues Available for Debt Service were at least equal to 1.05 times Maximum Annual Debt Service including all Outstanding Bonds and such Additional Indebtedness.

The calculation of Revenues Available for Debt Service described above may include any Revenues Available for Debt Service projected to be produced by any new or increased fees, charges or tuition that were approved by the College's Board of Directors but not yet implemented in the Fiscal Year immediately preceding the Fiscal Year in which such Additional Indebtedness is being issued.

If such Additional Indebtedness is being issued to finance a facility that will produce revenues which will constitute Available Funds, the calculation of Revenues Available for Debt Service described above may include the Revenues Available for Debt Service projected to be produced by the facility if the Trustee shall have received a certificate of the College confirming the projection of Revenues Available for Debt Service to be produced by the facility.

Under the Trust Agreement, the term "Revenues Available for Debt Service" means Available Funds less Net Expenses. "Available Funds" means all funds of the College lawfully available to pay Annual Debt Service, including but not limited to all income, rentals, fees, tuition, rates, charges, insurance proceeds, condemnation proceeds and other moneys derived from the ownership or operation of the College, but excluding any refundable deposits, fines or forfeitures, less (a) restricted gifts to the College, (b) amounts appropriated by the State for the support of the College, and (c) resident student fees, except to the extent such amounts or fees referred to in clauses (b) and (c), or any other moneys are from time to time designated by the College's Board of Directors for the payment of Annual Debt Service.

"Net Expenses" means all operating and other expenses of the College less an amount of such expenses paid from moneys excluded from Available Funds by clauses (a), (b) and (c) of the definition of Available Funds.

For a definition of "Maximum Annual Debt Service" and "Indebtedness," see APPENDIX C under "SUMMARY OF THE TRUST AGREEMENT - Definitions."

## COVENANTS OF THE COLLEGE

### Accreditation

In the Trust Agreement, the College has covenanted that it will maintain its accreditation by (1) the American Bar Association, and (2) the Committee of Bar Examiners of the State, so long as the College operates a program accredited thereby (the "Accrediting Bodies"), or their respective successors as bodies that accredit schools like the College, or, if none, another nationally recognized body or bodies that accredit such schools. The College has covenanted to provide to the Trustee, within thirty (30) days of receipt thereof, copies of any action letter sent to the College by each such Accrediting Body following its review of the report of each team which visited the College's facilities, which apprises the College that such Accrediting Body is issuing a warning to the College or placing the College on probation.

### No Liens on Available Funds

In the Trust Agreement, the College has covenanted and agreed that it will not create, or permit the creation of, any pledge of, lien on, security interest in or encumbrance upon Available Funds. The College also covenanted and agreed that it will not incur any Indebtedness payable from Available Funds other than the Bonds except as provided for in the Trust Agreement.

### Tax Covenants

In the Trust Agreement, the College has covenanted and agreed that it will not use or permit the use of any proceeds of the Bonds or any other funds of the College, directly or indirectly, to acquire any securities or obligations, and will not take or permit to be taken any other action or actions, which would cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code, or which would otherwise affect the exclusion of interest on the Bonds from gross income of the recipients thereof for federal income tax purposes. The College will at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the College on the Bonds will, for federal income tax purposes, be excluded from the gross income of the recipients thereof.

For a description of other covenants of the College, see APPENDIX C under "SUMMARY OF THE TRUST AGREEMENT – Covenants of the College."

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**DEBT SERVICE SCHEDULE**

The following table presents the Annual Debt Service on the Series 2008 Bonds.

**HASTINGS COLLEGE OF THE LAW BONDS, SERIES 2008**
**Debt Service**

| Fiscal Year (June 30) | Debt Service | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2008 | | $ 146,478.44 | $ 146,478.44 |
| 2009 | | 1,121,962.50 | 1,121,962.50 |
| 2010 | $ 475,000 | 1,121,962.50 | 1,596,962.50 |
| 2011 | 495,000 | 1,098,212.50 | 1,593,212.50 |
| 2012 | 520,000 | 1,073,462.50 | 1,593,462.50 |
| 2013 | 550,000 | 1,047,462.50 | 1,597,462.50 |
| 2014 | 570,000 | 1,022,712.50 | 1,592,712.50 |
| 2015 | 595,000 | 998,487.50 | 1,593,487.50 |
| 2016 | 620,000 | 973,200.00 | 1,593,200.00 |
| 2017 | 650,000 | 946,850.00 | 1,596,850.00 |
| 2018 | 675,000 | 919,225.00 | 1,594,225.00 |
| 2019 | 705,000 | 890,537.50 | 1,595,537.50 |
| 2020 | 730,000 | 864,981.26 | 1,594,981.26 |
| 2021 | 760,000 | 837,606.26 | 1,597,606.26 |
| 2022 | 785,000 | 808,156.26 | 1,593,156.26 |
| 2023 | 820,000 | 776,756.26 | 1,596,756.26 |
| 2024 | 850,000 | 742,931.26 | 1,592,931.26 |
| 2025 | 890,000 | 706,806.26 | 1,596,806.26 |
| 2026 | 925,000 | 667,868.76 | 1,592,868.76 |
| 2027 | 970,000 | 627,400.00 | 1,597,400.00 |
| 2028 | 1,010,000 | 583,750.00 | 1,593,750.00 |
| 2029 | 1,055,000 | 538,300.00 | 1,593,300.00 |
| 2030 | 1,105,000 | 489,506.26 | 1,594,506.26 |
| 2031 | 1,155,000 | 438,400.00 | 1,593,400.00 |
| 2032 | 1,210,000 | 384,981.26 | 1,594,981.26 |
| 2033 | 1,265,000 | 329,018.76 | 1,594,018.76 |
| 2034 | 1,325,000 | 270,512.50 | 1,595,512.50 |
| 2035 | 1,390,000 | 207,575.00 | 1,597,575.00 |
| 2036 | 1,455,000 | 141,550.00 | 1,596,550.00 |
| 2037 | 1,525,000 | 72,437.50 | 1,597,437.50 |
| TOTAL: | $25,080,000 | $20,849,091.04 | $45,929,091.04 |

## BOND INSURANCE

*The following information is not complete and reference is made to APPENDIX G for a specimen of the financial guaranty insurance policy (the "Policy") of Assured Guaranty Corp. ("Assured Guaranty" or the "Insurer").*

### The Insurance Policy

Assured Guaranty has made a commitment to issue the Policy relating to the Series 2008 Bonds, effective as of the date of issuance of such Series 2008 Bonds. Under the terms of the Policy, Assured Guaranty will unconditionally and irrevocably guarantee to pay that portion of principal of and interest on the Series 2008 Bonds that becomes Due for Payment but shall be unpaid by reason of Nonpayment (the "Insured Payments"). Insured Payments shall not include any additional amounts owing by the College solely as a result of the failure by the Trustee to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee by reason of such failure. The Policy is non-cancelable for any reason, including without limitation the non-payment of premium.

"Due for Payment" means, when referring to the principal of the Series 2008 Bonds, the stated maturity date thereof, or the date on which such Series 2008 Bonds shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and, when referring to interest on such Series 2008 Bonds, means the stated dates for payment of interest.

"Nonpayment" means the failure of the College to have provided sufficient funds to the Trustee for payment in full of all principal and interest Due for Payment on the Series 2008 Bonds. It is further understood that the term Nonpayment in respect of a Series 2008 Bond also includes any amount previously distributed to the holder of such Series 2008 Bond in respect of any Insured Payment by or on behalf of the College, which amount has been recovered from such holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such holder. Nonpayment does not include nonpayment of principal or interest caused by the failure of the Trustee, to pay such amount when due and payable.

Assured Guaranty will pay each portion of an Insured Payment that is Due for Payment and unpaid by reason of Nonpayment, on the later to occur of (i) the date such principal or interest becomes Due for Payment, or (ii) the business day next following the day on which Assured Guaranty shall have received a completed notice of Nonpayment therefor in accordance with the terms of the Policy.

Assured Guaranty shall be fully subrogated to the rights of the holders of the Series 2008 Bonds to receive payments in respect of the Insured Payments to the extent of any payment by Assured Guaranty under the Policy.

The Policy is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law.

## The Insurer

Assured Guaranty is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty is subject to insurance laws and regulations in Maryland and in New York (and in other jurisdictions in which it is licensed) that, among other things, (i) limit Assured Guaranty's business to financial guaranty insurance and related lines, (ii) prescribe minimum solvency requirements, including capital and surplus requirements, (iii) limit classes and concentrations of investments, (iv) regulate the amount of both the aggregate and individual risks that may be insured, (v) limit the payment of dividends by Assured Guaranty, (vi) require the maintenance of contingency reserves, and (vii) govern changes in control and transactions among affiliates. Certain state laws to which Assured Guaranty is subject also require the approval of policy rates and forms.

Assured Guaranty's financial strength is rated "AAA" by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), "AAA" by Fitch, Inc. ("Fitch") and "Aaa" by Moody's Investors Service, Inc. ("Moody's"). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

## Capitalization of Assured Guaranty Corp.

As of December 31, 2006, Assured Guaranty had total admitted assets of $1,248,270,663 (audited), total liabilities of $962,316,898 (audited), total surplus of $285,953,765 (audited) and total statutory capital (surplus plus contingency reserves) of $916,827,559 (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2007, Assured Guaranty had total admitted assets of $1,324,414,515 (unaudited), total liabilities of $1,073,740,147 (unaudited), total surplus of $250,674,368 (unaudited) and total statutory capital (surplus plus contingency reserves) of $950,697,359 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. The Maryland Insurance Administration recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Code, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. No consideration is given by the Maryland Insurance Administration to financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") in making such determinations.

**Incorporation of Certain Documents by Reference**

The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- The Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2006 (which was filed by AGL with the Securities and Exchange Commission (the "SEC") on February 28, 2007), as amended by the Form 10-K/A filed by AGL on March 1, 2007;
- The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2007 (which was filed by AGL with the SEC on May 7, 2007);
- The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007 (which was filed by AGL with the SEC on August 9, 2007);
- The Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007 (which was filed by AGL with the SEC on November 8, 2007); and
- The Current Reports on Form 8-K filed by AGL with the SEC, as they relate to Assured Guaranty.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Series 2008 Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading "BOND INSURANCE—The Insurer" shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition, the information regarding Assured Guaranty that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC are available to the public over the Internet at the SEC's web site at http://www.sec.gov and at AGL's web site at http://www.assuredguaranty.com, from the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

**Recent Developments**

On January 24, 2008, in order to provide the market current information, AGL issued a press release announcing selected financial information for the fourth quarter ended December 31, 2007. AGL provided this information in order to provide the market with recent information regarding, among other matters, the impact of market value declines on the valuation of its guaranties written in the form of credit default swaps.

AGL reported a $302.9 million ($4.39 per diluted share) fourth quarter 2007 after-tax unrealized mark-to-market loss on derivatives associated with financial guaranties written as credit default swaps.

This mark-to-market loss in the fourth quarter was due to the decline in market values of the reference securities and is not due to rating agency downgrades of the reference securities. The mark-to-market loss does not reflect any case or portfolio loss reserves, policy claims or realized losses, nor does it affect AGL's claims-paying resources, rating agency capital or regulatory capital position. AGL's credit default swap contracts are substantially similar to AGL's financial guaranty insurance contracts and provide the counterparty with credit protection against payment default. AGL expects the net gain or loss on credit default swap exposure will amortize to zero as the exposure approaches its maturity date, unless there is a payment default on the exposure.

In a December 12, 2007 press release, Fitch affirmed Assured Guaranty's "AAA" rating with a stable outlook. In a December 14, 2007 announcement, Moody's affirmed Assured Guaranty's "Aaa" rating with a stable outlook. On December 19, 2007, S&P affirmed Assured Guaranty's "AAA" financial strength rating with a stable outlook. On January 17, 2008, S&P maintained Assured Guaranty's "AAA" rating with a stable outlook. Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Assured Guaranty makes no representation regarding the Series 2008 Bonds or the advisability of investing in the Series 2008 Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "BOND INSURANCE".

## RISK FACTORS

*The following section describes certain risk factors affecting the payment of and security for the Series 2008 Bonds. The following information should be considered by prospective investors in evaluating the Series 2008 Bonds. However, it does not purport to be an exhaustive list of risks or other considerations which may be relevant to an investment in the Series 2008 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. There can be no assurance that other risk factors will not become material in the future.*

Future economic and other conditions, including changes in the demand for legal education, economic trends and events, technological developments and demographic shifts may influence the ability of the College to meet debt service requirements. Many factors such as the confidence of the public in the College, federal and state policies affecting funding for higher education, changes in government regulations, capability of College management, competition and litigation as well as increased costs may adversely affect the future financial condition of the College and, consequently, its ability to make payments of principal, premium, if any, and interest on the Series 2008 Bonds. There can be no assurance given that the financial condition of the College and/or the utilization of the facilities of the College will not be materially and adversely affected by future economic and other conditions.

With respect to the financial position of the College as of June 30, 2007, see the audited financial statements attached hereto as APPENDIX B.

**Limitation of Remedies**

The rights of the owners of the Series 2008 Bonds are subject to the limitations on legal remedies against public agencies of the State of California, including applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the enforcement of such remedies against public entities, such as the College, and to the application of general principles of equity. Bankruptcy proceedings, if initiated, could subject the owners of the Series 2008 Bonds to judicial discretion and interpretation of their rights in bankruptcy proceedings or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

**Revenue Sources to Pay the Series 2008 Bonds**

The College receives a significant portion of its funding from subventions by the State. As a result, decreases in the revenues received by the State can affect subventions made by the State to the College and other public entities in the State. For a discussion of the potential impact of State budget actions for fiscal year 2008-09 on the College in particular, see APPENDIX A under "FINANCIAL OPERATIONS – Proposed State Budget for Fiscal Year 2008-09."

**State of California Budget**

The State contributes directly and indirectly to a number of the College's activities. The fiscal year 2008-09 budget proposed by the Governor of the State provides $10.115 million, a reduction of 5% (-$516,000) from the $10.631 million State appropriation provided for the College in 2007-08. The College plans to address this reduction by a combination of new fee revenue, expenditure reductions and potentially the use of operating reserves. The State's financial challenges may negatively affect the College in a number of ways. These include but are not limited to the need for additional future fee increases, cost reductions and deferrals and temporary curtailment of employee compensation adjustments. However, these actions may be mitigated in the future by the State generating revenue by increasing tax rates and changing the treatment of income currently treated as tax-exempt.

**Seismic Risks**

The College is located in a seismically active region and could sustain extensive damage to its facilities in a major earthquake, both from ground motion and possible liquefaction of underlying soils. Damage could include breaks in utility, gas, drainage and sewage lines, loss of water supply from the City's Hetch Hetchy system, and displacement or collapse of one or more of the College's three buildings which could, in the worst case, necessitate the closing of one or more buildings for an extended period of time.

In October 1989, an earthquake measuring 7.1 on the Richter scale and with an epicenter approximately 50 miles south of the College struck the San Francisco Bay Area. There was no material structural damage to any of the College's three buildings. The College's contingency plans for such emergencies were implemented immediately. As a result, the College was closed and classroom instruction was postponed for three days. The College paid $256,000 for repairs from funds on hand and was reimbursed for the majority of these costs by the Federal Emergency Management Agency.

Since that time, seismic upgrades of the College's facilities at Snodgrass Hall (198 McAllister Street) and Kane Hall (200 McAllister Street) were completed in 1999 and 2007, respectively.

**Bankruptcy and Equitable Limitations**

In addition to the limitation on remedies contained in the Trust Agreement, the rights and remedies provided in the Trust Agreement may be limited by and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights. The various legal opinions to be delivered concurrently with the delivery of the Series 2008 Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the Series 2008 Bonds, the Trust Agreement and other related documents, by bankruptcy, reorganization, moratorium, insolvency, fraudulent conveyance or other similar laws relating to or affecting the enforcement of creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitation on legal remedies against public agencies in the State.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code) which governs the bankruptcy proceedings for public agencies such as the College, there are no involuntary petitions in bankruptcy. If the College were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners and the Trustee could be prohibited from taking any steps to enforce their rights under the Trust Agreement, and from taking any steps to collect amounts due from the College under the Trust Agreement.

**Risk of Tax Audit of Governmental Issuers**

In December 1999, as a part of a larger internal reorganization, the Internal Revenue Service (the "IRS") commenced operation of its Tax Exempt and Government Entities Division (the "TE/GE Division"), as the successor to its Employee Plans and Exempt Organizations division. The new TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. Public statements by IRS officials indicate that the number of tax-exempt bond examinations (which would include the issuance of securities such as the Series 2008 Bonds) is expected to increase significantly under the new TE/GE Division. There is no assurance that if an IRS examination of the Series 2008 Bonds was undertaken that it would not adversely affect the market value of the Series 2008 Bonds. See "TAX MATTERS" herein. The College is not currently the subject of any ongoing audit nor has it been notified by the IRS regarding the possibility of any such audit.

**Future Legislation**

The College may be subject to various laws, rules and regulations adopted by State and federal governments and their agencies. The College is unable to predict the adoption or amendment of any such laws, rules or regulations, or their effect on the operations or financial condition of the College.

**Initiative and Referendum**

The ability of the College to comply with its covenants under the Trust Agreement and to generate revenues sufficient to pay the principal of and interest on the Series 2008 Bonds may be adversely affected by actions and events outside the control of the College, including without limitation by actions taken (or not taken) by voters of the State.

Under the State Constitution, the voters of the State have the ability to initiate legislation and require a public vote on legislation passed by the State Legislature through the powers of initiative and referendum, respectively. It is possible that future initiatives could be approved by the voters from time to time, including without limitation initiatives that revise or restrict the powers of the College over revenues and expenditures. The College is unable to predict whether any such initiatives might be submitted to or approved by the voters, the nature of such initiatives, or their potential impact on the College.

## HASTINGS COLLEGE OF THE LAW

### General Information

Hastings College of the Law was founded in 1878 as the "law department" of the University of California. Hastings is the oldest law school in the West, and is also one of the largest public law schools in the West. Hastings was founded by Chief Justice Serranus Clinton Hastings and was established by the California Legislature with its own Board of Directors, who govern the school independently of the Board of Regents of the University of California since the founding of the school. The Board of Regents possesses degree-granting authority, but all other aspects of the College are under the control of the Hastings Board of Directors. The College is the only stand-alone, public law school in the nation. Certain economic and demographic information concerning the College is set forth in APPENDIX A hereto under "GENERAL INFORMATION CONCERNING HASTINGS COLLEGE OF THE LAW" and "ENROLLMENT AND STUDENT SERVICES."

### Financial Statement Summary

For excerpts of the College's general purpose financial statements at June 30, 2007, and for the fiscal year then ended, and at June 30, 2006, and the fiscal year then ended, see "APPENDIX B — AUDITED FINANCIAL STATEMENTS OF HASTINGS COLLEGE OF THE LAW FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND JUNE 30, 2006." Hood & Strong LLP, Certified Public Accountants, serve as independent auditors to the College and a copy of their report is attached hereto as APPENDIX B. Hood & Strong LLP has not reviewed or approved any portion of this Official Statement.

## TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the College ("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 Series 2008 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 Series 2008 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX E hereto.

To the extent the issue price of any maturity of the Series 2008 Bonds is less than the amount to be paid at maturity of such Series 2008 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2008 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2008 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2008 Bonds is the first price at which a substantial amount of such maturity of the Series 2008 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2008 Bonds accrues daily over the term to maturity of such Series 2008 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 Series 2008 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2008 Bonds. Beneficial Owners of the Series 2008 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2008 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2008 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2008 Bonds is sold to the public.

Series 2008 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 the bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2008 Bonds. The College has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2008 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2008 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2008 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 Series 2008 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2008 Bonds. Accordingly, the opinion of Bond Counsel speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2008 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 interest on, the Series 2008 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.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2008 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example, on November 5, 2007, the United States Supreme Court heard an appeal from a Kentucky state court which ruled that the United States Constitution prohibited the state from providing a tax exemption for interest on bonds issued by the state and its political subdivisions but taxing interest on obligations issued by other states and their political subdivisions. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2008 Bonds. Prospective purchasers of the Series 2008 Bonds should consult their own tax advisors regarding 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 Series 2008 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 College or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The College has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2008 Bonds ends with the issuance of the Series 2008 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the College or the Beneficial Owners regarding the tax-exempt status of the Series 2008 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the College and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the College legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2008 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2008 Bonds, and may cause the College or the Beneficial Owners to incur significant expense.

## CERTAIN LEGAL MATTERS

The validity of the Series 2008 Bonds and certain other legal matters are subject to the approval of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the College. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Orrick, Herrington & Sutcliffe LLP, San Francisco, California, is serving as Disclosure Counsel to the College. Certain matters will be passed upon for the College by its General Counsel.

## CONTINUING DISCLOSURE

The College has covenanted for the benefit of Bondholders to provide certain financial information and operating data relating to the College by not later than nine (9) months after the end of each fiscal year (which currently is June 30), commencing with the report for the 2007-08 fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if deemed by the College to be material. The Annual Report will be filed by the Trustee as dissemination agent (the "Dissemination Agent") on behalf of the College with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed by the Dissemination Agent on behalf of the College with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX F — FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the underwriters in complying with S.E.C. Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule"). There has been no failure on the part of the College to comply in any material way with prior undertakings under the Rule.

## LITIGATION AND OTHER MATTERS

There is no action, suit or proceeding known to be pending or, to the best knowledge of the College, threatened restraining or enjoining the execution or delivery of the Series 2008 Bonds or the Trust Agreement or any other document relating to the Series 2008 Bonds, or in any way contesting or affecting the validity of the foregoing.

As of December 31, 2007, there is only one lawsuit or claim pending against the College. Such lawsuit does not seek damages in excess of the College's insurance limits. The aggregate amount to the liabilities of the College which may result from all suits and claims will not, in the opinion of the College's General Counsel, materially impair the College's ability to repay the Series 2008 Bonds.

## RATINGS

Moody's has assigned the Series 2008 Bonds the rating of "Aaa," with the understanding that upon delivery of the Series 2008 Bonds, the Policy will be issued by the Insurer. Moody's has assigned an underlying rating of "A1" to the Series 2008 Bonds. Such ratings reflect only the view of Moody's and explanations of the significance of such ratings may be obtained only from Moody's at: Moody's Investors Service, 99 Church Street, New York, New York 10007-2796, telephone number (212) 553-0317. There is no assurance that such ratings will continue for any given period or that they will not be revised downward or withdrawn entirely by Moody's if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2008 Bonds.

## PROFESSIONALS INVOLVED IN THE OFFERING

The College has retained Public Financial Management, Inc. to serve as Financial Advisor with respect to the Series 2008 Bonds. The Financial Advisor and Bond and Disclosure Counsel will receive compensation with respect to the Series 2008 Bonds which is contingent upon the sale and delivery of the Series 2008 Bonds.

## ADDITIONAL INFORMATION

Brief descriptions of the Series 2008 Bonds, the College and the Trust Agreement are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Series 2008 Bonds and the Trust Agreement are qualified in their entirety by reference to the actual documents, or with respect to the Series 2008 Bonds, the forms thereof included in the Trust Agreement, copies of all of which are available for inspection at the offices of the Trustee and will be available upon request and payment of duplication costs from the Trustee.

Additional information regarding the College may be obtained from:

Hastings College of the Law
200 McAllister Street
San Francisco, California 94102-4978
Attention: Elise K. Traynum, General Counsel

## EXECUTION AND DELIVERY

The execution and delivery of this Official Statement has been duly authorized by the Board of Directors of the College.

HASTINGS COLLEGE OF THE LAW

By: /s/ Nell Jessup Newton
Nell Jessup Newton
Chancellor and Dean

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## APPENDIX A

## GENERAL INFORMATION CONCERNING HASTINGS COLLEGE OF THE LAW

### Background and History

Hastings College of the Law ("Hastings" or the "College") was established in 1878 as the "law department" of the University of California ("UC"). Hastings is the oldest law school in California and one of the largest public law schools in the United States. Founded by California's first chief justice, Serranus Clinton Hastings, the College was established by the California Legislature in legislation that provided the institution with its own Board of Directors that has governed the College independently of the Board of Regents of the University of California ("UC Board of Regents" or "Regents") since its inception. The Board of Regents possesses degree-granting authority, but all other aspects of the College are under the control of the Hastings Board of Directors. The College is the only stand-alone, public law school in the nation. Hastings is a charter member of the American Association of Law Schools (AALS) and has continuously been a member thereof since 1949.

The faculty at Hastings continues to uphold the College's long tradition of excellence in teaching, service and interdisciplinary academic research. The College's academic program is rigorous and highly regarded. With its exceptional faculty, Hastings reputation for high-quality legal education is widely known. Complementing efforts to enhance the College's instructional program and scholarship, the College's physical facilities have been systematically upgraded.

The campus has evolved over time in its densely urban setting. The College has grown from its first permanent structure, a classroom building at 198 McAllister constructed in 1953 with an annex added in 1969. In 1978, 100 McAllister Street was acquired and converted to residential use, housing approximately 280 of the College's 1,262 students. In 1980, the 200 McAllister Street building was opened, providing space for the library, faculty offices, and student services.

The College's three buildings have all undergone building code-compliance upgrades and other space improvements. In 1999, Snodgrass Hall (198 McAllister Street), a building primarily used for instructional purposes, underwent a major seismic and code-compliance upgrade that included substantial improvements to the College's teaching spaces. In 2004, the College completed a fire/life-safety upgrade and other improvements to 100 McAllister Street, relying in part on proceeds from bonds issued in 2003. A major seismic and code-compliance upgrade of Kane Hall (200 McAllister Street) was completed in 2007, including a total renovation of the library.

### Planned Development

The proceeds of the sales of Series 2008 bonds will be used to fund construction of a 395-stall, multi-level parking garage with 9,900 square feet of ground-level retail and approximately 2,700 square feet of below-grade storage space on vacant parcels (and a portion of an adjacent parcel) currently used as a surface parking lot at the southeast corner of Golden Gate Avenue and Larkin Street (the "Series 2008 Project").

The objectives for the Series 2008 Project are:

- Increase operational flexibility for Hastings by providing parking for students, faculty, staff, and patrons of Hastings-sponsored events.
- Increase on-campus amenities and services by programming space for ground level retail service providers and creating improved access to Hastings and its services by its students, faculty, and staff.
- Promote greater utilization of campus facilities and the surrounding community in the evening hours by providing safe, secure, and convenient parking.
- Provide an additional revenue flow to the College that will increase substantially over time.

All entitlements necessary for the Series 2008 Project have been received. The total development cost of the Series 2008 Project is estimated at approximately $24.36 million, approximately $23.4 of which is expected to be funded from proceeds of the Series 2008 Bonds. The remainder of the development cost of the Series 2008 Project, approximately $956,000, will be funded with equity from the College.

**Board of Directors**

The College is governed by an eleven-member Board of Directors. With the exception of one Board member who, by statute, must be an heir or representative of Serranus Clinton Hastings, the members of the Board are appointed by the Governor of the State of California, confirmed by the State Senate and serve for a term of 12 years. The current members of the Board of Directors are:

John K. Smith, (current Chair of the Board) of Hayward, California, was appointed to the Board of Directors in 1999. He is a partner in the law firm of Haley, Purchio, Sakai & Smith. In addition to being an active supporter of Hastings, Mr. Smith has served as the mayor of Hayward and as a member of the Alameda County Coliseum Board, where he helped negotiate contracts for the Oakland Athletics and Golden State Warriors. Mr. Smith earned a Juris Doctor degree from University of California Hastings College of the Law in 1954 and received the National Hastings Alumnus of the Year Award in 1989. In 1991, he received the Distinguished Service Award from the 1066 Foundation, where he served as Trustee and President. His term expires on March 12, 2011.

Donald Bradley, of Pleasanton, California, was appointed to the Board of Directors in May 2007. He has worked for the law of firm of Wilson, Sonsini, Goodrich & Rosati, Professional Corporation since 1984 and currently serves as managing partner and general counsel. Mr. Bradley also serves as president and a member of the Board of Directors for the Attorneys Insurance Mutual Risk Retention Group. Previously, he served as an associate and then partner with the law firm Pillsbury, Madison & Sutro, now Pillsbury, Winthrop, Shaw & Pittman, from 1972 to 1984. Mr. Bradley served in the U.S. Army from 1969 to 1970. He earned a Juris Doctor degree from University of California Hastings College of the Law, a Master of Laws degree from New York University School of Law and a Bachelor of Arts degree from Dartmouth College. His term expires on June 5, 2019.

Tina Combs, of Oakland, California, was appointed to the Board of Directors in May 2007. Since 2003, she has served as vice president and managing counsel for Wells Fargo Bank and has been an attorney there since 1994. Previously, Ms. Combs was a senior associate in the business department at the law firm Morrison & Foerster from 1988 to 1994. She was a pro bono attorney for the San Francisco Bar Association AIDS Referral Plan and serves on the Imani Community Church Board of Trustees. Ms. Combs earned a Juris Doctor degree from University of California Hastings College of the Law and a Bachelor of Arts degree from University of California, Berkeley. Her term expires on June 5, 2019.

Maureen Corcoran, of Tiburon, California, was appointed to the Board of Directors in May 2007. She previously served on the Board of Directors from 1993 to 2005 and has been a partner with the law firm Sheppard, Mullin, Richter and Hampton since 2006, where she spearheads health practice for institutions and health plans. Ms. Corcoran previously served as a partner at Pillsbury, Winthrop, Shaw & Pittman from 1987 to 2005. Prior to that, she served as general counsel for the U.S. Department of Education from 1984 to 1986 and special assistant to the general counsel for the U.S. Department of Health and Human Services from 1981 to 1983. Ms. Corcoran earned a Juris Doctor degree from University of California Hastings College of the Law as well as Master of Arts and Bachelor of Arts degrees from University of Iowa. Her term expires on June 5, 2019.

Marci Dragun, of Belmont, California, was appointed to the Board of Directors in May 2007. She has been with the Lincoln Club of Northern California since 1997 serving as its Executive Director and as Membership Director. Prior to joining the Lincoln Club, Ms. Dragun worked as in-house Political Analyst for Fisher Investments and as an associate for the law firm of Coddington, Hicks and Danforth. She has extensive political experience, having spent over 25 years working on numerous federal, state and local campaigns. Ms. Dragun's expertise has been in fundraising and event organization and management. Ms. Dragun earned a Bachelor of Arts degree from Mills College and a Juris Doctor degree from University of California Hastings College of the Law in 1986. She is a member of the California State Bar. Her term expires on May 3, 2019.

Carin T. Fujisaki, of Walnut Creek, California, was appointed to the Board of Directors in September 2003. Ms. Fujisaki has worked as a staff attorney for the Honorable Marvin R. Baxter of the California Supreme Court since 1991. From 1986 to 1990, she served as a litigation associate at Howard, Rice, Nemerovski, Canady, Robertson & Falk. She also worked as a research attorney for the Honorable Raymond D. Williamson, Jr. and the Honorable Lucy K. McCabe at the San Francisco Superior Court. Ms. Fujisaki is a member of the Asian American Bar Association of the Greater Bay Area, the National Asian Pacific American Bar Association, and the Bar Association of San Francisco. She earned her Bachelor of Arts degree in Art History from the University of California, Los Angeles and a Juris Doctor degree from University of California Hastings College of the Law in 1985. Her term expires on September 8, 2015.

Claes H. Lewenhaupt, descendant of S.C. Hastings, is a lifetime member of the Board of Directors. He earned a Juris Doctor degree from University of California Hastings College of the Law in 1989. LTC Lewenhaupt is a member of the California Bar and a lieutenant colonel in the U.S. Army Judge Advocate General's (JAG) Corps. He currently serves as a senior legal advisor to the United States Central Command, MacDill Air Force Base, Florida. His initial assignment was in Germany as a prosecutor (1990 – 94), before reassignment to Fitzsimons Army Medical Center in Colorado (1994 – 97) where he handled criminal, contract and civilian litigation. After receiving a Master of Laws in military law at the Army JAG School in Charlottesville, VA, he was assigned to Hawaii as the senior defense counsel for the Pacific region (1998 – 2000). He also served at the Army (Civil) Litigation Division (2000 – 2003) before transferring to the D.C. U.S. Attorney Office, Civil Division, as a Special Assistant U.S. Attorney (2003 – 2004), and was selected and attended the Army Command and General Staff College at Fort Leavenworth, MS (2004 – 2005). Before arriving in Florida, LTC Lewenhaupt served as the senior legal counsel (2005 – 2007 ) for the National Training Center, Fort Irwin CA.

James E. Mahoney (current Vice-chair of the Board), of Pacific Palisades, California, was appointed to the Board of Directors in 1985 and reappointed in 1997. Mr. Mahoney is a partner in the firm Pachulski Stang Ziehl Young Jones & Weintraub LLP in Santa Monica. Previously, he was a named partner of Mahoney, Coppenrath & Parker in Los Angeles specializing in real estate and corporate litigation. Mr. Mahoney is active in various professional, civic and non-profit organizations, including the Hastings 1066 Foundation. He earned a Juris Doctor degree from University of California Hastings College of the Law in 1966. His term expires on November 3, 2009.

Brian D. Monaghan, of San Diego, California, was appointed to the Board of Directors in 2000. A solo practitioner, Mr. Monaghan is a prominent plaintiff's attorney in the area of civil litigation. The San Diego Trial Lawyers Association awarded Mr. Monaghan Outstanding Trial Lawyer Awards on 10 occasions from 1979 to 1998 as well as presenting him its Trial Lawyer of the Year Award for 1979, 1984 and 1988. In 1998 he was the recipient of the Association of Trial Lawyers of America Stephen J. Sharp Public Service Award, as well as the American Board of Trial Advocates' California Trial Lawyer of the Year Award. In February 1999 Mr. Monaghan received the American Ireland Fund Distinguished Heritage Award. He currently sits on the Board of Directors for the San Diego Padres and the International Board of Directors of the American Ireland Fund. He earned a Juris Doctor degree from University of California Hastings College of the Law in 1970. His term expires on February 1, 2012.

Bruce L. Simon, of Hillsborough, California, was appointed to the Board of Directors in September 2003. Mr. Simon has been a partner at Pearson, Simon, Soter, Warshaw & Penny since March 2007. Previously, he was a partner of Cotchett, Pitre, Simon and McCarthy in 1991. Prior to joining the firm in 1984, he was an attorney for Gordon & Rees from 1982 to 1984 and Liccardo, Hartsell and Caselli from 1980 to 1982. Mr. Simon serves on the California State Bar's Antitrust and Unfair Competition Section Executive Committee and on the Board of Directors for the Northern California Chapter of the Association of Trial Lawyers. He is also a member of the Association of Trial Lawyers of America. He earned a Juris Doctor degree from University of California Hastings College of the Law in 1980. His term expires on September 8, 2015.

**Management**

The following table sets forth the names of the principal executive officers and senior management of the College, along with their positions and tenure at the College. A brief statement of the duties and background of certain of the officers follows the table.

| Name | Position | In Current Position Since |
|---|---|---|
| Nell Jessup Newton* | Chancellor and Dean | August 2006 |
| Shauna Marshall* | Academic Dean | July 2005 |
| David Seward* | Chief Financial Officer | August 1994 |
| Elise K. Traynum* | General Counsel/Secretary to the Board | September 2001 |
| Marie Hairston | Executive Director of Human Resources | February 2006 |
| Jenni Parrish | Director of Library | January 1993 |
| Jacqueline Ervin | Assistant Dean of Advancement and Communications | August 2006 |

* Principal Executive Officers of the College.

Nell Jessup Newton was appointed Chancellor, Dean, and Chief Executive Officer of the College on August 01, 2006. The Dean's administrative focus is on external matters—alumni affairs, appearing before the legislature on budget matters, working directly with the Board of Directors who govern the College, and representing the College on various State Bar and other national committees and events. She received her Juris Doctor degree from University of California Hastings College of the Law in 1976 with an academic specialty in Indian law. Her term expires on July 31, 2011.

Shauna Marshall was appointed Academic Dean on July 1, 2005. The Academic Dean is responsible for overseeing the College's academic programs, including scheduling and content of classes, the operation of student service functions (e.g., admissions, financial aid, records, career services, health services, etc.), the eight student law journals, along with the Moot Court and academic support programs. Ms. Marshall received her Bachelor of Arts degree from Washington University, St. Louis and her Juris Doctor degree from University of California, Davis. Upon graduation from law school, she joined the U.S. Justice Department's Honor Program as a trial attorney in the Antitrust Division. She received her Master of the Science of Law degree from Stanford University, lecturing in the areas of civil rights and community law practice at Stanford Law School, and directing the East Palo Alto Community Law Project. She joined the Hastings faculty as a Clinical Professor in 1994 and served as Associate Academic Dean from 2000 to 2002 before becoming Academic Dean in 2005.

David Seward serves as the Chief Financial Officer (CFO) of the College and is responsible for financial and business management, long-range capital planning and projects, as well as risk, investment and real estate management. Mr. Seward's responsibilities also include oversight of the College's auxiliary enterprises, including student housing, bookstore and parking operations. He earned a Bachelor of Arts degree from the University of Michigan and a Master of Business Administration degree from the University of San Francisco.

Elise K. Traynum serves as General Counsel for the College and Secretary to the Board of Directors. She is an experienced municipal law attorney with special emphasis on redevelopment law, zoning and land use, economic development and financing public facilities. Additionally, she has considerable experience in employment law and representing public agencies in employment-related administrative hearings. Ms. Traynum received her Juris Doctor degree from the University of California Hastings College of the Law in 1986. She served as City Attorney for the City of Perris from 1994 to 2000. She also served as general counsel to the Perris Redevelopment Agency and Assistant City Attorney for the City of Palm Springs.

**Faculty**

The following table presents the number of full-time and part-time faculty for the current academic year and each of the last past five academic years, together with the number of tenured full-time faculty members. There are no unions representing members of the faculty.

**Faculty Summary***

| Fall Semester | Full-Time Tenured Faculty | Full-Time Non-Tenured Faculty | Part-Time Faculty | Total |
|---|---|---|---|---|
| 2007 | 47 | 14 | 92 | 153 |
| 2006 | 48 | 14 | 79 | 141 |
| 2005 | 45 | 12 | 85 | 142 |
| 2004 | 49 | 12 | 72 | 133 |
| 2003 | 46 | 8 | 97 | 151 |

* Excludes Legal Writing and Research Instructors
Source: Hastings College of the Law.

**Staff**

In addition to senior management and faculty, the College has a full-time work force of 137 employees, as of June 30, 2007. The College maintains three non-faculty employee classification programs which include:

- The Management Program
- The Administrative and Professional Program
- The Staff Program

The Management Program encompasses high-level department managers and directors and some senior management (e.g., Director of Student Services, Director of Records, Director of Information Technology, Director of Fiscal Services, Assistant Dean of Admissions and Financial Aid, Director of Admissions, Director of Financial Aid, Bookstore Manager). The Administrative and Professional Program comprises high-level support and professional personnel (e.g., librarians, accountants, counselors). The Staff Program includes support and clerical staff (e.g., faculty secretary, accounting technicians and records technicians).

Since 1994, the Public Safety Officers' Association has represented the Safety and Security Department. This collective bargaining unit, with an Agreement effective through June 30, 2010, currently represents 12 employees.

**Facilities**

The College's campus is located on McAllister Street in downtown San Francisco, near the federal, state and local courthouses in the Civic Center area. Hastings's campus includes academic and administrative functions, student services, library, residential, food service and bookstore facilities and a variety of study settings. The College owns and operates three buildings and a surface parking lot that it leases out, which are described below.

- Snodgrass Hall (198 McAllister Building). At the center of Hastings is Snodgrass Hall, the College's 136,000 square foot instructional facility that also houses administrative, business and some faculty functions. In 1999, the building underwent a code-compliance upgrade including seismic, fire/life-safety, ADA/Title 24 improvements as well as substantial enhancements to teaching, work and study environments; $9.494 million of these improvements were financed by an appropriation from the State of California under the Higher Education Bond Act of 1996. Snodgrass Hall features 14 classrooms, ranging from large, tiered lecture halls to smaller seminar rooms, and special dedicated trial and appellate advocacy classrooms, including the Cotchett Trial Advocacy Center. Snodgrass Hall's fourth floor is designated for four co-curricular academic support activities that are central to the life of the College: Legal Writing, Research and Moot Court; the Legal Education Opportunity Program (LEOP); Disability Resource Program (DRP); and the Academic Support Program. In addition, the building includes the Gold Reading Room, a two-level 10,400 square-foot reading room.
- Kane Hall (200 McAllister Building). Constructed in 1980, the 185,000 square foot Kane Hall houses Hastings's 90,000 square foot library, as well as faculty and administrative offices. Students study in the Dobbs Atrium and dine either in the Law Cafe or on the adjoining patio. The College's bookstore sells legal texts and supplies. A Student Information Center provides phone and mail message service for each student. The building also contains other student service functions and the Alumni Reception Center. A comprehensive seismic and code-compliance upgrade, along with a complete renovation of the law library, completed in 2007, was financed by $23.5 million appropriated by the State of California from the Higher Education Facilities Bond Act of 2002, along with $4 million in donations raised during a capital campaign.
- McAllister Tower (100 McAllister Building). The McAllister Tower consists of 280,000 square feet and contains 252 efficiency, studio, one-bedroom, and two-bedroom apartments on 17 floors, housing approximately 280 Hastings students and their families. A gymnasium and fully-equipped fitness center are located in the building. McAllister Tower is home to the O'Brien Center for Scholarly Publications, where student editorial staffs publish Hastings's eight scholarly journals. Also within the Tower is the Civil Justice Clinic, where students gain hands-on experience and confront professional, ethical and societal issues. The building also has a student lounge on the 24th floor. In 2004, a building-wide fire/life-safety upgrade was completed, financed by the sale of Hastings Series 2003 Bonds.

- Golden Gate Avenue and Larkin Street Surface Parking Lot. The College owns parcels of land consisting of approximately 37,600 sq. ft. (about 275 ft. long by 137 ft. wide) on the northwest corner of Golden Gate Avenue and Larkin Street in San Francisco. With the proceeds of the Series 2008 bonds, Hastings will construct a 156,668 square feet, 7-story parking garage (395 stalls) on a portion of the site (22,506 square feet). The structure will consist of 144,028 square feet of parking, 9,900 square feet of retail, and 2,740 square feet of below-grade storage.

**The Library**

In 2007, the College's law library was completely renovated. The library is located on the top three floors of Kane Hall (200 McAllister building), occupying approximately 90,000 square feet and housing approximately 600,000 volumes and volume-equivalents, including law reviews, reporters, and digests. Microfilm and electronic research services (Westlaw, Lexis, and law-related CD-ROM publications) are also located in the library, together with a computer-oriented Learning Resources Center.

The Hastings library is also a selective depository for federal government documents and for state materials that receives California legislative and statutory material, legislative journals, and selected state agency annual reports.

**Academic Programs**

Hastings offers over 125 courses, more than most law schools, providing students breadth and depth in their legal study. Upper class course offerings include more than 65 lecture courses, 50 writing seminars, and 16 professional skills courses; and certificates of concentration are offered in five areas: Civil Litigation, Criminal Law, International Law, Public Interest Law, and Taxation. Many students, with faculty guidance and through the work of the College's research centers, law reviews, and clinics, also specialize in such diverse fields as family law, intellectual property, environmental law, business and commercial law, legal philosophy, personal injury law, employment and labor law, health law, education law, and alternative dispute resolution.

The College is dedicated to a curriculum that is theoretical and challenging, as well as practical, and focused. The College has identified three primary strategies to achieve its mission:

1. Continuing to develop course offerings that integrate theory and practice, including clinical opportunities, alternative dispute resolution, and problem-solving;
2. Continuing to develop a broad range of courses, including interdisciplinary, jurisprudential, and similar offerings; and
3. Developing selective concentrations in the J.D. curriculum.

The first-year J.D. curriculum is mandatory and consists of 30 units: Civil Procedure (6 units), Contracts (5 units), Criminal Law (4 units), Legal Writing and Research (2 units), Moot Court (2 units), Property (4 units), Torts (4 units), and Statutory Course (3 units). The College also has created a Legal Analysis course for students who experience academic difficulty. Other important core courses address bar exam subject areas and include Constitutional Law, Corporations, Criminal Procedure, Evidence, Federal Income Taxation, Professional

Responsibility, Wills & Trusts, Community Property and Remedies. In addition to the first year curriculum, each student must pass a course in professional responsibility and write a paper that satisfies the College's writing requirement.

**Public Interest**

Hastings has a long tradition of preparing students to work toward social justice. This legacy continues today in the variety of classroom, clinical, extra-curricular and funding opportunities that Hastings actively supports.

- The Public Interest Law Concentration incorporates numerous classroom and clinical offerings and connects our students with the Bay Area's abundant volunteer opportunities, and offers them access to an extensive network of mentors.
- The Civil Justice Clinic trains students in the litigation process while it handles employment, housing, and disability cases affecting underserved communities.
- The Public Interest/Public Sector Legal Careers Day, one of the largest public interest and government job fairs in the country, as well as a dedicated career services counselor to help students find public interest career opportunities.
- The Public Interest Career Assistance Program (PICAP) assists Hastings graduates working in public interest legal organizations or government agencies with repayment of outstanding educational loans.

**The Legal Education Opportunity Program (LEOP)**

The College's Legal Education Opportunity Program (LEOP) is a portal to increasing access to legal education. Created more than 30 years ago, LEOP is a central part of the effort to help equalize opportunities in the law. The College recognizes that traditional academic criteria used to determine admissions may not be the best indicators of academic potential for students from non-traditional backgrounds. The LEOP program serves both as an alternative means for evaluating an applicant's potential for the study of the law, and as an academic support program committed to the success of LEOP students in law school and in the legal profession.

Students enrolled through LEOP are deemed to have the abilities and motivation to succeed in law school with the assistance provided through the program. LEOP students are those who have overcome significant obstacles—educational, economic, social, or physical—that has restricted their access to traditional academic opportunities and resources generally considered an indicator of a successful law school career. Approximately 20% of each Hastings entering class is comprised of LEOP students.

Using Hastings's LEOP program as a state model, since 1998 the California Legislature has required the University of California's professional schools to "take into consideration education, economic status, social experience, and/or physical disability of an applicant that may have limited his or her access to academic opportunities." The Legislature has further provided: "In an effort to increase diversity, it is further the intent of the Legislature that all [University of California] professional schools establish programs similar to Hastings College of the Law's Legal Education Opportunity Program."

**Law Journals**

Hastings students help edit and publish eight law journals. In addition to the *HASTINGS LAW REVIEW*, there are journals specializing in business law, communications and entertainment law, constitutional law, international and comparative law, environmental law and policy, race and poverty law, and women's issues.

**Clinical Programs and Externship Opportunities**

The College offers numerous clinical opportunities for students. As one example, the Civil Justice Clinic aims to provide free legal assistance to low-income clients in the San Francisco Bay Area. This Clinic regularly focuses on four subject areas: Supplemental Security Income Disability appeals, San Francisco Rent Stabilization Board petitions, Special Education placements, and de novo appeals of Wage and Hour state administrative orders.

The College also offers a number of externship opportunities. Some examples of the externship opportunities include:

- The Criminal Practice Clinic exposes students to courtroom practice and procedure. Students participating in the clinic gain case management responsibility and involvement in the pretrial and trial practice through placement in selected county public defenders' and prosecutors' offices in the Bay Area;
- The Workers' Rights Clinic is a field placement clinic in which students provide free legal assistance to low-income individuals facing employment issues. The clinic is directly supervised by attorneys from the Employment Law Center/Legal Aid Society of San Francisco and from the private bar who conduct regular group training sessions for students; and
- The Local Government Law Clinic allows students to work in a department of the San Francisco City Attorney's Office, supervised by a tenured full time faculty member.

In addition, the College offers a supervised judicial externship program at the federal, state and county levels with a classroom component taught by a full-time tenured faculty member who visits each court placement each semester.

**Moot Court Program**

Hastings students compete annually in approximately sixteen regional and national moot court intercollegiate competitions. Hastings boasts one of the most successful Moot Court Competition programs in the United States. Each April, team tryouts are open to all students. Most years, more than 200 try out, and often some 50 qualified potential competitors remain wait-listed.

Successful applicants are placed on three-member teams that include two oral advocates and a brief editor. In keeping with the competition's topic, students write an appellate brief and prepare to argue both sides of the case in oral arguments.

In 2006-07, Hastings won two national championships at the Brooklyn Prince Evidence Competition and the Tulane Sports Law Competition, in addition to being the top U.S. law school at the Stetson International Environmental Law and the Jessup International Law moot court competitions. Hastings has won the Prince Competition three out of the past four years. Additionally, Hastings won regional championships at the Jessup, National, ABA-National Appellate Advocacy, and Lefkowitz Trademark Competitions. Hastings also had five second-place national finalists and six third-place award winners. In sum, Hastings won eight best brief awards and six best oral advocate awards.

**Institutes and Research Centers**

The College sponsors the Center for State and Local Government, the Center for Gender and Refugee Studies, Center for Negotiation and Dispute Resolution, and the Center for Work Life Law.

- The Center for State and Local Government, established by the College in 1991, analyzes legal issues facing California's state and local governments at the request of various state and local government offices, including the California Senate Office of Research and the Research Bureau of the California State Library. Its reports are researched and written by Hastings's students for academic credit, under the direct supervision of members of the faculty. Past reports have discussed legislative responses to the AIDS crisis, corporate governance, election reform, welfare reform, economic development, crime control, health care reform, and many other topics.
- The Center for Gender and Refugee Studies, established by the College in 1999, is home to several important projects dedicated to national policy research in areas focusing on human rights and international justice and to efforts fostering the rule of law and the development of legal education in countries outside the United States.
- The Center for Negotiation and Dispute Resolution (CNDR), established by the College in 2001, bridges theory and practice by providing a wealth of courses, practical experience, competitions, and professional programs for mastering the conflict theory and practical skills necessary for attorneys to be effective advocates.
- The Center for Work Life Law, established by the College in 2002, is a nonprofit research and advocacy organization. WorkLife Law works with employees, employers, attorneys, legislators, journalists, and researchers to identify and prevent Family Responsibilities Discrimination. WorkLife Law is supported by grants, university funding and private donations. The Center's work is made possible through support from the Alfred P. Sloan Foundation, The Rockefeller Family Fund, The Wallace A. Gerbode Foundation, the Women's Bar Association of the District of Columbia, and Abigail Disney.

**International Programs**

As a diverse, international community of students and faculty, Hastings provides an education that is truly global, both in scope and in outlook. The opportunities include:

- A concentration in International Law that focuses on public and private international law, as well as a joint J.D./LL.M. program with the School of Oriental and African Studies (SOAS) in London;
- 10 one-semester exchange programs with universities in England, the Netherlands, Denmark, Germany, Italy, Australia, Hungary, Argentina, and China;
- International Summer Stipends, which fund student internships in the field of public international law;
- An International and Comparative Law Journal, as well as numerous special programs that connect prominent internationalists and foreign law scholars to Hastings every year;
- An Immigrant's Rights Clinic that is on the front line of immigration issues; and
- A Master of Laws (LL.M.) degree program that brings foreign lawyers to Hastings, and connects students from around the world.

**Master of Laws (LL.M.) Program**

In the fall 2002, Hastings welcomed its first class into the Master of Laws program, consisting of 17 students pursuing the College's new LL.M. degree in U.S. Legal Studies. This program is a one-year Master of Laws for international students who previously have been licensed to practice law in a country outside of the United States. LL.M. candidates must enroll in a total of 24 units, including a legal writing and research class specifically designed for them, and take at least one first-year course in the fall semester. With the exception of the legal writing class, they are fully integrated into the J.D. curriculum. 20 students are currently enrolled in the program.

**Accreditation**

The College is accredited by the American Bar Association and the Committee of Bar Examiners of the State of California. The College was last accredited in May 2000 and, as is customary, will be reviewed again in February 2008.

**Litigation**

The College is a party to lawsuits in the ordinary course of its business. In the opinion of the General Counsel of the College none of these proceedings, either individually or in the aggregate, if determined adversely to the College could reasonably be expected materially to affect the College's financial condition or accreditation status. As of December 31, 2007, there is only one lawsuit or claim pending against the College. Such lawsuit does not seek damages in excess of the College's insurance limits. The aggregate amount to the liabilities of the College which may result from all suits and claims will not, in the opinion of the College's General Counsel, materially impair the College's ability to repay the Series 2008 Bonds.

## ENROLLMENT

**Student Enrollment**

The College enrolled 1,242 students in Fall 2007, all of which are graduate law students studying for a Doctorate of Jurisprudence (J.D.) degree and 20 graduate law students studying for the Master of Laws (LL.M.) degree. This figure represents a full time equivalent enrollment of 1,262.

The following table sets forth the College's full time equivalent enrollment for the current academic year and each of the past four academic years and the number of degrees conferred in each such year completed.

**Student Enrollment and Degrees Awarded**

| Academic Year | Total Enrollment | J.D. Degrees Awarded | LL.M. Degrees Awarded |
|---|---|---|---|
| 2006-07 | 1,301 | 422 | 10 |
| 2005-06 | 1,317 | 409 | 16 |
| 2004-05 | 1,298 | 413 | 16 |
| 2003-04 | 1,285 | 396 | 10 |
| 2002-03 | 1,291 | 421 | 17 |

Source: Hastings College of the Law.

The following table sets forth applications, admissions and new enrollments for the current academic year and the prior four academic years:

**Application Pool**

| Fall Semester | Applications Received | Offered Admissions | Selectivity Index | New Enrollments | Yield |
|---|---|---|---|---|---|
| 2007 | 5,141 | 1,364 | 26.5% | 401 | 29.4% |
| 2006 | 5,526 | 1,479 | 26.8% | 421 | 28.5% |
| 2005 | 6,189 | 1,470 | 23.8% | 419 | 28.5% |
| 2004 | 7,176 | 1,398 | 19.5% | 427 | 30.5% |
| 2003 | 6,915 | 1,410 | 20.45% | 427 | 30.3% |

Source: Hastings College of the Law.

Applications to the College have declined since 2004, though the College believes that this is primarily a reflection of a normal trend in applications to law schools in general, as application levels have a tendency to be inversely affected by broader economic conditions. According to data posted on the Law School Admissions Council's website, applications to law schools generally for the Fall Semesters of 2005, 2006 and 2007 fell by 4.8%, 7.4% and 5.2%, respectively.* The College believes that its share of the overall applicant pool remains strong, both in terms of quantity and quality.

For the Fall 2008 semester, applications are once again showing an upward trend. Total applications have increased from 1,694 as of December 7, 2006 to 1,936 as of December 7, 2007, a point-in-time increase of 12.5%.

The College's student body is and has been for many years comprised of about half men and half women. The gender make-up of the class is 53% female and 47% male. The College is highly diverse with one of every three students from a minority group. In the fall 2007, the student body included 268 Asians, 81 Hispanics, 42 African-Americans, 23 of Indian Sub-Continent and 6 Native Americans. Though most are in their mid-20s, ages range from 19 to 47, and approximately one-third have worked full-time prior to entering law school. Many students have advanced degrees. In the class that entered in the fall 2007, 18 earned Masters' degrees, one has an MBA degree, one has a medical degree and 4 have PhD degrees. The median undergraduate grade point average is 3.57. More than 100 students earned undergraduate degrees from the University of California at Berkeley or Los Angeles, with smaller numbers from the other University of California campuses. The entering class of 2007 had the following profile:

- Increase operational flexibility for Hastings by providing parking for students, faculty, staff, and patrons of Hastings-sponsored events.
- Class Size: 401
- Women: 53%
- Men: 47%
- Students of Color: 36%
- Median Age: 24
- Age Range: 20-47
- Median UGPA: 3.57
- UGPA Range: 2.43 to 4.09
- Median LSAT: 163
- LSAT Range: 147 to 178
- No. of Undergraduate Institutions Represented: 112

**Competition**

The major competitors of the College for its students are generally private law schools in California including University of Southern California, University of San Diego, University of San Francisco, Santa Clara University, Golden Gate University and California Western School of Law. The law school at the University of California, Davis is also considered a major competitor. Outside of California, the College's major competitors are Boston College and George Washington University. The College has been able to successfully compete in the past and expects to be able to continue to do so in the future due to its high quality of education and

* *See* LSAC Volume Summary Data, *available at* http://www.lsac.org/Applying/lsac-volume-summary.asp. Information on this website has not been reviewed or verified by either the City, the Underwriters or the Financial Advisor and is not incorporated by reference in this Official Statement.

comparatively lower fees relative to private institutions. Other strengths of the College in attracting students include practical programs such as judicial internship opportunities and clinical practice, foreign exchange program opportunities, scholarly journal opportunities, the availability of student housing and a downtown location in a major urban city providing easy access to the courts and a practicing bar.

**Financial Aid Programs**

Approximately 80% of the student body receives some type of financial aid in the form of grants, loans, work-study or scholarships. A significant number of students at the College depend on sources of student financial aid other than the College to pay tuition and fees. The majority of such aid comes from federal government loan programs. The continued availability of those funds is contingent upon continued congressional support.

**Alumni**

More Hastings graduates have been elevated to the California bench than graduates of any other competing law schools in California:

**Graduates on the California Bench**

| University | Graduates on the California Bench in 2007 |
|---|---|
| Hastings College of the Law | 127 |
| University of California, Los Angeles | 14 |
| Loyola University | 111 |
| University of California, Berkeley, Boalt Hall | 88 |
| University of San Diego | 61 |
| Southwestern School of Law | 65 |
| University of the Pacific, McGeorge School of Law | 74 |
| University of California, Davis | 50 |
| University of San Francisco | 39 |
| Stanford University | 26 |
| University of Southern California | 0 |

Source: California Judges' Association.

## FINANCIAL OPERATIONS

**Significant Accounting Policies**

The financial statements of the College are prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable effective statements as promulgated by the Governmental Accounting Standards Board ("GASB"). In accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary funds and Other Governmental Entities that Use Proprietary Fund Accounting, the College applies all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 that do not conflict or contradict GASB pronouncements, using the economic resources measurement focus and the accrual basis of accounting. The College uses enterprise fund accounting.

**Financial Statements**

The audited financial statements of the College for the fiscal year ended June 30, 2007 and fiscal year ended June 30, 2006 are presented in Appendix B hereto. In addition, set forth below under the caption "Summary of Statement of Revenues, Expenses and Changes in Net Assets" is information for the last five fiscal years with respect to revenues, expenses and other changes in net assets.

**Reports of Independent Auditors**

In fulfilling its fiduciary responsibility the Board of Directors engages an external, independent auditor to annually perform a financial statement audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.. Historically, the College has not engaged its auditor to provide consulting services. Periodically, the Board may select an audit of certain areas within the College, as it deems necessary and prudent. The auditors present their report and findings to the Board's Finance Committee and its Sub-Committee on Audit. Additionally, the UC Board of Regents are responsible for reviewing the College's audit report, management letter and investment policies. The Regents are required to report their findings to the State Legislature.

**Revenues and Expenditures**

The following table, which should be read in conjunction with the Financial Statements and accompanying notes and the "Financial Analysis" section following the table provides a summary of Revenues, Expenses and Changes in Net Assets for each of the five fiscal years ending June 30, 2003, 2004, 2005, 2006 and 2007.

## Summary of Statement of Revenues, Expenses and Changes in Net Assets

| | As of June 30, 2003 | As of June 30, 2004 | As of June 30, 2005 | As of June 30, 2006 | As of June 30, 2007 |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Operating Revenues | | | | | |
| Tuition and fees | 14,274,346 | 18,549,509 | 25,447,076 | 26,758,823 | 26,307,584 |
| Less: Hastings's grants | (3,513,506) | (3,846,082) | (4,993,806) | (5,173,225) | (5,138,706) |
| Less: Tuition and fee scholarships | (601,166) | (636,180) | (682,250) | (658,550) | (650,000) |
| Tuition and fees, net | 10,159,674 | 14,067,247 | 19,771,020 | 20,927,048 | 20,518,878 |
| Contributions, net | - | - | - | - | - |
| Government grants and contracts | 308,103 | 538,836 | 581,010 | 779,404 | 657,436 |
| Private grants and contracts | 268,072 | 63,937 | 122,404 | 56,619 | 62,707 |
| Sales and services of auxiliary enterprises | 5,057,569 | 4,946,142 | 5,213,164 | 5,496,822 | 5,289,020 |
| Event income | - | - | - | - | - |
| Other operating revenues | 361,069 | 454,609 | 428,924 | 494,162 | 532,551 |
| Loan interest, net of expenses | 391,026 | 225,384 | 129,892 | 322,917 | 184,990 |
| Total operating revenues | $ 16,545,513 | $ 20,296,155 | $ 26,246,414 | $ 28,076,972 | $ 27,245,582 |
| **Expenses** | | | | | |
| Operating | | | | | |
| Salaries and wages | - | - | - | - | - |
| Faculty | 8,218,209 | 7,790,187 | 7,523,000 | 7,666,584 | 8,856,252 |
| Staff | 9,693,535 | 10,147,015 | 10,194,640 | 10,933,809 | 11,784,889 |
| Benefits | 2,568,792 | 2,672,160 | 2,883,168 | 2,959,850 | 3,211,457 |
| Scholarships and fellowships | 527,619 | 468,182 | 573,131 | 542,239 | 525,106 |
| Auxiliary enterprises | 3,653,157 | 3,948,962 | 4,128,335 | 4,549,937 | 4,367,826 |
| Utilities | 599,377 | 572,239 | 640,970 | 529,363 | 477,305 |
| Supplies and services | 5,377,809 | 4,663,705 | 5,661,826 | 6,014,143 | 7,060,319 |
| Depreciation, excluding auxiliary enterprise | 2,092,388 | 2,763,979 | 2,715,192 | 1,985,694 | 1,787,718 |
| Events | - | - | - | - | - |

**Summary of Statement of Revenues, Expenses and Changes in Net Assets**

| | As of June 30, 2003 | As of June 30, 2004 | As of June 30, 2005 | As of June 30, 2006 | As of June 30, 2007 |
|---|---|---|---|---|---|
| Grants | - | - | - | - | - |
| Other | 652,497 | 726,418 | 573,118 | 911,061 | 1,070,413 |
| Total operating expenses | $ 33,383,383 | $ 33,752,847 | $ 34,893,380 | $ 36,092,680 | $ 39,141,285 |
| Operating income (loss) | $ (16,837,870) | $ (13,456,692) | $ (8,646,966) | $ (8,015,708) | $ (11,895,703) |
| **Nonoperating Revenues (Expenses)** | | | | | |
| State operating appropriations | 14,569,414 | 11,230,537 | 8,246,358 | 8,524,729 | 10,832,799 |
| Gifts, noncapital | 806,708 | 1,200,077 | 1,440,997 | 1,706,883 | 2,536,593 |
| Investment income | 925,023 | 1,009,884 | 1,076,894 | 1,152,477 | 1,438,629 |
| Realized and unrealized net gains on investments | 781,461 | 3,456,893 | 2,468,784 | 2,942,578 | 6,192,501 |
| Interest on debt | (437,290) | (37,378) | (236,028) | (385,099) | (375,512) |
| Relocation costs | 0 | 0 | 0 | (1,802,574) | (1,257,975) |
| Net nonoperating revenues | $ 16,645,316 | $ 16,860,013 | $ 12,997,005 | $ 12,138,994 | $ 19,367,035 |
| Income before other changes in net assets | $ (192,554) | $ 3,403,321 | $ 4,350,039 | $ 4,123,286 | $ 7,471,332 |

**Summary of Statement of Revenues, Expenses and Changes in Net Assets (continued)**

| | As of June 30, 2003 | As of June 30, 2004 | As of June 30, 2005 | As of June 30, 2006 | As of June 30, 2007 |
|---|---|---|---|---|---|
| **Other Changes in Net Assets** | | | | | |
| Capital grants and gifts | 176,170 | 4,729 | 160,553 | 1,478,211 | 1,294,842 |
| State capital appropriation | 831,000 | 1,044,000 | 0 | 9,408,294 | 10,530,917 |
| Gifts and other changes to endowment | 467,345 | 274,796 | 652,653 | 1,874,119 | 1,890,636 |
| Capital assets disposal | 0 | 0 | 0 | (621,525) | (6,113,493) |
| Total other changes in net assets | $ 1,474,515 | $ 1,323,525 | $ 813,206 | $ 12,139,099 | $ 7,602,902 |
| Increase in Net Assets | $ 1,281,961 | $ 4,726,846 | $ 5,163,245 | $ 16,262,385 | $ 15,074,234 |
| **Net Assets** | 83,077,093 | 84,359,054 | 89,085,900 | 96,976,761 | 116,599,483 |
| Prior period adjustment | 0 | 0 | 2,727,616 | 3,360,337 | 0 |
| Net Assets beginning of year – as restated | $ 83,077,093 | $ 84,359,054 | $ 91,813,516 | $ 100,337,098 | $ 116,599,483 |
| Net Assets, end of year | $ 84,359,054 | $ 89,085,900 | $ 96,976,761 | $ 116,599,483 | $ 131,673,717 |

Source: Hastings College of the Law.

### Available Funds, Net Expenses and Revenues Available for Debt Service

The table below summarizes Available Funds, Net Expenses and Revenues Available for Debt Service as defined in the Trust Agreement.

**Historical Operating Revenues, Available Funds, Net Expenses and Revenues Available for Debt Service**

| Fiscal Year Ending June 30, | Total Operating Revenues | Available Funds | Net Expenses | Revenues Available for Debt Service | Debt Service [(1)] | Coverage Ratio[(2)] |
|---|---|---|---|---|---|---|
| 2007 | $27,245,583 | $4,682,527 | $0.00 | $4,682,527 | $587,812 | 7.97x |
| 2006 | $28,076,972 | $5,359,222 | $0.00 | $5,359,222 | $589,754 | 9.09x |
| 2005 | $26,246,414 | $4,586,498 | $0.00 | $4,586,498 | $589,033 | 7.79x |
| 2004 | $20,296,155 | $5,560,142 | $2,079,813 | $3,480,329 | $581,596 | 5.98x |
| 2003 | $16,545,513 | $5,513,437 | $3,316,153 | $2,197,284 | $583,921 | 3.76x |

(1) Includes debt service payable from Available Funds, including annual debt service on energy loans due to the State of California, and the annual debt service on the Series 2003 Bonds. For a description of the College's existing liabilities, see APPENDIX A under "FINANCIAL OPERATIONS—Liabilities".
(2) The Coverage Ratio is used to measure the College's capacity for Additional Indebtedness. In calculating the Coverage Ratio, the College determines how much, if any, of the Available Funds are Available for Debt Service. To determine this amount , the following calculation is made:

In calculating Net Expenses, total operating expenses are adjusted to:

- remove depreciation expense
- remove those expenses funded by restricted private gifts and grants
- remove those expenses funded by state appropriations
- remove those expenses funded by resident student fees

This calculation may result in zero or negative total Net Expenses indicating that no Available Funds are needed to support the College's operating expenses. In other words, the College's operating expenses, as adjusted for depreciation expense, are fully supported by restricted private gifts and grants, state appropriations and resident student fees. As such, all other revenues of the College are Available for Debt Service. Source: Hastings College of the Law.

The following figure is calculated on this basis using, for illustrative purposes, historical data from fiscal year 2006-07:

## Revenues Available for Debt Service

| | | | | Fiscal Year 2006-07 |
|---|---|---|---|---|
| **Available Funds** | | | | |
| | | Total Operating Revenues | | $27,245,582 |
| | PLUS | Investment Income | | 1,438,629 |
| | PLUS | Realized Gain (Loss) on Sale of Investments | | 338,803 |
| | LESS: | Resident Student Fees[2] | | 24,340,487 |
| | | | *Available Funds:* | $4,682,527 |
| **Net Expenses** | | | | |
| | | Total Operating Expenses | | $39,141,285 |
| | LESS: | Expenses funded by State appropriations | | ($10,832,799) |
| | | Expenses from resident student fees | | ($24,340,487) |
| | | Expenses funded by private gifts | | (2,536,593) |
| | | Depreciation Expense | | ($1,787,718) |
| | | | | ($356,312) |
| | | Adjustment for negative net expenses | | $356,312 |
| | | | *Net Expenses:* | 0 |
| **Revenues Available for Debt Service[1]** | | | | |
| | | Available Funds | | $4,682,527 |
| | LESS: | Net Expenses | | $0 |
| | | | *Revenues Available for Debt Service:* | $4,682,527 |

(1) Restricted revenues and expenditures are excluded from the definition of Revenues Available for Debt Service. These amounts are reflected in the College's audited financial statements.
(2) Although the definition of Available Funds in the Trust Agreement excludes resident student fees, this revenue can be made available for debt service for the Series 2003 and 2008 bonds at the election of the Board of Directors , subject to any limitations that may be imposed in the future by the State Legislature. There are no currently imposed legal restrictions which would preclude the use of resident student fees to pay debt service.
Source: Hastings College of the Law.

### Investment Income and Unrealized Loss/Gain on Investments.

The College invests its funds with the Treasurer's Office of the University of California. It is the College's policy to allocate 100% of its invested funds in the General Endowment Pool (GEP).

GEP is a balanced portfolio containing equities and fixed-income securities that provides diversification and economies of scale. For GEP, the portfolio's total return for 2005-06 was 11.57% and the total return for 2006-07 was 19.81%. For 2007-08, the College's GEP investment experience a total return of 2.22% for the first quarter of the fiscal year. The College also utilizes the Short Term Investment Pool (STIP). STIP serves as a cash management tool where the College deposits funds for transfer to its commercial bank accounts held by Wells Fargo Bank. Short term and long term investments results are summarized below:

**Annualized Total Returns**
**(As of 09/30/007)**

| | Calendar Year To Date | Three Years | Five Years | Ten Years |
|---|---|---|---|---|
| General Endowment Pool | 11.11% | 14.51% | 14.75% | 8.89% |
| Short Term Investment Pool | 3.53% | 4.28% | 3.98% | 4.89% |

Source: Hastings College of the Law.

## Student Tuition and Fee Revenues

The Board of Directors of the College has independent fee setting authority for the College. The Board of Directors has determined that Hastings fees should be in substantial parity with its public, benchmark institutions to provide necessary revenues to maintain and enhance academic programs and to provide resources to achieve priority institutional objectives.

Student fees are the primary revenue source supporting the educational mission of Hastings. In 2006-07, 70 percent of total revenue was derived from student and related fees. Since the early part of this decade, growth in state support has been minimal reflecting a *de facto* funding policy based on the supposition that professional school students are positioned to absorb a greater share of the cost of their education given the perception that higher incomes await professional school students upon their graduation.

The current-year (2007-08) fee structure at Hastings consists of the following charges and assessments.

- General Enrollment Fee – The General Enrollment Fee represents the primary fee at Hastings and is its main revenue source. This fee is analogous to the Education Fee, Registration Fee, Professional School Fee and Special Fee for Professional School Students (i.e., mandatory system-wide fees) charged by the University of California.
- Nonresident Tuition – The establishment of nonresident tuition is based on state policy guidelines developed by the California Postsecondary Education Commission (CPEC). Typically students achieve residency status after their first year of attendance.
- Health Center Fee – Hastings operates a health clinic. The policy adopted by the Board requires that the health center be self-supporting. This fee provides the revenue necessary to fund all direct costs associated with its operation including physicians, psychiatrists, nursing and administrative staff, the cost of liability insurance, and expenses for supplies, equipment repair, and reference materials.
- Accident and Sickness Insurance Plan – Insurance coverage is required of all students except those who produce evidence of comparable coverage. Upon reaching 23 years of age, most students are no longer covered under their parents' or guardians policies and

opt for coverage through the College's program. Premium cost varies annually based on coverage decisions and prior loss history.

- Activity Fee – This fee supports a number of activities including the fitness center, student events and other miscellaneous activities.

In the current year, Hastings fees are below those of other University of California Law Schools. For 2007-08, resident fees are 12 percent below the average fee charged by the University of California. Hastings nonresident tuition is 5 percent below the average nonresident fee charged by University of California.

**2007-08 Fee Comparison**

| | Resident Fees[(1)] | Campus Fees | Health Insurance[(2)] | Total Resident | Nonresident Tuition | Total Nonresident |
|---|---|---|---|---|---|---|
| Hastings | 21,303 | 782 | 2,035 | $24,120 | 11,225 | $35,345 |
| Berkeley | 24,728 | 559 | 1,610 | $26,897 | 12,245 | $39,142 |
| Davis | 23,276 | 774 | 1,440 | $25,490 | 12,245 | $37,735 |
| UCLA | 24,728 | 1,134 | 1,194 | $27,056 | 10,793[(3)] | $37,849 |

(1) For the other UC campuses, Resident Fees are referred to as Mandatory System-wide fees consisting of the Registration Fee, Educational Fee, Professional School Fee and Special Fee for Law/Medicine.
(2) Health Insurance premiums can be waived upon presentation of proof of alternative, comparable coverage.
(3) The Nonresident Tuition for UCLA is nominally identified as $12,245. However, a lower Professional School Fee is provided for nonresidents resulting in an effective Nonresident Tuition of $10,793.
Source: Hastings College of the Law.

At its July 2007 meeting, the UC Board of Regents heard the requests from the deans of UC's professional schools that would substantially increase the cost of attendance. The Regents approved fees for 2008-09 at their September 2007 meeting. The following table compares authorized 2008-09 fee levels and summarizes the law school deans' multi-year proposal as well as the fee level approved for Hastings for 2008-09:

| 2007-08 Actual | Berkeley | UCLA | Davis | Hastings |
|---|---|---|---|---|
| Mandatory System-wide Fees | 24,728 | 24,728 | 23,276 | 21,303 |
| Campus Fees | 559 | 1,134 | 774 | 782 |
| Health Insurance | 1,610 | 1,194 | 1,440 | 2,035 |
| **Total** | $ 26,897 | $ 27,056 | $ 25,490 | $ 24,120 |
| 2008-09 Fees (Authorized) | 31,665 | 31,250 | 28,270 | 28,500 |
| Percentage Change | 18% | 16% | 11% | 18% |
| 2009-10 Proposed by UC Law Deans | 37,292 | 35,312 | 31,244 | 31,920 |
| Percentage Change | 18% | 13% | 11% | 12% |
| 2010-11 Proposed by UC Law Deans | $ 43,932 | $ 39,902 | $ 34,566 | $ 35,750 |
| Percentage Change | 18% | 13% | 11% | 12% |
| Average Annual Increase | 18% | 14% | 11% | 14% |

Source: Hastings College of the Law.

**Academic Year 2008-09**

At its September 2007 meeting, the Board of Directors approved the fees listed below (subject to change in the event that state funding levels are reduced for 2008-09) for the upcoming academic year:

1. General Enrollment Fee of $26,003, an increase of $4,700, or 22%;
2. Nonresident Tuition of $11,225, no change from prior-year levels;
3. Elimination of the $200 Academic Enhancement Fee;
4. Elimination of the $100 Exam Materials and Processing Fee; and
5. Elimination of the $45 Graduation Fee.

With these changes, the fee structure for 2008-09 is summarized in the following table:

| | Authorized 2007-08 | Authorized 2008-09 | Change | Percent |
|---|---|---|---|---|
| General Enrollment Fee | 21,303 | 26,003 | 4,700 | 22% |
| Nonresident Tuition | 11,225 | 11,225 | - | 0% |
| | | | | |
| Activity Fee | 82 | 82 | - | 0% |
| Health Services Fee* | 380 | 380 | - | 0% |
| Health Insurance Premium* | 2,035 | 2,035 | - | 0% |
| Academic Enhancement Fee | 200 | - | (200) | -100% |
| Exam Materials & Processing Fee | 120 | - | (120) | -100% |
| | | | | |
| Total Resident | $ 24,120 | $ 28,500 | $ 4,380 | 18% |
| Total Nonresident | $ 35,345 | $ 39,725 | $ 4,380 | 12% |

* Preliminary. These fees are confirmed at the March 2008 meeting of the Board of Directors. Fees are subject to change without notice.

Source: Hastings College of the Law.

Fees approved for 2008-09 will provide revenues to: enhance academic programs, by hiring and retaining a high-quality faculty and improving the student-faculty ratio; increase financial aid and the Public Interest Career Assistant Program (PICAP), a loan repayment assistance program to enhance graduates' ability to pursue public service careers; improve the school's information technology infrastructure; and provide employee compensation adjustments to maintain competitiveness with benchmark institutions.

The following table summarizes total fees charged in 2007-08 by other law schools. Proposed fees for 2008-09 are not yet available.

| **Other National Benchmark Institutions** | ***Fees*** | ***Nonresident*** |
|---|---|---|
| USC | $42,710 | N/A |
| Boston College | $36,590 | N/A |
| George Washington | $38,198 | N/A |
| University of Texas | $20,632 | $35,130 |
| University of Minnesota | $20,000 | $29,500 |
| University of Michigan | $38,950 | $41,950 |
| University of Virginia | $35,625 | $40,625 |

| **California Private Institutions** | ***2007-08 Fees*** |
|---|---|
| University of Santa Clara | $35,250 |
| University of San Diego | $37,610 |
| Pepperdine | $33,610 |
| Loyola Marymount | $36,058 |
| Stanford University | $39,500 |
| University of San Francisco | $33,870 |
| Golden Gate University | $32,700 |

Source: Hastings College of the Law.

### Impact of Fee Increases on Applications and Quality of Incoming Students

Applications to law schools nationwide are influenced by demographics that bear little to no relationship to the price of tuition. In the early part of this decade, Hastings raised fees substantially in response to state funding reductions brought about by the lingering recession adversely impacting the general economy. As indicated by the data below, there was no negative impact on the quantity of entering students. During the same period, the median LSAT score of the entering class increased.

| **2001-02** | | **Selectivity Measure** |
|---|---|---|
| Applications | 4,800 | |
| Acceptances | 1,496 | 31% |
| Yield | 428 | 29% |
| Fee Increase from Prior Year | **2%** | |

| **2002-03** | | **Selectivity Measure** |
|---|---|---|
| Applications | 6,059 | |
| Acceptances | 1,398 | 23% |
| Yield | 436 | 31% |
| Fee Increase from Prior Year | **34%** | |

| **2003-04** | | **Selectivity Measure** |
|---|---|---|
| Applications | 7,176 | |
| Acceptances | 1,398 | 19% |
| Yield | 427 | 31% |
| Fee Increase from Prior Year | **34%** | |

Source: Hastings College of the Law.

The General Enrollment Fee increase will result in $5,757,500 in gross revenue (assuming 1225 students). Of this amount, $1,900,000 in additional financial aid (grants and loan repayment assistance) will be made available for 2008-09 to mitigate any potentially adverse impacts of the fee increase on accessibility. A revenue reduction of $386,000 occurs from the elimination of the Academic Enhancement Fee, Exam Materials and Processing Fee, and the Graduation Fee. After these adjustments, net revenue of $3,471,500 is expected to be available to fund College priorities.

### State Budget for Fiscal Year 2007-08

On August 24, 2007, Governor Schwarzenegger signed the 2007-08 Budget Act (the “2007-08 State Budget”). On a statewide basis, the 2007-08 State Budget projects General Fund revenues (including transfers) for Fiscal Year 2007-08 of $102.3 billion, an increase of 6.5% above the anticipated revenues and transfers for Fiscal Year 2006-07 and authorizes General Fund expenditures of $102.3 billion, an increase of .6% above the anticipated expenditures for Fiscal Year 2006-07. The 2007-08 State Budget provides for $57.1 billion in total K-14 Proposition 98 funding. The 2007-08 State Budget utilizes a major redirection of transportation funds (almost $1.3 billion) and reductions social services and a variety of other actions to address the State's operating shortfalls. The State has relied on significant shifts in revenues from local governments to the State in recent years due to significant budgetary problems but did not do so in Fiscal Year 2006-07 and is not expected to do so in Fiscal Year 2007-08.

Information about the State budget and State spending is regularly available at various State-maintained websites. Text of the budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the State budgets may be found at the website of the State Treasurer, www.treasurer.ca.gov. Information on these websites has not been reviewed or verified by either Hastings, the Underwriters or the Financial Advisor and is not incorporated by reference in this Official Statement.

In May, 2004, it was announced that the Governor, the President of the UC system and the Chancellor of the California State University system had reached a political understanding concerning funding levels for higher education within the state. This understanding, referred to as the Governor's "higher-education compact" (the "Compact"), provides for annual growth in state funding for core higher-education activities beginning in 2005-2006 and extending through 2010-11. The Department of Finance has indicated that Hastings would be treated in a manner consistent with UC for purposes of the compact. Major *funding* elements of the Compact as they relate to professional schools include:

- Annual state funding growth of 3 percent for salary and other cost increases, growing to 4 percent annual growth in 2007-08.
- A further 1 percent annual augmentation for core needs, such as instructional equipment, instructional technology, building maintenance, and library materials, beginning in the 2008-09 fiscal year.

The Compact is a political agreement founded upon, among other provisions, predictions of moderate economic growth. Therefore, it does not carry the force of binding legal authority. Future budget proposals may or may not conform to the terms of the Compact; however, the funding commitments outlined in the Compact were maintained in the State's most recent 2007-08 budget.

The 2007-08 State Budget included an appropriation of $10.631 million for Hastings. This represents a decrease of $40,000 or .37% from 2006-07 appropriation of $10.67 million. The Hastings state budget was substantially flat due to the removal of a one-time 2006-07 allocation of $523,000 to help offset relocation expenses related to the renovation of 200 McAllister.

**Proposed State Budget for Fiscal Year 2008-09**

The Governor's Budget proposal for 2008-09, released by the Department of Finance on January 10, 2008, proposes an appropriation of $10.115 million for Hastings. This represents a decrease of $516,000, or 5%, from the 2007-08 appropriation of $10.631 million. The reduction proposed for Hastings is generally consistent with budget cuts being proposed for the balance of the UC system. The Governor's January 10, 2008 Budget Proposal is only the first round of a series of proposals and negotiations, which include a May revision to the budget by the Governor and many legislative hearings. The ultimate approved appropriation for Hastings for Fiscal Year 2008-09 will be determined in the final budget to be approved by both the Legislature and the Governor and could by higher or lower than the amount in the Governor's Budget proposal submitted on January 10, 2008.

**Liabilities**

The College's liabilities as of June 30, 2007 are shown on the balance sheet included in the College's financial statements set forth in Appendix B.

On May 21, 2003, the College issued $8,605,000 principal amount of Hastings College of the Law Bonds Series 2003 (the "Series 2003 Bonds") to finance: (1) the improvement, equipping, remodeling and renovation of the McAllister Tower, and (2) certain project development costs associated with the Series 2008 Project. As of June 30, 2007, the outstanding aggregate principal amount of the Series 2003 Bonds was $8,140,000.

In addition, the College has entered into two unsecured loan agreements with the Public Works Board of the State of California in order to finance the installation of energy conservation fixtures and equipment in its buildings. One loan bears interest at 4.3% per annum with debt service payments of approximately $69,800 per year through 2007, and is payable solely from State appropriations. The other loan bears interest at 4.0% per annum with debt service payments of approximately $58,000 per year through 2009, and is payable from the general funds of the College, including from Available Funds. As of June 30, 2007, these loans had an aggregate outstanding principal balance of approximately $190,000. The College intends to leave these loans in place until maturity.

**Quasi-Endowment Funds**

Quasi-endowment funds, designated by the Board of Directors, had a market value of $1,182,328 on June 30, 2006 and $1,013,556 on June 30, 2007. Except for investment income thereon, quasi-endowment funds are not included in the Available Funds from which the Series 2003 Bonds and the Series 2008 Bonds are payable under the Trust Agreement, but could be used at the discretion of the College's Board of Directors to pay debt service on the Series 2003 Bonds and the Series 2008 Bonds or other liabilities of the College.

**Fundraising**

Fundraising is a major institutional priority. In 2006, with new leadership, Hastings raised approximately $4.3 million through fundraising activities, the second highest giving total in the College's lengthy history. Unrestricted giving increased by 53% from the prior year and the number of donors increased from 2,640 to 3,282, an increase of 24%.

While the College does not have any specialized or capital fundraising campaigns currently underway, the College undertakes fundraising efforts directed primarily at its alumni, generating more than $4 million annually since 2005-06. During fiscal year 2006-07, gifts and grants totaled $4,351,556, of which $817,932 was for unrestricted purposes. The balance of the 2006-07 contributions, $3,533,623, was designated for various restricted purposes such as scholarships, faculty research, the library, and facilities enhancement projects. These figures include gifts made directly to the College and those made to the Hastings 1066 Foundation, an affiliated 501(c)(3) organization created in 1971 to generate private support for the College.

**The 1066 Foundation**

The Hastings 1066 Foundation generates revenue and receives private gifts in support of Hastings College of the Law. The Foundation was established in 1971 by a group of loyal alumni in order to provide private sources of restricted and unrestricted funds to allow academic programs to grow and to create unique opportunities in legal education. The initial founding alumni have since been joined by faculty, staff, and other contributors to the College. Annual gifts from Foundation members support a variety of purposes, such as moot court activities, scholarly publications, lectureships, and faculty professional development. Additionally, the Foundation has provided student scholarships and faculty research support with funds raised from class campaigns and from memorial and endowment gifts.

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## Property and Equipment

Property and equipment acquired by gift or bequest are stated at market value at the date of acquisition.

**Property, Plant and Equipment**

| | June 30, 2003 | June 30, 2004 | June 30, 2005 | June 30, 2006 (as restated) | June 30, 2007 |
|---|---|---|---|---|---|
| **Original Cost** | | | | | |
| Land | $5,088,532 | $5,088,532 | $5,088,532 | $5,788,532 | $5,788,532 |
| Buildings and improvements | 55,759,985 | 55,804,412 | 65,606,389 | 65,718,278 | 86,636,719 |
| Equipment, furniture and fixtures | 4,403,664 | 4,047,675 | 3,892,722 | 4,011,631 | 4,402,279 |
| Software | 227,635 | 202,307 | 285,504 | 240,441 | 342,869 |
| Library books | 14,415,007 | 15,012,519 | 15,473,828 | 15,375,724 | 14,873,610 |
| Donated assets | 267,100 | 0 | 0 | 0 | 0 |
| Works of Art | 0 | 0 | 0 | 359,483 | 368,809 |
| Construction in progress | 1,727,391 | 9,817,611 | 3,029,293 | 14,530,549 | 984,422 |
| Capital Assets at Original Cost | 81,889,314 | 89,973,056 | 93,376,268 | 106,024,638 | 113,397,241 |
| **Accumulated Depreciation** | | | | | |
| Buildings and improvements | (20,214,955) | (21,461,032) | (22,816,603) | (20,916,050) | (19,940,161) |
| Equipment, furniture and fixtures | (2,756,874) | (2,782,438) | (2,866,959) | (2,977,766) | (3,112,434) |
| Software | (129,472) | (144,457) | (164,688) | (146,328) | (162,289) |
| Library books | (7,659,046) | (8,639,756) | (9,644,947) | (10,533,519) | (11,310,289) |
| Accumulated depreciation | (30,760,347) | (33,027,683) | (35,493,197) | (34,573,664) | (34,525,173) |
| Capital Assets, net | $51,128,967 | $56,945,373 | $57,883,071 | $71,450,974 | $78,872,067 |

Source: Hastings College of the Law.

## Qualified Retirement Plan

Substantially all College employees are participants in the University of California Retirement System (UCRS). UCRS consists of a basic a cost-sharing multiple-employer defined benefit plan, University of California Retirement Plan (UCRP), and several supplemental plans, University of California Defined Contribution Plans (UCDCP). The latest available actuarial and financial information for the Plan is for the year ended June 30, 2007. UCRP issues a publicly available financial report that includes financial statements and supplemental information of the plan and is available by writing to UC Retirement System, 300 Lakeside Drive Suite 442, Oakland, California 94612.

Membership in UCRP is required for a career employee appointed to work at least 50% of the time for a year or more. Five years of service is required for vesting, entitlement to retirement benefits. The amount of benefit is determined by salary rate, age and years of service. UCRP is funded by contributions from both the employer and employee.

The Regents' funding policy has been to establish annual contributions as a percentage of payroll by using the entry age normal actuarial funding method and based on designated State appropriations. The Regents' have implemented a full funding policy. Under that policy, the Regents suspend contributions to the Plan when the market value or the actuarial value of Plan assets (whichever is smaller) exceeds the lesser of the actuarial accrued liability or 150% of current liability plus normal cost. The College has not been required and has not made contributions to the Plan since November 1990 due to the Plan's fiscal position and its fully funded status as described in Internal Revenue Code Section 412.

For UCRP eligible employees, participation in UCDCP is mandatory on a temporary basis until contribution to UCRP can begin. Participation in other defined contribution plans (such as 403(b) and tax deferred annuities) are optional. Commencing in the 1993 fiscal year, ineligible UCRP employees began participating in UCDCP (Safe Harbor).

**Postretirement Health Care Benefits**

In addition to the benefits described above, participation in UCRP entitles College employees to certain post-retirement health care benefits. Retired employees are eligible to have a portion of their medical and dental insurance coverage paid by the college, up to 100%, subject to certain restrictions and eligibility criteria. An employee's eligibility for this benefit is based primarily on the date he or she was hired and his or her years of service credit in UCRP at the time of retirement.

The College has historically funded these benefits on a pay-as-you-go basis. During 2006-07, expenditures of $438,443 were recognized for Other Post Employment Benefits (OPEB) obligations for approximately 82 retirees. See APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF HASTINGS COLLEGE OF THE LAW FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND JUNE 30, 2006 – Note 9." Governmental Accounting Standards Board Statement No. 45 ("GASB 45"), which went into effect for government entities with annual revenues of more than $10 million but less than $100 million on December 15, 2007, requires that non-pension, post-employment benefits for retirees, such as postretirement health care benefits, be shown as an accrued actuarial liability in the audit, similar to the current treatment of pension benefits. GASB 45 requires only the identification and disclosure of the College's unfunded actuarial accrued liability (UAAL) and funding status; it does not require the College or any other affected public agency to fully fund such liability.

Hastings has executed an agreement with the University of California for Hastings to participate in a trust established by UC for the purpose of providing Other Post Employment Retirement Benefits (OPEB) to Hastings' retirees and fulfilling new financial reporting required by Statement No. 45 issued by the Governmental Accounting Standards Board (GASB). Hastings is participating in the trust as a "cost-sharing employer." As a "cost-sharing employer", Hastings reporting requirements under GASB 45 are fulfilled with footnote disclosure in the audited annual financial statements in a manner similar to the current treatment of the College's obligations under UCRS.

As a "cost-sharing employer," Hastings is obligated to include as an expense in its financial statements the amount paid to the trust based on a common assessment rate applied to all UC campuses and labs. While Hastings is contractually obligated to pay the system-wide commonly assessed rate, the College could elect to opt out of the trust and a proportionate share of trust assets (if any) would be transferred to another trust established solely for the fulfillment of OPEB obligations. The current common assessment rate is calculated based on the current "pay-as-you-go" approach. Changes to the funding policy underlying the common assessment rate are determined by the Regents; no plans have been developed to adopt a rate that would begin to prefund the liability. In 2007-08, budgeted is $574,968 for OPEB benefits using UC's common assessment rate.

As of June 30, 2008, the College's UAAL with respect to OPEB Obligations has been projected to total approximately $22.9 million based on an actuarial study conducted by UC estimating Hastings's OPEB Obligations.

**Employment Contracts and Retirement Agreement**

The Board of Directors has approved employment agreements with Executive Management that include salary and other benefits. In addition, there are annual annuitant payments the College is obligated to make under its participation in UCRS. Future commitments of both of these obligations are as follows:

| Fiscal Year ending June 30, | Annual College Obligations Under Employment Contracts and Annuitant Retirement Agreements |
|---|---|
| 2007 | $939,838 |
| 2008 | 944,066 |
| 2009 | 812,759 |
| 2010 | 614,454 |

Source: Hastings College of the Law.

**Inclusion in the Official Statement**

The information contained herein is submitted by the College for inclusion in the Official Statement relating to the Series 2008 Bonds.

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## APPENDIX B

## AUDITED FINANCIAL STATEMENTS OF HASTINGS COLLEGE OF THE LAW FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND JUNE 30, 2006

# UNIVERSITY OF CALIFORNIA HASTINGS COLLEGE OF THE LAW

JUNE 30, 2007 AND 2006

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

# University of California Hastings College of the Law

**Independent Auditors' Report**
**and Financial Statements**

HOOD & STRONG LLP

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report

THE BOARD OF TRUSTEES
UNIVERSITY OF CALIFORNIA
HASTINGS COLLEGE OF THE LAW
San Francisco, California

We have audited the accompanying statement of net assets of the **UNIVERSITY OF CALIFORNIA HASTINGS COLLEGE OF THE LAW (the College)** as of June 30, 2007 and 2006 and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 - 10 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

As described in Note 2 to the financial statements, the 2006 financial statements have been restated to correct accumulated depreciation and related net book value of certain capital assets. In our opinion, such adjustments are appropriate and have been properly applied.

Hood & Strong LLP

December 7, 2007


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*Business Advisors*

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The University of California, Hastings College of the Law (the "College" or "Hastings") presents its financial statements for fiscal year 2007 with comparative data presented for fiscal years 2006 and 2005. The emphasis of discussions concerning these statements will be for the fiscal years ended June 30, 2007 and 2006. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and, the Statement of Cash Flows.

The following discussion and analysis is intended to help readers of Hastings' financial statements to better understand its financial position and operating activities. It should be read in conjunction with, and is qualified in its entirety by, the related financial statements and footnotes. The financial statements, footnotes and this discussion and analysis were prepared by the College and are the responsibility of its management.

**The College**

The College was founded in 1878 as the "law department" of the University of California. The College is the oldest public law school in California. Founded by Chief Justice Serranus Clinton Hastings, the College was established by the California Legislature with its own Board of Directors which has operated the College independently of the Board of Regents of the University of California since its founding. The Board of Regents possesses degree-granting authority, but all other aspects of the College are under the control of the Hastings Board of Directors. The College is the only stand-alone, public law school in the nation.

Enrollment for the 2006-07 academic year was 1,284 Juris Doctor (JD) students and 17 Masters of Law (LLM) students for a total of 1,301 full-time students. Enrollment for the 2005-06 academic year was 1,249 Juris Doctor (JD) students and 17 Masters of Law (LLM) students, for a total of 1,266 full-time students.

Hastings' reputation for academic excellence, its formal affiliation with the University of California (UC), and its location in San Francisco's downtown civic center are major factors contributing to the overall strength of the institution. While applications for the Fall 2007 academic year declined to 5,141 (-7%) for an entering class of 401 students, student demand remained strong and the academic strength of the class, as measured by its median LSAT score, increased. For comparison, 5,526 prospective students applied for admission in the 2006 academic year; and a total of 6,189 prospective students applied for admission in the 2005 academic year. Declining applications for the past few years have paralleled national and regional trends as reported by the Law School Admission Council.

As a public institution of higher education affiliated with the University of California (UC), the share of total revenue attributable to the State of California has declined over time. This downward trend was halted in 2006 as State funding earmarked for general institutional support experienced a modest increase. A more substantial boost occurred in 2007 when State operating support (i.e., non-capital) increased to $10.8 million, an increase of 27% over 2006 State funding levels. The major reason for this increase was the State's decision to "buy-out" a proposed student fee increase and maintain enrollment fees at their 2006 levels: $19,725 for resident students and $30,945 for nonresidents.

For the State budget enacted for 2008, State funding for general institutional support has been maintained at $10.8 million. Student fees for the academic year beginning in Fall 2007 were increased from $19,725 (2006) to $21,303 (2007), an increase of 8%. Since UC's other law schools have implemented even greater increases, this adjustment has not affected demand because, even with these increases, tuition levels remain below those charged by UC's other law schools and well below tuitions at private institutions. Thirty three percent of the revenue derived from increased tuition is reallocated to financial aid.

While the College did benefit from a substantial increase in state support for 2007, the general trend of declining state subsidy is expected to continue as increases in student fees and gifts and donations become the primary source of new revenue to enhance academic programs.

**The 1066 Foundation**

The Hastings 1066 Foundation (the "Foundation") receives private gifts in support of the College. The Foundation was established in 1971 by a group of alumni in order to provide private sources of funds to allow academic programs to grow and to create unique opportunities in legal education. The Foundation supports a variety of purposes, such as moot court activities, scholarly publications, lectureships, and faculty professional development. Additionally, the Foundation provides student scholarships and faculty research support with funds raised from class campaigns and from memorial and endowment gifts.

**Highlights of Financial Operations**

Hastings had a successful year in 2007 with progress in a number of areas pertaining to the financial operations and the development of the College's urban campus.

- **Completion of the Renovation of Kane Hall (200 McAllister Street)**

  The College assumed beneficial occupancy of Kane Hall in June 2007. This six-floor, 185,000 gross square feet (gsf) structure houses the law library, administrative functions (student services, procurement, maintenance, etc.), faculty offices, dining commons, reception center, and a bookstore. The building received a complete code-compliance upgrade along with substantial improvements to the law library.

  Since 2003, Hastings has received appropriations totaling $23.5 million from the Higher Education Bond Fund of 2002 for this project. The State-funded scope of work includes seismic upgrading by bracing the building's steel moment frame and strengthening its foundations, new lighting and ceilings, asbestos floor tile removal, fire/life-safety improvements, including expanding the building fire sprinkler system and upgrading the fire alarm system; Americans with Disabilities Act/Title 24 compliance, new restrooms, door hardware and stair handrails to comply with current requirements; and upgrading HVAC systems with the addition of air conditioning. Construction began in November 2005.

In conjunction with the State-funded code-compliance upgrade, a capital campaign was initiated to fund a complete remodeling of the library. The Law Library Capital Campaign achieved its fundraising target of $4 million, an amount that allowed Hastings to completely renovate the law library leveraging funds appropriated by the State for the bond-funded code-compliance upgrade. The remodeled library, occupying the upper three floors has expanded and reconfigured study space intended to address the learning styles of today's students while allowing use of traditional research methods and the latest computerized, online research techniques. The new layout increases shelving space, ready access to stacks, and better service for all library patrons. The new library also has updated lighting and air circulation systems, new furniture and numerous individual study rooms.

- **Hastings Mixed-use Development - Golden Gate Avenue and Larkin Street**

  In 2006, the College completed an environmental review for a mixed-use project consisting of a parking garage of 395 stalls, 9,900 gsf of College and community-serving retail, and approximately 2,700 gsf of below-grade storage; a total of 159,000 gsf. In June 2006, the Board of Directors certified the Supplemental Environmental Impact Report and approved going forward with the project. During 2007, project development moved forward with the preparation of detailed construction drawings and project specifications. Project bidding is scheduled for Fall 2007; contract award is scheduled for February 2008. The total development cost for the project is estimated at $25.2 million.

- **Fundraising**

  Fundraising is a major institutional priority and with new leadership in this area, 2006 was a banner year with $4.3 million raised, the second highest giving total in the school's lengthy history. Unrestricted giving increased by 53% from the prior year and the number of donors increased from 2,640 to 3,282, an increase of 24%.

**Financial Position**

The narrative detailing the institution's financial position combines figures for the College and the Foundation, unless otherwise indicated.

The statement of net assets presents the financial position of the College and the Foundation at the end of 2007 and 2006. The purpose of the statement of net assets is to present to the reader of the financial statements a fiscal snapshot of Hastings. From the data presented, readers of the statement of net assets are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors and lending institutions. Finally, the statement of net assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure.

Net assets are divided into three major categories. The first category, Invested in Capital Assets, Net of Debt, provides the institution's equity in property, plant and equipment. The next asset category is Restricted Net Assets, which is divided into two categories, Nonexpendable and Expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the institution, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is Unrestricted Net Assets that are available to the institution for any lawful purpose of the institution.

Detailed statements of net assets are included with the financial statements. A condensed version is shown below:

**Condensed Statement of Net Assets - 2007, 2006, 2005**
**(In thousands)**

| | College | Foundation | 2007 Total | 2006 Total (as restated) | 2005 Total |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Current Assets | $10,137 | $ 646 | $10,783 | $ 11,281 | $ 9,509 |
| Noncurrent Assets | 144,579 | 1,002 | 145,581 | 128,396 | 111,201 |
| Total Assets | $ 154,716 | $ 1,648 | $156,364 | $ 139,677 | $ 120,710 |
| **LIABILITIES:** | | | | | |
| Current Liabilities | $ 6,230 | $ 4 | $ 6,234 | $ 3,753 | $ 4,399 |
| Noncurrent Liabilities | 16,812 | | 16,812 | 17,078 | 17,595 |
| Total Liabilities | $ 23,042 | $ 4 | $ 23,046 | $ 20,831 | $ 21,994 |
| **TOTAL NET ASSETS:** | | | | | |
| Invested in Capital Assets, net | $ 70,542 | | $ 70,542 | $ 62,841 | $ 49,027 |
| Restricted Net Assets: | | | | | |
| Nonexpendable | 18,114 | $ 176 | 18,290 | 16,398 | 15,229 |
| Expendable | 25,304 | 941 | 26,245 | 21,770 | 19,205 |
| Unrestricted Net Assets | 17,714 | 527 | 18,241 | 17,837 | 15,255 |
| Total Net Assets | $ 131,674 | $ 1,644 | $ 133,318 | $ 118,846 | $ 98,716 |

For 2007, current assets decreased by $498,000 (-4%) attributable to a substantial reduction in prepaid expenses at the close of 2006 as work related to the renovation of Kane Hall is completed. For 2006, current assets increased by $1.8 million (19%) due to favorable cash and net accounts receivable at year end.

Noncurrent assets increased by $17.2 million (13.4%) due to the capitalization of improvements made to the 200 McAllister Street facility from the code-compliance and building upgrade project, a correcting prior-period adjustment made to the building depreciation account ($3.4 million), and favorable investment returns on endowed and other funds. In 2007, the College achieved a total return on invested funds of 19.8%; short term investments in the cash pool achieved a 4.7% return. In 2006, noncurrent assets increased by $17.2 million (16%) due to the capitalization of improvements made to the 200 McAllister Street facility, favorable investment returns on endowed and other funds, and the inclusion in the financial statements of $2.8 million for the Percy E. Towne Scholarship Fund and the Warren Olney Jr., Scholarship Fund held in trust for Hastings by the Regents of the University of California. On an overall basis, total assets increased by 15%.

In 2007, current liabilities increased by $2.5 million (66%) almost exclusively due to accounts payable associated with the renovation of Kane Hall. A high level of purchasing occurred in the 4th quarter of the 2007 as the project was nearing completion and numerous Hastings-funded activities (e.g., library shelving and furniture, computer equipment, moving and relocation costs, elevator upgrades, etc.) were in various stages of the acquisition process. In 2005 and 2006, substantial costs were incurred associated with the relocation of staff and library materials out of the building during its renovation to temporary locations.

Noncurrent liabilities decreased by $266,000 (-2%) due primarily to principal payments on outstanding debt (Series 2003 Bonds, State Public Works Board Bonds [i.e., energy conservation retrofits]). On an overall basis, total liabilities increased by $2.2 million (11%).

In 2007, the amount invested in capital assets, net of debt, increased by $7.7 million, or 12% due to net capitalization of construction in progress at 200 McAllister ($7.7 million) and a correcting prior-period adjustment made to the building depreciation account ($3.4 million). Partially offsetting newly capitalized improvements is a charge of $5.2 million writing-down of a portion of the non-depreciated value of the 200 McAllister building representing the disposal of building systems and fixtures replaced or upgraded during the renovation.

Nonexpendable restricted net assets increased by $1.9 million in 2007 (12%) representing grants and donations made to the College's endowment for student scholarships, professorships and other restricted purposes. Expendable restricted net assets increased by $4.5 million in 2006 (21%) mainly due to favorable investment returns (19.8%). Unrestricted net assets increased from $17.8 million to $18.2 million (2%). In sum, total net assets increased from $118.8 million to $133.3 million, an increase of $14.5 million (12.2%).

**Results of Operations**

The Statement of Revenues, Expenses and Changes in Net Assets presents Hastings' operating results, as well as the nonoperating revenues and expenses. Operating revenues primarily include net student tuition and fees, grants and contracts, and auxiliary activities. Given a public institution's dependency on revenues such as state appropriations, gifts and investment income, which are prescribed by GASB as nonoperating revenues, operating expenses will exceed operating revenues resulting in an operating loss. Net nonoperating revenues or expenses are an integral component in determining the increase or decrease in net assets.

**Condensed Statement of Revenues, Expenses and Changes in Net Assets**
**For the years ended June 30, 2007, 2006 and 2005 (in thousands)**

| | Operating | | Nonoperating | | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|---|
| | College | Foundation | College | Foundation | Total | Total (as restated) | Total |
| **REVENUES:** | | | | | | | |
| Tuition and Fees, net of grants and scholarships ($5.8 million) | $ 20,519 | | | | $ 20,519 | $ 20,927 | $ 19,771 |
| State Appropriations | | | $ 10,833 | | 10,833 | 8,525 | 8,246 |
| Grants and Contracts | 720 | | | | 720 | 836 | 703 |
| Sales and Services of Auxiliary Enterprises | 5,289 | | | | 5,289 | 5,497 | 5,213 |
| Private Gifts & Contributions | | $ 1,746 | 2,537 | | 4,283 | 4,483 | 2,294 |
| Investment Income | | | 1,439 | $ 47 | 1,486 | 1,196 | 1,120 |
| Realized/Unrealized Gain | | | 6,192 | 185 | 6,377 | 3,042 | 2,546 |
| Event Income | | 2 | | | 2 | 3 | 7 |
| Other Revenues | 533 | | | | 533 | 494 | 429 |
| Loan Interest, net of expense | 185 | | | | 185 | 323 | 130 |
| Total Revenues | 27,246 | 1,748 | 21,001 | 232 | 50,227 | 45,236 | 40,459 |
| **EXPENSES:** | | | | | | | |
| Salaries and Benefits | 23,853 | 113 | | | 23,966 | 21,672 | 20,703 |
| Sales and Services of Auxiliary Enterprises | 4,367 | | | | 4,367 | 4,550 | 4,128 |
| Utilities | 477 | | | | 477 | 529 | 641 |
| Supplies and Services | 7,060 | | | | 7,060 | 6,014 | 5,662 |
| Depreciation | 1,788 | | | | 1,788 | 1,986 | 2,715 |
| Scholarships and Fellowships | 525 | | | | 525 | 542 | 573 |
| Grants to Hastings | | 1,504 | | | 1,504 | 2,187 | 706 |
| Relocation Costs | | | 1,258 | | 1,258 | 1,803 | |
| Interest on Debt | | | 376 | | 376 | 385 | 236 |
| Events | | 11 | | | 11 | 8 | 16 |
| Other | 1,070 | 956 | | | 2,026 | 928 | 593 |
| Total Expenses | 39,140 | 2,584 | 1,634 | | 43,358 | 40,604 | 35,973 |
| **Income/Loss** | $(11,894) | $ (836) | $ 19,367 | $ 232 | $ 6,869 | $ 4,632 | $ 4,486 |
| **OTHER CHANGES IN NET ASSETS** | | | | | | | |
| Capital Grants and Gifts | | | | | 1,295 | 1,478 | 161 |
| State Capital Appropriations | | | | | 10,531 | 9,409 | |
| Loss on Fixed Asset Disposal | | | | | (6,113) | (622) | |
| Gifts for Endowments | | | | | 1,891 | 1,874 | 652 |
| Total Other Changes in Net Assets | | | | | 7,604 | 12,139 | 813 |
| **Increase in Net Assets** | | | | | $ 14,473 | $ 16,771 | $ 5,299 |

In sum, after allocating $2.4 million for depreciation expense, the College (with the Foundation) closed 2007 with Income/(Loss) of $6.9 million. For comparison, in 2006, the College closed the year with Income/(Loss) of $4.6 million; in 2005, Income/(Loss) of $4.5 million was achieved. For 2007, adding this amount to capital gifts and grants of $1.3 million, gifts for endowments of $1.9 million, state capital appropriations of $10.6 million, along with an expense of $6.1 million for capital asset disposal related to the renovation of 200 McAllister results in a $14.5 million increase in total net assets. For 2006, the comparable increase was $16.8 million; for 2005, a $5.3 million increase in total net assets was recognized. The reduction in Income/(Loss) from 2006 to 2007 is primarily due to the $6.1 million disposal expense writing-down a portion of the 200 McAllister Street building.

The College's ongoing instructional program is primarily supported by a combination of net tuition and fees, state appropriation and investment income. The sum of these three revenue sources totaled $32.8 million in 2007; an increase of $2.2 million (7%) from 2006. Total operating and non-operating revenues grew from $45.3 million in 2006 to $50.2 million in 2007, an increase of 11%. A positive factor impacting overall revenue growth was a higher level of gain on invested funds: in 2007, realized and unrealized gains totaled $6.4 million; in 2006, realized and unrealized gains totaled $3 million; in 2005, the comparable figure was $2.5 million. Looking forward, market volatility occurring in 2008 will adversely impact investment returns although on a multi-year basis investment performance remains favorable.

On an overall basis, total operating and non-operating expenses increased by 4%, from $40.6 million in 2006 to $43.4 million in 2007. Salaries and benefits have increased by $2.3 million (11%) reflective of the resumption of annual increases in employee compensation and the addition of staff positions in key departments (e.g., fundraising) and grant-funded programs (e.g., Center for Gender and Refugee Studies, WorkLife Law, etc.). The addition of new faculty is another factor in this cost growth, a trend that will continue as the College earmarks new revenues to begin to improve the student-faculty ratio.

**Cash Flows**

The statement of cash flows provides information about cash receipts and cash payments during the year. This statement also helps users assess the College's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing.

| | College (In thousands) | | | Foundation (In thousands) | | |
|---|---|---|---|---|---|---|
| | 2007 | 2006 | 2005 | 2007 | 2006 | 2005 |
| **Cash Provided (Used) By:** | | | | | | |
| Operating activities | $ (9,211) | $ (8,690) | $ (6,876) | $ (854) | $ (22) | $ 11 |
| Non capital financing activities | 12,801 | 8,551 | 9,713 | | | |
| Capital and related financing activities | (4,644) | (2,148) | (4,068) | | | |
| Investing activities | 995 | 2,418 | 1,680 | 588 | 65 | 64 |
| Net increase (decrease) in cash | (59) | 131 | 449 | (266) | 43 | 75 |
| Cash - Beginning of Year | 6,514 | 6,383 | 5,934 | 296 | 253 | 178 |
| Cash - End of Year | $ 6,454 | $ 6,514 | $ 6,383 | $ 30 | $ 296 | $ 253 |

As required under Governmental Accounting Standards Board (GASB) reporting standards, negative cash flow for 'operating activities' is due to the classification of revenue from state general support appropriations as a 'noncapital financing activity' and investment income as an 'investing activity.'

## Looking Forward

The outlook for 2008 is one of financial stability. The 2008 state appropriation is substantially unchanged at $10.8 million. Governor Arnold Schwarzenegger's funding compact with California's public higher education sector is being maintained and is expected to remain so in upcoming fiscal years. The multi-year funding compact provides for annual growth in state funding for core activities beginning in 2006. The agreement extends through 2011. Major *funding* elements of the compact as they relate to professional schools include:

- Annual state funding growth of 3% for salary and other cost increases, growing to 4 percent annual growth in 2008.
- A further 1% annual augmentation for core needs, such as instructional equipment, instructional technology, building maintenance, and library materials, beginning in the 2009 fiscal year.
- The University of California will develop a plan for future professional school fees.

Student fees have been increased by 8 percent for the current (2008) academic year resulting in $1.4 million in new net revenue. For 2009, the Hastings Board of Directors has approved an 18% fee increase to substantially enhance academic programs by hiring and retaining a world-class faculty and improving the student-faculty ratio, to increase financial aid and the loan repayment assistance (PICAP) program to preserve graduates' freedom to pursue public service careers, to improve the school's information technology infrastructure, and to provide employee compensation adjustments to maintain competitiveness with benchmark institutions. The increase will result in $5.4 million in new gross revenue (assuming 1,225 students). Of this amount, $1.9 million would be dedicated to additional financial aid (grants and loan repayment assistance) to mitigate any potentially adverse impacts of the fee increase on accessibility. After these adjustments, net revenue of $3.5 million would be available to fund College priorities. With these changes, total resident fees (including health insurance, activity fees and other miscellaneous fees) for 2009 would total $28,500. This fee level would roughly approximate fees charged by UC-Davis but would be below the other UC law schools.

A development that will impact the College's finances in the near future will be the resumption of employer contributions to the University of California Retirement Program (UCRP). Hastings, along with the University of California, has been in the enviable position of having all of its retirement costs funded by investment gain. Since 1990, the University's contribution rate to the UCRP has been zero. In addition, since 1990, most of the required employee member contributions to the UCRP have been redirected to the separate defined contribution plan maintained by the University. The Regents recently updated the funding policy for UCRP to provide for a targeted funding level of 100 percent over the long term, and for University and UCRP member contributions at rates necessary to maintain that level within a range of 95 percent to 110 percent. The University will implement a multi-year contribution strategy under which shared employer and employee contribution rates will increase gradually over time to 16 percent of covered compensation, shared between employer and employees, based upon UCRP's current normal cost. The Regents had authorized the initial resumption of shared employer and employee contributions beginning July 1, 2007 but have delayed implementation given favorable investment returns of recent years.

The Hastings Mixed-use Development at Golden Gate Avenue and Larkin Street is moving forward. The College will be issuing bonds to fund the projects $25.2 million development cost in Spring 2008 for a mixed-use project consisting of a parking garage of 395 stalls, 9,900 gsf of College and community-serving retail, and approximately 2,700 gsf of below-grade storage; a total of 159,000 gsf.

Financial operations and campus capital development activities had very favorable outcomes in 2007. Prospects for the future continue this positive trend of tangible achievements.

# University of California Hastings College of the Law

## Statement of Net Assets

*June 30, 2007 and 2006*

| | June 30, 2007 | | June 30, 2006 | |
|---|---|---|---|---|
| | College | Foundation | College (as restated - see note 2) | Foundation |
| **Assets** | | | | |
| **Current Assets:** | | | | |
| Cash and cash equivalents (Note 3) | $ 4,665,360 | $ 3,057 | $ 3,483,594 | $ 266,448 |
| Restricted cash and cash equivalents (Notes 2 and 3) | 1,788,109 | 26,869 | 3,029,939 | 29,245 |
| Accounts receivable, net | 1,988,138 | | 1,418,850 | |
| Current portion of notes receivable (Note 5) | 760,455 | | 761,404 | |
| Pledges receivable | | 616,164 | | 198,000 |
| Inventories, bookstore | 313,430 | | 292,622 | |
| Prepaid expenses | 621,526 | | 1,800,252 | |
| Total current assets | 10,137,018 | 646,090 | 10,786,661 | 493,693 |
| **Noncurrent Assets:** | | | | |
| Restricted cash and cash equivalents (Note 2 and 3) | 845 | | 23 | |
| Endowment investments (Notes 4 and 14) | 20,827,220 | 384,303 | 18,197,562 | 329,579 |
| Other long-term investments (Note 4) | 23,556,352 | 532,741 | 18,155,587 | 911,006 |
| Notes receivable, net (Note 5) | 12,763,980 | | 11,319,488 | |
| Pledges receivable, net | | 10,800 | | 442,463 |
| Beneficial interest in trust | | 74,046 | | 74,046 |
| Assets held by others (Note 6) | 8,156,485 | | 7,088,017 | |
| Capital assets, net (Note 7) | 78,872,067 | | 71,450,974 | |
| Prepaid expenses | 402,283 | | 427,428 | |
| Total noncurrent assets | 144,579,232 | 1,001,890 | 126,639,079 | 1,757,094 |
| Total assets | $ 154,716,250 | $ 1,647,980 | $ 137,425,740 | $ 2,250,787 |
| **Liabilities and Net Assets** | | | | |
| **Current Liabilities:** | | | | |
| Accounts payable and accrued liabilities | $ 4,505,547 | $ 22 | $ 2,206,703 | $ |
| Accrued vacation | 678,098 | 3,713 | 724,919 | 3,795 |
| Deposits | 331,227 | | 319,089 | |
| Deferred revenues | 420,513 | | 217,665 | |
| Current portion of long term debt (Note 8) | 295,000 | | 280,000 | |
| Total current liabilities | 6,230,385 | 3,735 | 3,748,376 | 3,795 |
| **Noncurrent Liabilities:** | | | | |
| Bonds payable (Note 8) | 7,965,976 | | 8,282,056 | |
| Accrued vacation | 373,168 | 123 | 320,024 | 40 |
| Revolving fund advance from the State | 811,900 | | 811,900 | |
| Federal contributions to Perkins loan fund | 7,661,104 | | 7,663,901 | |
| Total noncurrent liabilities | 16,812,148 | 123 | 17,077,881 | 40 |
| Total liabilities | $ 23,042,533 | $ 3,858 | $ 20,826,257 | $ 3,835 |
| **Net Assets:** | | | | |
| Invested in capital assets, net of related debt | $ 70,542,067 | | $ 62,840,974 | |
| Restricted net assets: | | | | |
| Nonexpendable: | | | | |
| Scholarships and fellowships | 12,154,166 | | 10,778,071 | |
| Instruction and research | 4,387,301 | | 3,871,463 | |
| Academic support | 114,150 | | 114,150 | |
| Institutional support | 1,458,662 | $ 176,054 | 1,458,662 | $ 176,054 |
| Sub-total restricted, nonexpendable | 18,114,279 | 176,054 | 16,222,346 | 176,054 |
| Expendable: | | | | |
| Student services | 100,185 | | 69,958 | |
| Instruction and research | 6,558,658 | | 4,725,505 | |
| Public and professional service | 530,483 | | 462,296 | |
| Academic support | 352,710 | | 291,042 | |
| Institutional support | 2,087,347 | | 1,488,937 | |
| Capital projects | 1,120,369 | 940,871 | 1,130,124 | 901,256 |
| Scholarships and fellowships | 8,001,098 | | 6,311,661 | |
| Perkins loan funds | 6,438,157 | | 6,284,202 | |
| Other | 114,825 | | 105,516 | |
| Sub-total restricted, expendable | 25,303,832 | 940,871 | 20,869,241 | 901,256 |
| Unrestricted net assets | 17,713,539 | 527,197 | 16,666,922 | 1,169,642 |
| Total net assets | $ 131,673,717 | $ 1,644,122 | $ 116,599,483 | $ 2,246,952 |

The accompanying notes are an integral part of this statement.

# University of California Hastings College of the Law

## Statement of Revenues, Expenses and Changes in Net Assets

*Years Ended June 30, 2007 and 2006*

| | June 30, 2007 | | June 30, 2006 | |
|---|---|---|---|---|
| | College | Foundation | College (as restated - see note 2) | Foundation |
| **Revenues:** | | | | |
| Operating revenues: | | | | |
| Tuition and fees | $ 26,307,584 | | $ 26,758,823 | |
| Less: Hastings' grants | (5,138,706) | | (5,173,225) | |
| Less: Tuition and fee scholarships | (650,000) | | (658,550) | |
| Tuition and fees, net | 20,518,878 | | 20,927,048 | |
| Contributions, net | | $ 1,746,231 | | $ 2,684,707 |
| Government grants and contracts | 657,436 | | 779,404 | |
| Private grants and contracts | 62,707 | | 56,619 | |
| Sales and services of auxiliary enterprises | 5,289,020 | | 5,496,822 | |
| Event income | | 2,290 | | 2,720 |
| Other operating revenues | 532,551 | | 494,162 | |
| Loan interest, net of expenses | 184,990 | | 322,917 | |
| Total operating revenues | 27,245,582 | 1,748,521 | 28,076,972 | 2,687,427 |
| **Expenses:** | | | | |
| Operating expenses: | | | | |
| Salaries and wages: | | | | |
| Faculty | 8,856,252 | | 7,666,584 | |
| Staff | 11,784,889 | 100,569 | 10,933,809 | 94,801 |
| Benefits | 3,211,457 | 11,926 | 2,959,850 | 15,814 |
| Scholarships and fellowships | 525,106 | | 542,239 | |
| Auxiliary enterprises, including depreciation expense of $629,367 ($630,353 in 2006) | 4,367,826 | | 4,549,937 | |
| Utilities | 477,305 | | 529,363 | |
| Supplies and services | 7,060,319 | | 6,014,143 | |
| Depreciation, excluding auxiliary enterprise portion | 1,787,718 | | 1,985,694 | |
| Events | | 11,345 | | 8,476 |
| Grants | | 1,503,668 | | 2,187,030 |
| Other | 1,070,413 | 956,100 | 911,061 | 16,291 |
| Total operating expenses | 39,141,285 | 2,583,608 | 36,092,680 | 2,322,412 |
| Operating income (loss) | (11,895,703) | (835,087) | (8,015,708) | 365,015 |
| **Nonoperating Revenues (Expenses):** | | | | |
| State operating appropriations | 10,832,799 | | 8,524,729 | |
| Gifts, noncapital | 2,536,593 | | 1,706,883 | |
| Investment income | 1,438,629 | 47,338 | 1,152,477 | 44,026 |
| Realized and unrealized net gains on investments | 6,192,501 | 184,919 | 2,942,578 | 99,219 |
| Interest on debt | (375,512) | | (385,099) | |
| Relocation costs | (1,257,975) | | (1,802,574) | |
| Net nonoperating revenues | 19,367,035 | 232,257 | 12,138,994 | 143,245 |
| Income before other changes in net assets | 7,471,332 | (602,830) | 4,123,286 | 508,260 |
| **Other Changes in Net Assets:** | | | | |
| Capital grants and gifts | 1,294,842 | | 1,478,211 | |
| State capital appropriation | 10,530,917 | | 9,408,294 | |
| Loss on disposed assets | (6,113,493) | | (621,525) | |
| Gifts and other changes to endowment | 1,890,636 | | 1,874,119 | |
| Total other changes in net assets | 7,602,902 | - | 12,139,099 | - |
| **Increase in Net Assets** | 15,074,234 | (602,830) | 16,262,385 | 508,260 |
| **Net Assets**, beginning of year | 116,599,483 | 2,246,952 | 96,976,761 | 1,738,692 |
| Prior period adjustment (Note 2) | | | 3,360,337 | |
| **Net Assets**, beginning of year (as restated) | 116,599,483 | 2,246,952 | 100,337,098 | 1,738,692 |
| **Net Assets**, end of year | $ 131,673,717 | $ 1,644,122 | $ 116,599,483 | $ 2,246,952 |

# University of California Hastings College of the Law

## Statement of Cash Flows

*Years Ended June 30, 2007 and 2006*

| | June 30, 2007 | | June 30, 2006 | |
|---|---|---|---|---|
| | College | Foundation | College | Foundation |
| **Cash Flows from Operating Activities:** | | | | |
| Tuition and fees (net of all scholarships and grants) | $ 20,435,742 | | $ 20,609,171 | |
| Contributions | | $ 1,713,851 | | $ 2,281,922 |
| Grants and contracts | 713,364 | | 529,299 | |
| Events | | 2,290 | | 2,720 |
| Payments to vendors | (7,850,019) | (112,495) | (9,119,009) | |
| Salaries and benefits | (22,848,105) | (1,503,668) | (22,550,637) | (110,615) |
| Foundation awards | | | | (2,187,030) |
| Loans issued to students | (4,297,106) | | (4,334,834) | |
| Collections of student loans | 2,563,117 | | 4,176,028 | |
| Sales-Auxiliary enterprises | 4,997,244 | | 5,232,020 | |
| Expenses-Auxiliary enterprises | (3,766,485) | | (4,008,736) | |
| Loan interest income net of expenses | 318,624 | | 310,721 | |
| Other receipts (payments) | 522,540 | (954,342) | 465,275 | (8,655) |
| Net cash (used) provided by operations | (9,211,084) | (854,364) | (8,690,702) | (21,658) |
| **Cash Flows from Noncapital Financing Activities:** | | | | |
| State appropriations | 9,964,363 | | 8,796,342 | |
| Noncapital gifts and grants | | | | |
| Gifts for endowment | 822,167 | | 42,127 | |
| Other gifts | 2,439,208 | | 1,429,633 | |
| Perkins federal capital contributions | | | | |
| Relocation costs | (424,794) | | (1,717,365) | |
| Net cash provided by noncapital financing activities | 12,800,944 | - | 8,550,737 | - |
| **Cash Flows from Capital and Related Financing Activities:** | | | | |
| Capital gifts | 1,289,135 | | 1,042,750 | |
| Purchases of capital assets | (5,413,153) | | (2,664,605) | |
| Amortization of bond discount | 69,024 | | 47,944 | |
| Principal paid on long term debt | (165,000) | | (155,000) | |
| Interest paid on long, term debt | (424,276) | | (418,806) | |
| Net cash used by capital and related financing activities | (4,644,270) | - | (2,147,717) | - |
| **Cash Flows from Investing Activities:** | | | | |
| Proceeds from sale of investments | 1,155,529 | 541,259 | 2,142,001 | 20,600 |
| Interest on investments | 339,639 | 47,338 | 284,102 | 44,026 |
| Purchase of investments | (500,000) | | (8,300) | |
| Net cash provided by investing activities | 995,168 | 588,597 | 2,417,803 | 64,626 |
| **Net Increase in Cash and Cash Equivalents** | (59,242) | (265,767) | 130,121 | 42,968 |
| **Cash and Cash Equivalents,** beginning of year | 6,513,556 | 295,693 | 6,383,435 | 252,725 |
| **Cash and Cash Equivalents,** end of year | $ 6,454,314 | $ 29,926 | $ 6,513,556 | $ 295,693 |

The accompanying notes are an integral part of this statement.

# University of California Hastings College of the Law

## Statement of Cash Flows

*Years Ended June 30, 2007 and 2006*

| | June 30, 2007 | | June 30, 2006 | |
|---|---|---|---|---|
| | College | Foundation | College | Foundation |
| **Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:** | | | | |
| Operating income (loss) | $ (11,895,703) | $ (835,086) | $ (8,015,708) | $ 365,015 |
| Depreciation and amortization | 2,417,085 | | 2,616,047 | |
| Allowance for doubtful accounts | 2,053 | 1,500 | | 71,163 |
| Transfer from Perkins to general checking for administrative cost allowance | (195,650) | | (197,757) | |
| Loss on disposed assets | 7,432 | | | |
| Contributed stock | | (35,800) | | (12,322) |
| Other | 175,900 | | (85,849) | |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable, net | 174,340 | | (572,123) | |
| Pledges receivable | | 15,000 | | (441,158) |
| Notes receivable | (1,443,543) | | 110,913 | |
| Inventories | (20,808) | | (9,070) | |
| Accounts payable | 1,244,009 | 22 | (783,623) | (4,356) |
| Deposits | 12,138 | | (1,381) | |
| Deferred revenue | 202,848 | | 1,755 | |
| Prepaid expenses | (212) | | (1,794,695) | |
| Accrued vacation | 109,027 | | 40,789 | |
| Net cash (used) by operations | $ (9,211,084) | $ (854,364) | $ (8,690,702) | $ (21,658) |
| **Noncash Transactions:** | | | | |
| Capital assets acquired with State capital outlay appropriation | $ 10,530,917 | $ - | $ 9,408,294 | $ - |
| Reduction of State appropriation for settlement of debt service | 126,945 | - | 128,935 | - |
| Scholarships from assets held by others | 95,000 | - | 90,000 | - |
| Gifts in kind | 5,707 | - | 357,961 | - |
| Donated land | - | - | 700,000 | - |
| **Components of Cash and Cash Equivalents:** | | | | |
| Current, cash and cash equivalents | 4,665,360 | 3,057 | $ 3,483,594 | $ 266,448 |
| Current, restricted cash and cash equivalents | 1,788,109 | 26,869 | 3,029,939 | 29,245 |
| Noncurrent, restricted cash and cash equivalents | 845 | | 23 | - |
| **Total, Cash and Cash Equivalents**, end of year | $ 6,454,314 | $ 29,926 | $ 6,513,556 | $ 295,693 |

**Note 1 - Organization:**

University of California, Hastings College of the Law (the "College" or "Hastings") was established as the law department of the University of California in 1878. The College, established by the California Legislature with its own Board of Directors, has operated independently of the Board of Regents of the University of California since its founding. The Board of Regents possesses degree-granting authority, but all other aspects of the College are under control of the College's Board of Directors. The College is a charter member of the Association of American Law Schools and is fully accredited by the American Bar Association.

The Hastings 1066 Foundation (the Foundation) was established in 1971 by a group of alumni in order to provide private sources of funds to allow academic programs to grow and to create unique opportunities exclusively at Hastings.

**Note 2 - Summary of Significant Accounting Policies:**

a. Basis of Accounting

The financial statements of the College and the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable effective statements as promulgated by the Governmental Accounting Standards Board ("GASB"). In accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the College and the Foundation apply all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 that do not conflict or contradict GASB pronouncements, using the economic resources measurement focus and the accrual basis of accounting. The College and Foundation use enterprise fund accounting.

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units,* requires the College's legally separate, tax-exempt, affiliated campus foundation to be considered a component unit of the College and presented discreetly in the College's financial statements due to the nature and significance of the Foundation's relationship with the College.

b. Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and pooled cash invested in the University of California Office of the Treasurer's Short Term Investment Pool ("STIP"), since such amounts are readily convertible to known amounts of cash. All cash and cash equivalents are carried at cost, which approximates market value.

c. Legally Restricted Cash Balances

The College holds legally restricted cash balances totaling $1,788,954 and $3,029,962 at June 30, 2007 and 2006, respectively. Restricted cash of $1,777,346 and $3,006,069 for 2007 and 2006, respectively, relates to the Federal Perkins student loan program. Earnings from investments for Bond payments, totaling $845 and $23 for 2007 and 2006, respectively, are held with the trustee, Wells Fargo Bank. These funds are held in accordance with the trust agreement for the Series 2003 Bonds dated May 21, 2003. The remaining funds of $10,763 and $23,870 at June 30, 2007 and 2006, respectively, relate to institutional loan funds. These balances are recorded in restricted cash and cash equivalents.

d. Receivables

Accounts receivable include amounts due from students, other receivables and receivables of $1,578,107 and $836,615 as of June 30, 2007 and 2006, respectively, from the State of California for current year general appropriations and lottery funds.

e. Investments

The College's shares in the University of California Office of the Treasurer investment pools reflect the fair value of the underlying investments of the pools. The fair value of the underlying investments of the pools are valued based on quoted market prices or appraisals and independent evaluations for partnerships. Investment income, realized and unrealized gains and losses are reflected in the restricted and unrestricted net assets respective to the source of invested funds.

f. Inventories

Inventories consist of items maintained at the bookstore and are valued at the lower of cost or market. Books repurchased from students are recorded at the lower of cost of repurchase or market and books purchased from publishers are recorded at the lower of cost or market.

g. Prepaid Expenses

Prepaid expenses primarily consist of bond issuance costs related to the Series 2003 bond offering. These costs are being amortized over 30 years, the life of the bonds. Also included in this amount are relocation costs for the Law Library.

h. Pledges

Unconditional pledges of private gifts to the Foundation to be received in the future are recorded as pledges receivable and revenue in the year promised at the present value. Conditional pledges, including pledges of endowments to be received in future periods, are recorded when the specified conditions are met.

i. Capital Assets

Land and improvements, buildings and improvements, equipment, and libraries and collections of works of art are stated at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. Significant additions, replacements, major repairs and renovations are generally capitalized if the cost exceeds $ 10,000 and they have a useful life of more than one year. Minor renovations are charged to operations, as incurred.

Depreciation is calculated using the straight-line method over the estimated economic useful lives of the assets.

The renovation of the College's 200 McAllister building was substantially completed in June 2007 as occupants previously relocated to other sites began to return. The carrying value of this asset, as of June 30, 2007 is $35,800,710.

Estimated economic lives are generally as follows:

| | |
|---|---|
| Land improvements | 20 years |
| Buildings and improvements | 50 - 75 years |
| Building improvements | 30 years |
| Equipment | 5 - 15 years |
| Computer software | 10 years |
| Library books and materials | 15 years |

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

The 2006 financial statements have been restated to reflect an adjustment for accumulated depreciation related to buildings and improvements. This adjustment was necessary to accurately reflect the carrying value of the College's buildings and improvements in accordance with GASB 34 and 35. When the College initially adopted GASB 34 and 35, effective July 1, 2002, the calculation of depreciation expense was overstated. This calculation error continued through the fiscal year ended June 30, 2006. The impact of this restatement was to increase the College's capital assets and net assets invested in capital assets by $3,360,337

j. Deposits

Deposits include amounts received in advance of being earned for the following: rental of various College facilities, non-student library usage; and payments from employers who have hired federal work-study students. Deposits on work-study wages and the library are fully refundable. Deposits are recognized as revenue when earned.

k. Deferred Revenues

Deferred revenues represent enrollment deposits and deposits related to the on-campus interview program. Deferred revenues are recognized when earned, generally in the following fiscal year.

l. Revolving Fund Advance from the State of California

The revolving fund advance from the State is an advance from the College's general appropriation from the State of California. Repayment to the State is required if the advance exceeds ten (10%) of the College's annual State appropriation. Since the College's State general appropriation for fiscal 2008 is $10,671,000, the revolving fund advance as of June 30, 2007 of $811,900 does not require repayment in fiscal 2008, and consequently, has been classified as a noncurrent liability.

m. Federal Contributions to the Perkins Loan Fund

The noncurrent liability of the federal contributions to the Perkins loan funds consists of the federal capital contribution net of the principal and interest assigned to the Department of Education and the administrative cost allowance. All other activity associated with the Federal Perkins loan program is reflected in Restricted, Expendable Net Assets, Perkins loan funds.

n. Net Assets

Net assets are required to be classified for accounting and reporting purposes into the following categories:

*Invested in Capital Assets, Net of Accumulated Depreciation and Related Debt*

This category includes all of the College's capital assets, net of accumulated depreciation and related debt, including the 2003 bond funds and the State energy bond funds.

*Restricted*

The College and the Foundation classify net assets resulting from transactions with purpose restrictions as restricted net assets until the resources are used for the specific purpose or for as long as the provider requires the resources to remain intact.

*Nonexpendable*

Net assets subject to externally-imposed restrictions that they be maintained in perpetuity by the College and the Foundation are classified as nonexpendable net assets. Such assets include the College and the Foundation's permanent endowment funds.

*Expendable*

Net assets whose use by the College and the Foundation are subject to externally-imposed restrictions by donors, grantors, creditors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation are classified as expendable net assets.

*Unrestricted*

This category includes net assets of the College and the Foundation that are neither restricted nor invested in capital assets, net of related debt. Unrestricted net assets may be designated for specific purposes by the Board of Directors. Substantially all unrestricted net assets are allocated for instruction, institutional support, scholarship, student services, academic and research initiatives or for capital programs.

o. Revenues and Expenses

Operating revenues include receipts from student tuition and fees, grants and contracts for specific operating activities, and sales and services from education activities and auxiliary enterprises. Operating expenses incurred in conducting the programs and services of the College and the Foundation are presented in the statement of revenues, expenses and changes in net assets as operating activities.

In accordance with GASB Statement No. 35, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the College and the Foundation are mandated to be recorded as nonoperating revenues, including state general appropriations, private gifts and investment income. Nonoperating revenues and expenses include State general appropriations (for the support of College operating expenses), private gifts for other than capital purposes, investment income, realized and net unrealized gains or losses on investments and interest expense. In fiscal years 2006-07 and 2005-06 relocation costs incurred related to the renovation of the 200 McAllister buildings have been recorded a nonoperating expenses. These amounts total $1,257,975 and $1,802,574 for 2006-07 and 2005-06, respectively.

All grants expended by the Foundation are reflected by the College as either noncapital or capital gifts, or gifts for endowment.

Other changes in net assets include State capital appropriations, gifts for capital funds for specified purposes and gifts of endowments.

p. Student Tuition and Fees

All of the student tuition and fees provide for current operations of the College. Certain waivers of the student tuition and fees considered to be scholarship and financial aid grant allowances (i.e. tuition remission) are recorded as an offset to revenue. Tuition and fee revenue is recognized in the fall and spring semesters of each year.

q. Scholarship Allowances

The College recognizes certain financial aid allowances (e.g., Hastings grants) and enrollment fee waivers as the difference between the stated charge for tuition and fees and the amount that is paid by the student, as well as third parties making payments on behalf of the student. Payments of financial aid and scholarships made directly to students from private gifts, donations and endowment income are classified as scholarship and fellowship expenses.

r. State Appropriations

The State provides appropriations to the College on an annual basis. State educational appropriations for the general support of the College are recognized as nonoperating revenue, however related expenses incurred to support either educational operations or other specific operating purposes are designated as operating expenses. State appropriations for capital projects are recorded as revenue under other changes in net assets when the related expenditures are incurred.

s. Use of Estimates

The preparation of financial statements in accordance 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

t. New Accounting Pronouncements

In August 2004, the GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, effective for the College's fiscal year beginning July 1, 2008. Statement No. 45 requires accrual-based measurement, recognition and disclosure of other postemployment benefits (OPEB) expense, such as retiree medical and dental costs, over the employees' years of service, along with related liability, net of any plan assets. Currently, the College records retiree medical and dental costs as they are paid and does not recognize the liability in the financial statements. At is meeting on September 14, 2007 the Board of Directors authorized the execution of an Agreement with the Regents of the University of California to allow Hastings to participate in UC's OPEB Trust. Hastings will participate in this trust as a "cost-sharing employer". The Agreement is effective July 1, 2007.

u. Reclassifications

Certain reclassifications have been made to the June 30, 2006 financial statements to conform with the June 30, 2007 presentation. The reclassifications have no effect on either the financial position or the changes in net assets of the College.

## Note 3 - Cash and Cash Equivalents:

Cash and cash equivalents at June 30, 2007 and 2006 consist of the following:

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | College | Foundation | College | Foundation |
| Cash in banks | $ 1,863,848 | $ - | $ 3,626,441 | $ - |
| Pooled cash included in STIP | 4,590,466 | 29,926 | 2,887,115 | 295,693 |
| Total cash and cash equivalents | $ 6,454,314 | $ 29,926 | $ 6,513,556 | $ 295,693 |

The College and the Foundation follow the practice of pooling cash. The cash and cash equivalents pools allocate earnings based on the number of units held of the total on a monthly basis. The College and the Foundation utilize STIP, which is managed by the University of California Office of the Treasurer. STIP consists of money market and fixed income investments with a maximum maturity of five years. The objective of STIP is to maximize returns consistent with liquidity and cash flow needs. The College and the Foundation consider STIP to operate as a demand deposit.

At June 30, 2007 and 2006, respectively, the carrying amounts of the College's deposits were $1,863,848 and $3,626,441 and the bank balances were $2,497,775 and $4,147,939. Of the bank balances, $200,000 was covered by federal depository insurance and $2,296,930 and $3,938,441 for 2007 and 2006, respectively, was uninsured but collateralized with securities held by a third-party financial institution in accordance with the State of California Government Code, but not in the College's name.

## Note 4 - Investments:

The College and Foundation follow the investment philosophy of the University of California and invest their excess cash and long-term investments with the University of California Office of the Treasurer ("Office of the Treasurer"). Accordingly, all investments held by the Office of the Treasurer are uninsured and unregistered and are not held in the College's or Foundation's name. The College invests in the General Endowment Pool ("GEP") managed by the Office of the Treasurer. GEP consists primarily of equity securities that comprise between 42% to 72% of the pool with the balance invested in fixed income securities, 8% to 38% and alternative investments, 5% to 35%. The objective of GEP is to balance current income and capital appreciation objectives.

The College and the Foundation's share in the GEP's investments by type, at June 30, 2007 and 2006 is as follows:

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | College | Foundation | College | Foundation |
| Equity securities | $ 28,405,486 | $ 586,908 | $ 23,266,016 | $ 793,975 |
| Fixed income | 9,764,386 | 201,750 | 9,088,287 | 310,146 |
| Other investments | 6,213,700 | 128,386 | 3,998,846 | 136,464 |
| Total investments | $ 44,383,572 | $ 917,044 | $ 36,353,149 | $ 1,240,585 |

Risk Profile of the Investments

Financial instruments that potentially subject the College and the Foundation to concentrations of credit risk consist principally of investments with the Office of the Treasurer, which may invest in cash equivalents, U. S. Government and federal agency obligations, common stocks, and corporate debt securities; the remainder of the Office of the Treasurer's portfolio is diversified and issuers of the securities are dispersed throughout many industries and geographies. 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. The College and the Foundation do not directly hold nor do they intend to purchase any of the more volatile types of derivative mortgage securities.

*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 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. Certain fixed income securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk.

The Office of the Treasurer recognizes that credit risk is appropriate in balanced investment pools such as GEP, by virtue of the benchmark chosen for the fixed income portion of that pool. That fixed-income benchmark, the Citigroup Large Pension Fund Index (LPF) is comprised of approximately 30 percent high grade corporate bonds and 30 percent mortgage/asset-backed securities, all of which carry some degree of credit risk. The remaining 40 percent are government-issued bonds. Credit risk in the GEP is managed primarily by diversifying across issuers and portfolio guidelines mandate that no more than 10 percent of the market value of fixed income may be invested in issues with credit rating below investment grade. Further, the weighted average credit rating must be "A" or higher.

*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 100 basis point (1 percentage point) change in the level of interest rates. It is not a measure of time.

The Office of the Treasurer portfolio guidelines for the fixed and variable income portion of GEP limit weighted average effective duration to plus or minus 20 percent of the effective duration of the benchmark (Citigroup Large Pension Fund). This constrains the potential price movement due to interest rate changes of the portfolio to be similar to that of the benchmark. The effective durations of total investments of the College and the Foundation in the office of the Treasurer's GEP as of June 30, 2007 and 2006 were 5.48 and 5.06, respectively.

*Foreign Currency Risk*

The Office of the Treasurer's strategic asset allocation policy for GEP includes an allocation to non-US equities. These equity investments are not hedged, therefore foreign currency risk is an essential part of the investment strategy. Portfolio guidelines for fixed income securities also allow exposure to non-US dollar denominated bonds up to 10 percent of total the 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 investment policies, such instruments are not permitted for speculative use or to create leverage. The portions of total investments of the College and the Foundation in the office of the Treasurer's GEP associated with various foreign currency denominations as of June 30, 2007 and 2006 were $12,159,057 and $9,730,918, respectively.

**Note 5 - Notes Receivables:**

Notes receivable of the College at June 30, 2007 and 2006 consists of the following:

| | 2007 | 2006 |
|---|---|---|
| Federal Perkins and NDSL | $ 12,970,306 | $ 11,565,417 |
| O'Neill loans | 895,050 | 896,072 |
| Hastings loans | 346,112 | 288,674 |
| Public Interest Career Assistance Program ("PICAP") loans | 12,210 | 8,114 |
| California Bar Preparation loans | 12,500 | 12,500 |
| Less: Allowance for doubtful accounts | (711,743) | (689,885) |
| | $ 13,524,435 | $ 12,080,892 |

The current portion of notes receivable, net of allowance for doubtful accounts, of $760,455 ($761,404 in 2006) is presented in current assets in the statement of net assets.

All loans, except PICAP and the California Bar Preparation loans, are payable over approximately 10 years following College attendance. Federal Perkins loans and National Direct Student Loans ("NDSL"), include interest at three percent or five percent. O'Neill loans made prior to July 1, 1996 are interest-free; and loans made July 1, 1996 or after accrue interest at five percent. Funding for the O'Neill Loan program is made by a private gift to the College. O'Neill loans are advanced to students who are residents of Sacramento County. Hastings loans are also funded by private gifts to the College and accrue interest at five percent.

The PICAP loans are designed to aid and encourage the College students interested in working in public interest legal organizations or government agencies by assisting with repayment of qualifying, outstanding educational loans upon graduation.

To partially mitigate disincentives recognizing the disparity in salary between corporate employment and public interest law, the College is committed to supporting PICAP by ensuring that its loan repayment assistance is significant and meaningful.

Beginning in January 2004, the College converted its PICAP allocations from a grant program to a forgivable loan program. Borrowers confirm their eligibility every six months. Borrowers who do not continue their eligibility are required to begin repayment of their loans immediately. The PICAP loans accrue interest at five percent and are generally payable over five years.

The first loans under the College’s new California Bar Preparation Loan fund were made in June 2006. Through gifts received from members of the College’s Board of Directors and Faculty, this loan is used to assist Hastings graduates with academic need with the costs of bar review courses and living expenses while preparing for the California Bar Exam.

**Note 6 - Assets Held by Others:**

Assets held by others represent the College's right to the perpetual income streams resulting from two irrevocable and perpetual trusts held by external trustees. The College's right to the income from these trusts is valued at the market value of the investments held by the trusts. One trust is administered by The Bank of New York and the other by the Regents of the University of California ("UC"). Investment income of $95,000 and $90,000 for 2007 and 2006, respectively, was distributed by the external trustees to recipients of the Tony Patino Fellowship. The College has recorded the distributions as gift revenue and fellowship expenditures.

In addition, UC holds six endowments (not pursuant to irrevocable agreements) for which income is allocated to the College and recorded in the accompanying financial statements as nonoperating revenues, specifically as gifts, noncapital. The income generated from these endowments in fiscal 2007 and 2006 was $147,090 and $152,627, respectively. Income generated from three of these endowments has been designated by the donor to be distributed exclusively to Hastings' students. For the remaining three, the income allocated to Hastings conforms to the donors' intent that endowment income be used for financial support of University of California law students. The market value of the two endowments held by UC and reflected in the College's balance sheet as "Assets Held by Others" total $4,687,939 as of June 30, 2007 and $3,948,471 as of June 30, 2006. The market value of the remaining four endowments as of June 30, 2007 and 2006 is $2,112,253 and $1,827,075, respectively.

In addition, assets held by others include $108,499 held by the State Treasurer related to the Public Works Energy bonds and $12,000 held as an imprest account in Mellon Bank for workers' compensation payments at June 30, 2007 and 2006.

## Note 7 - Capital Assets:

The activities related to capital assets during fiscal 2007 and 2006 for the College are summarized below:

| | 2006 (as restated) | Additions/ Transfers | Disposals/ Transfers | 2007 |
|---|---|---|---|---|
| **Original Cost:** | | | | |
| Land and improvements | $ 5,788,532 | $ - | $ - | $ 5,788,532 |
| Buildings and improvements | 65,718,278 | 28,431,695 | (7,513,254) | 86,636,719 |
| Equipment, furniture and fixtures | 4,011,631 | 510,124 | (119,476) | 4,402,279 |
| Software | 240,441 | 102,428 | - | 342,869 |
| Library books | 15,375,724 | 449,111 | (951,225) | 14,873,610 |
| Works of art | 359,483 | 9,326 | - | 368,809 |
| Donated assets | | 7,079 | (7,079) | - |
| Construction in progress | 14,530,549 | 16,436,321 | (29,982,448) | 984,422 |
| Capital assets at original cost | 106,024,638 | 45,946,084 | (38,573,482) | 113,397,240 |
| **Accumulated Depreciation:** | | | | |
| Buildings and improvements | (20,916,050) | $ (1,375,096) | 2,350,985 | (19,940,161) |
| Equipment, furniture and fixtures | (2,977,766) | (249,257) | 114,591 | (3,112,434) |
| Software | (146,328) | (15,961) | - | (162,289) |
| Library books | (10,533,518) | (776,771) | - | (11,310,289) |
| Accumulated depreciation | (34,573,664) | (2,417,085) | 2,465,576 | (34,525,173) |
| Capital assets, net | $ 71,450,974 | $ 43,528,999 | $ (36,107,906) | $ 78,872,067 |

The renovation of 200 McAllister was substantially complete as of June 30, 2007 as the College assumed beneficial occupancy of “Mary Kay Kane Hall”. The addition to buildings and improvements reflects the capitalized cost of the renovation, which received substantial financial support from the State of California since the inception of project planning in fiscal 2002. Appropriations totaling $23,495,000 from the Higher Education Bond Fund of 2002 were made available for this project. The College transferred $4,199,760 for activities funded by contracts issued by the State of California to achieve substantial improvements to the Law Library and other building improvements. Of this amount, $2,300,000 was raised by private funds through the Law Library Capital Campaign.

| | 2005 | Additions | Disposals/ Transfers | 2006 (as restated) |
|---|---|---|---|---|
| **Original Cost:** | | | | |
| Land and improvements | $ 5,088,532 | $ 700,000 | | $ 5,788,532 |
| Buildings and improvements | 65,606,389 | 111,889 | | 65,718,278 |
| Equipment, furniture and fixtures | 3,892,722 | 262,208 | $ (143,299) | 4,011,631 |
| Software | 285,504 | | (45,063) | 240,441 |
| Library books | 15,454,645 | 542,604 | (621,525) | 15,375,724 |
| Works of Art | 19,183 | 348,300 | (8,000) | 359,483 |
| Construction in progress | 3,029,293 | 11,501,256 | | 14,530,549 |
| Capital assets at original cost | 93,376,268 | 13,466,257 | (817,887) | 106,024,638 |
| **Accumulated Depreciation:** | | | | |
| Buildings and improvements | (22,816,603) | (1,459,784) | 3,360,337 | (20,916,050) |
| Equipment, furniture and fixtures | (2,866,959) | (249,627) | 138,820 | (2,977,766) |
| Software | (164,688) | (18,065) | 36,425 | (146,328) |
| Library books | (9,644,947) | (888,571) | | (10,533,518) |
| Accumulated depreciation | (35,493,197) | (2,616,047) | 3,535,580 | (34,573,664) |
| Capital assets, net | $ 57,883,071 | $ 10,850,210 | $ (2,717,693) | $ 71,450,974 |

**Note 8 - Long-Term Debt:**

Long-term debt of the College consists of the following at June 30, 2007 and 2006:

| | 2007 | 2006 |
|---|---|---|
| Hastings College of the Law Series 2003 Bonds, due serially to 2033, with interest from 3.5% to 6.5% (average coupon rate of 4.29%) | $ 8,140,000 | $ 8,305,000 |
| State Public Works Board of the State of California Bonds due serially to 2010 with interest from 4.0% to 4.3% | 190,000 | 305,000 |
| Unamortized bond (discount) premium | (69,204) | (47,944) |
| Total bonds payable | $ 8,260,976 | $ 8,562,056 |

The College has executed two contracts with the State Public Works Board of the State of California for the replacement or installation of certain fixtures and mechanical systems for the purpose of energy conservation measures funded by bond proceeds. Approximately $97,000 of bond financing costs and $108,000 as a debt service reserve are required by the contracts and are incorporated into the debt service schedule. The original amount of the two contracts of $1,075,000 was financed through the fiscal year 2010 with varying principal and interest installment amounts.

In fiscal 2003, with the Series 2003 Bonds, the College issued approximately $8,600,000 in new bonds for the renovation of the 100 McAllister Street building and to reimburse development costs for other capital projects. The renovation of this building was fully completed in fiscal 2005.

The activity with respect to the College's current and noncurrent debt for the year ended June 30, 2007 and 2006 is as follows:

| | Series 2003 Bonds | Public Works Bonds | Total |
|---|---|---|---|
| Current portion at June 30, 2006 | $ 165,000 | $ 115,000 | $ 280,000 |
| Principal payments in fiscal 2007 | (165,000) | (115,000) | (280,000) |
| Reclassification from noncurrent | 175,000 | 120,000 | 295,000 |
| Current portion at June 30, 2007 | $ 175,000 | $ 120,000 | $ 295,000 |

| | Series 2003 Bonds | Public Works Bonds | Total |
|---|---|---|---|
| Noncurrent portion, excluding amortized bond portion at June 30, 2006 | $ 8,140,000 | $ 190,000 | $ 8,330,000 |
| Total noncurrent | 8,140,000 | 190,000 | 8,330,000 |
| Unamortized bond discount | (69,024) | | (69,024) |
| Reclassification to current | (175,000) | (120,000) | (295,000) |
| Noncurrent portion at June 30, 2007 | $ 7,895,976 | $ 70,000 | $ 7,965,976 |

| | Series 2003 Bonds | Public Works Bonds | Total |
|---|---|---|---|
| Current portion at June 30, 2005 | $ 155,000 | $ 110,000 | $ 265,000 |
| Principal payments in fiscal 2006 | (155,000) | (110,000) | (265,000) |
| Reclassification from noncurrent | 165,000 | 115,000 | 280,000 |
| Current portion at June 30, 2006 | $ 165,000 | $ 115,000 | $ 280,000 |

| | Series 2003 Bonds | Public Works Bonds | Total |
|---|---|---|---|
| Noncurrent portion, excluding amortized bond premium, at June 30, 2005 | $ 8,305,000 | $ 305,000 | $ 8,610,000 |
| Total noncurrent | 8,305,000 | 305,000 | 8,610,000 |
| Unamortized bond discount | (47,944) | | (47,944) |
| Reclassification to current | (165,000) | (115,000) | (280,000) |
| Noncurrent portion at June 30, 2006 | $ 8,092,056 | $ 190,000 | $ 8,282,056 |

Principal and interest payments required to be made for each of the next five fiscal years and thereafter are summarized as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| 2008 | $ 295,000 | $ 357,364 | $ 652,364 |
| 2009 | 240,000 | 346,141 | 586,141 |
| 2010 | 210,000 | 332,619 | 542,619 |
| 2011 | 210,000 | 314,039 | 524,039 |
| 2012 | 215,000 | 306,689 | 521,689 |
| 2012-2017 | 1,205,000 | 1,411,424 | 2,616,424 |
| 2017-2022 | 1,460,000 | 1,160,025 | 2,260,025 |
| 2022-2027 | 1,785,000 | 830,320 | 2,615,320 |
| 2027-2032 | 2,210,000 | 407,531 | 2,617,531 |
| 2032-2033 | 500,000 | 21,875 | 521,875 |
| | $ 8,330,000 | $ 5,488,027 | $ 13,818,027 |

**Note 9 - Retirement Benefits:**

Substantially all College employees are participants in the University of California Retirement System ("UCRS"). UCRS consists of a basic plan, University of California Retirement Plan ("UCRP", a cost-sharing multiple-employer defined benefit plan), and several supplemental plans, including the University of California Defined Contribution Plan ("UCDCP"). The latest available actuarial and financial information for the plans is for the year ended June 30, 2006. UCRP issues a publicly available financial report that includes financial statements and supplemental information of the plans. That report is available by writing to UC Retirement System, P. O. Box 24000, Oakland, California, 94623.

Membership in UCRP is required for a career employee appointed to work at least 50% of the time for a year or more. Five years of service is required for vesting and entitlement to retirement benefits. The amount of benefit is determined by salary rate, age and years of service. UCRP is funded by contributions from both the employer and employee. During years ended June 30, 2007 and 2006, employee contributions to the UCRP were redirected to the UCDCP.

The Regents' funding policy for the UCRP has been to establish annual contributions as a percentage of payroll by using the entry age normal actuarial funding method and based on designated State appropriations. The Regents have implemented a full funding policy. Under that policy, the Regents suspend contributions to the Plan when the market value or the actuarial value of Plan assets (whichever is smaller) exceeds the lesser of the actuarial accrued liability or 150% of the current liability plus normal cost. For the years ended June 30, 2007 and 2006, the College was not required to and did not make contributions to the Plan, due to the Plan's fiscal position and its fully funded status as described in internal Revenue Code Section 412.

For URCP eligible employees, participation in UCDCP is mandatory and on a temporary basis in lieu of contribution to UCRP. Participation in other defined contribution plans (i.e., 403(b), tax deferred annuities) is optional. Commencing in fiscal 1993, ineligible UCRP employees began participating in UCDCP (Safe Harbor). In September 2004, eligible UCRP employees were offered participation in the 457(b) plan, which is a deferred compensation plan.

In addition to the benefits described above, participation in UCRP entitles College employees to certain postretirement health care benefits. Retired employees are eligible to have a portion of their medical and dental insurance coverage paid by the College, up to 100%, subject to certain restrictions and eligibility criteria. An employee's eligibility for this benefit is based primarily on the date he or she was hired and his or her years of service credit in UCRP at the time of retirement. The College records expenditures for post employment health care benefits as corresponding premiums are paid. For the years ended June 30, 2007 and 2006, approximately $438,443 and $399,247, respectively, was expensed by the College for health care benefits for approximately 82 retirees.

**Note 10 - Federal and State Income Taxes:**

As a separate law department of the University of California, the College is an instrument of the State and accordingly, is not subject to federal or state income taxes, except for taxes on unrelated business income.

**Note 11 - Contingencies:**

The College receives substantially all of its unrestricted revenue from tuition and fees and State appropriations. The College tuition and fee schedule is established annually by the Board of Directors. The State legislature establishes the annual appropriation to the College. The appropriation may increase or decrease during the year due to State budget changes.

Substantial amounts are received and expended by the College under federal and state grants and contracts, and are subject to audit by cognizant governmental agencies. This funding relates primarily to student financial assistance and related programs. College management believes that liabilities, if any, arising from such audits will not have a significant effect on the College's financial condition or results of operations.

The College is involved from time to time in routine matters of litigation or other claims. Management does not believe there are any such matters that could materially affect its financial position.

**Note 12 - Insurance:**

The College is exposed to various risks of loss including general liability, property and casualty, workers' compensation, employee health and legal defense. The College purchases insurance through commercial and risk retention insurance companies with deductibles of between $25,000 and $100,000 depending on the policy type. Settled claims have not exceeded this coverage in any of the past three fiscal years. Beginning July 1, 2004, the College moved to a self-insured workers' compensation program.

**Note 13 - Endowments:**

Endowments are administered by the College. The endowments held by the College at June 30, 2007 are as follows:

| | Restricted Net Assets | | Unrestricted | |
|---|---|---|---|---|
| | Nonexpendable | Expendable | Net Assets | Total |
| Endowments | $ 10,060,368 | $ 9,584,524 | | $ 19,644,892 |
| Funds functioning as endowments | | | $ 1,182,328 | 1,182,328 |
| Endowment assets held by others | 8,035,986 | | | 8,035,986 |
| College's endowments | $ 18,096,354 | $ 9,584,524 | $ 1,182,328 | $ 28,863,206 |

Endowments held by the College at June 30, 2006 are as follows:

| | Restricted Net Assets | | Unrestricted | |
|---|---|---|---|---|
| | Nonexpendable | Expendable | Net Assets | Total |
| Endowments | $ 9,254,829 | $ 7,091,677 | | $ 16,346,506 |
| Funds functioning as endowments | - | - | $ 1,013,556 | 1,013,556 |
| Endowment assets held by others | 6,967,518 | - | - | 6,967,518 |
| College's endowments | $ 16,222,347 | $ 7,091,677 | $ 1,013,556 | $ 24,327,580 |

Endowments held by the Foundation at June 30, 2007 and 2006 are as follows:

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | Restricted Net Assets | | Restricted Net Assets | |
| | Nonexpendable | Expendable | Nonexpendable | Expendable |
| Foundation's endowments | $ 176,054 | $ 208,249 | $ 176,054 | $ 153,525 |

The College'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 a maximum long-term total return. As a result of this emphasis on total return, the proportion of the annual income distribution funded by dividend and interest income and by capital gains may vary significantly from year to year. Under provisions of California law, the Uniform 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 the College's programs. The College utilizes a total return spending policy governing the payout on endowed funds. Total return policies permit the expenditure of both current income and appreciation. The portion of investment returns earned on endowments held by the College and distributed each year to support current operations is based upon a payout rate that is approved by the Board. The payout rate for 2007 and 2006 was 4.35% and 4.34%, respectively, calculated on the 60-month average market value of endowed funds. Endowment income is available to meet future spending needs, subject to the approval of the Board. Net appreciation on investments of donor-restricted endowments that is available for spending is reflected in the above tables as restricted expendable net asset amounts.

Generally, the College's practice is to spend restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The total distribution from endowments held by the College was $579,373 and $581,717, for the years ended June 30, 2007 and 2006, respectively.

**Note 14 - Related Party Transactions:**

For the year ended June 30, 2007 the College received contributions from its board members of $1,267,549 of which $1,245,452 were cash and $22,097 were in the form of pledges. For June 30, 2006, total contributions totaled $92,000.

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# UNIVERSITY OF CALIFORNIA HASTINGS COLLEGE OF THE LAW

JUNE 30, 2006 AND 2005

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

# University of California Hastings College of the Law

**Independent Auditors' Report**
**and Financial Statements**

HOOD & STRONG LLP
CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report

*Consultants and Business Advisors*

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THE BOARD OF TRUSTEES
UNIVERSITY OF CALIFORNIA
HASTINGS COLLEGE OF THE LAW
San Francisco, California

We have audited the accompanying statement of net assets of the **UNIVERSITY OF CALIFORNIA HASTINGS COLLEGE OF THE LAW (the College)** as of June 30, 2006 and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the College for the year ended June 30, 2005 were audited by other auditors whose report, dated October 14, 2005, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 6, the College changed the presentation for a portion of its endowments in 2005.

We also audited the adjustments described in Note 6 that were applied to restate the 2005 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

*San Francisco*
*Menlo Park*

The Management's Discussion and Analysis on pages 3 - 11 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Hood & Strong LLP

October 11, 2006

The University of California, Hastings College of the Law (the "College" or "Hastings") presents its financial statements for fiscal year 2006 with comparative data presented for fiscal years 2005 and 2004. The emphasis of discussions concerning these statements will be for the fiscal years ended June 30, 2006 and 2005 (2006 and 2005, respectively). There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and, the Statement of Cash Flows.

The following discussion and analysis is intended to help readers of Hastings' financial statements to better understand its financial position and operating activities. It should be read in conjunction with, and is qualified in its entirety by, the related financial statements and footnotes. The financial statements, footnotes and this discussion and analysis were prepared by the College and are the responsibility of its management.

**The College**

The College was founded in 1878 as the "law department" of the University of California. The College is the oldest public law school in California. Founded by Chief Justice Serranus Clinton Hastings, the College was established by the California Legislature with its own Board of Directors which has operated the College independently of the Board of Regents of the University of California since its founding. The Board of Regents possesses degree-granting authority, but all other aspects of the College are under the control of the Hastings Board of Directors. The College is the only stand-alone, public law school in the nation.

Enrollment for the 2005-06 academic year was 1,249 Juris Doctor (JD) students and 17 Masters of Law (LLM) students, for a total of 1,266 full-time students. Enrollment for the 2004-05 academic year was 1,278 JD students and 17 LLM students, for a total of 1,295 full-time students.

Hastings' reputation for academic excellence, its formal affiliation with the University of California (UC), and its location in San Francisco's downtown civic center are major factors contributing to the overall strength of the institution. While applications for the Fall 2006 academic year declined to 5,526 (-11%) for an entering class of 420 students, student demand remained strong. For comparison, 6,189 prospective students applied for admission in the 2005 academic year; a total of 7,176 prospective students applied for admission in the 2004 academic year; and a total of 6,915 applied for the 2003 academic year. Declining applications for the past few years have paralleled national and regional trends as reported by the Law School Admission Council.

As a public institution of higher education affiliated with the University of California, the share of total revenue attributable to the State of California has declined over time. This downward trend was halted in 2006 as State funding earmarked for general institutional support experienced a modest increase from $8.2 million in 2005 to $8.5 million in 2006, an increase of 3.4%. For 2007, State funding for general institutional support has increased to $10.9 million.

To provide additional revenue to more substantially enhance institutional quality, enrollment fees were increased; in-state resident fees rose from $18,750 (2005) to $19,725 (2006). Since UC's other law schools have implemented even greater increases, these increases have not affected demand because, even with these increases, tuition levels remain below those charged by UC's other law schools and well below tuitions at private institutions. Thirty percent of the revenue derived from increased tuition is reallocated to need-based financial aid.

## The 1066 Foundation

The Hastings 1066 Foundation (the "Foundation") receives private gifts in support of the College. The Foundation was established in 1971 by a group of alumni in order to provide private sources of funds to allow academic programs to grow and to create unique opportunities in legal education. The Foundation supports a variety of purposes, such as moot court activities, scholarly publications, lectureships, and faculty professional development. Additionally, the Foundation provides student scholarships and faculty research support with funds raised from class campaigns and from memorial and endowment gifts.

## Highlights of Financial Operations

Hastings had a successful year in 2006 with progress in a number of areas pertaining to the financial operations of the College.

- **Renovation of 200 McAllister Street**

  Staff and faculty housed in the 200 McAllister building were relocated to temporary space at other buildings owned by Hastings and leased federal space at 50 UN Plaza to allow for the renovation of this six-floor, 185,000 gross square feet (gsf) structure that houses the law library, administrative functions (student services, procurement, maintenance, etc.), faculty offices, dining commons, reception center, and a bookstore.

  Since 2003, Hastings has received $22.6 million from the Higher Education Bond Fund of 2002 for this project. The State-funded scope of work includes seismic upgrading by bracing the building's steel moment frame and strengthening its foundations, new lighting and ceilings, asbestos floor tile removal, fire/life-safety improvements, including expanding the building fire sprinkler system and upgrading the fire alarm system; Americans with Disabilities Act/Title 24 compliance, new restrooms, door hardware and stair handrails to comply with current requirements; and upgrading HVAC systems with the addition of air conditioning. Construction began in November 2005 and is scheduled for completion in Spring 2007.

- **Capital Campaign for the Law Library**

  The College's 200 McAllister building (now renamed as "Mary Kay Kane Hall") opened in 1980 with a then state-of-the-art library that remained virtually unchanged for 25 years. In conjunction with the 200 McAllister renovation project, a capital campaign has been initiated to fund a complete remodeling of the library. The Law Library Capital Campaign has a fundraising target of $4 million that will allow Hastings to completely renovate the law library leveraging funds appropriated by the State for the bond-funded code-compliance upgrade. The remodeled library, occupying the upper three floors will have expanded and reconfigured study space intended to address the learning styles of today's students while allowing use of traditional research methods and the latest computerized, online research techniques. The new layout will provide increased shelving space, ready access to stacks, and better service for all library patrons. The new library will also have updated lighting and air circulation systems, plus new furniture and 18 individual study rooms.

- **Hastings Mixed-use Development - Golden Gate Avenue and Larkin Street**

  In 2006, the College completed an environmental review for a mixed-use project consisting of a parking garage of 395 stalls, 9,400 gsf of College and community-serving retail, and 20,000 gsf of below-grade storage. In June 2006, the Board of Directors certified the Supplemental Environmental Impact Report and approved going forward with the project. The College is also collaborating with the YMCA of San Francisco to assess the feasibility of entering into a ground lease to provide a site for the YMCA to construct a new athletic/community center to replace their existing facility located at Golden Gate Avenue and Leavenworth. The College's Board of Directors has directed staff to develop a memorandum of agreement with the YMCA outlining the various elements of a potential business arrangement. The total development cost for the College's portion of this project is estimated at $23.7 million.

**Financial Position**

The narrative detailing the institution's financial position combines figures for the College and the Foundation, unless otherwise indicated.

The statement of net assets presents the financial position of the College and the Foundation at the end of 2006 and 2005. The purpose of the statement of net assets is to present to the reader of the financial statements a fiscal snapshot of Hastings. From the data presented, readers of the statement of net assets are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors and lending institutions. Finally, the statement of net assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure.

Net assets are divided into three major categories. The first category, Invested in Capital Assets, Net of Debt, provides the institution's equity in property, plant and equipment. The next asset category is Restricted Net Assets, which is divided into two categories, Nonexpendable and Expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the institution, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is Unrestricted Net Assets that are available to the institution for any lawful purpose of the institution.

Detailed statements of net assets are included with the financial statements. A condensed version is shown below:

**Condensed Statement of Net Assets - 2006, 2005, 2004**
**(In thousands)**

| | College | Foundation | 2006 Total | 2005 Total (as restated) | 2004 Total |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Current Assets | $ 10,787 | $ 494 | $ 11,281 | $ 9,509 | $ 7,437 |
| Noncurrent Assets | 123,216 | 1,757 | 124,973 | 111,201 | 105,793 |
| Total Assets | $ 134,003 | $ 2,251 | $ 136,254 | $ 120,710 | $ 113,230 |
| **LIABILITIES:** | | | | | |
| Current Liabilities | $ 3,749 | $ 4 | $ 3,753 | $ 4,399 | $ 4,578 |
| Noncurrent Liabilities | 17,078 | | 17,078 | 17,595 | 17,964 |
| Total Liabilities | $ 20,827 | $ 4 | $ 20,831 | $ 21,994 | $ 22,542 |
| **TOTAL NET ASSETS:** | | | | | |
| Invested in Capital Assets, net | $ 59,418 | | $ 59,418 | $ 49,027 | $ 48,746 |
| Restricted Net Assets: | | | | | |
| Nonexpendable | 16,222 | $ 176 | 16,398 | 15,229 | 11,838 |
| Expendable | 20,869 | 901 | 21,770 | 19,205 | 17,631 |
| Unrestricted Net Assets | 16,667 | 1,170 | 17,837 | 15,255 | 12,743 |
| Total Net Assets | $ 113,176 | $ 2,247 | $ 115,423 | $ 98,716 | $ 90,688 |

For 2006, current assets increased by $1.8 million (19%) attributable to favorable cash and net account receivables position at yearend. For 2005, current assets increased by $2.1 million (28%). Noncurrent assets increased by $13.8 million (12%) due to the capitalization of improvements made to the 200 McAllister Street facility from the code-compliance and building upgrade project begun in November 2005, favorable investment returns on endowed and other funds, and the inclusion in the financial statements of $2.8 million for the Percy E. Towne Scholarship Fund and the Warren Olney Jr., Scholarship Fund, endowments held in trust for Hastings by the Regents of the University of California, noncurrent assets increased by $2.5 million (2%) due to the capitalization of improvements made to the 100 McAllister Street facility completed in November 2004.

Within the noncurrent asset category, a major change – an increase in net pledges receivable of $442,000 – is attributable to donations received in support of the College's capital campaign to raise funds for the renovation of the law library at the 200 McAllister Street facility. On an overall basis, total assets increased by 16%.

In 2006, current liabilities decreased by $646,000 (-15%) mainly due to a reduction in accounts payable. In 2005 and 2006, substantial costs were incurred associated with the relocation of staff and library materials from the College's facility at 200 McAllister Street to temporary locations. The reduction in accounts payable from 2005 to 2006 reflects the payments made to vendors for relocation and College-funded design costs for the project. In 2005, current liabilities decreased by $179,000 (-4%) due to a reduction in payables associated with the completion of the 100 McAllister Street renovation. Noncurrent liabilities decreased by $517,000 (-3%) due primarily to principal payments on outstanding debt (Series 2003 Bonds, State Public Works Board Bonds [i.e., energy conservation retrofits]). On an overall basis, total liabilities decreased by $1.2 million (-5%).

In 2006, invested in capital assets, net of debt, increased by $10.4 million, or 21%; this growth is attributable to the capitalization of construction in progress at 200 McAllister. Nonexpendable restricted net assets increased by $1.2 million in 2006 (8%) representing donations made to the College's endowment for student scholarships and professorships. Expendable restricted net assets increased by $2.6 million in 2006 (13%) mainly due to gifts received in support of the law library renovation capital campaign. Unrestricted net assets increased from $15.3 to $17.8 million (20%). In sum, total net assets increased from $95.8 to $115.4 million, an increase of 20%.

**Results of Operations**

The Statement of Revenues, Expenses and Changes in Net Assets presents Hastings' operating results, as well as the nonoperating revenues and expenses. Operating revenues primarily include net student tuition and fees, grants and contracts, and auxiliary activities. Given a public institution's dependency on revenues such as state appropriations, gifts and investment income, which are prescribed by GASB as nonoperating revenues, operating expenses will exceed operating revenues resulting in an operating loss. Net nonoperating revenues or expenses are an integral component in determining the increase or decrease in net assets.

A condensed summary of Hastings and the Foundation's revenues, expenses, and changes in net assets for the years ended June 30, 2006, 2005 and 2004 follows:

**Condensed Statement of Revenues, Expenses and Changes in Net Assets**
**For the years ended June 30, 2006, 2005 and 2004 (in thousands)**

| | Operating | | Nonoperating | | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|---|
| | College | Foundation | College | Foundation | Total | Total (as restated) | Total |
| **REVENUES:** | | | | | | | |
| Tuition and Fees, net of grants and scholarships | $ 20,927 | | | | $ 20,927 | $ 19,771 | $ 14,067 |
| State Appropriations | | | $ 8,525 | | 8,525 | 8,246 | 11,231 |
| Grants and Contracts | 836 | | | | 836 | 703 | 603 |
| Sales and Services of Auxiliary Enterprises | 5,497 | | | | 5,497 | 5,213 | 4,946 |
| Private Gifts & Contributions | | $ 2,776 | 1,707 | | 4,483 | 2,294 | 1,980 |
| Investment Income | | | 1,152 | $ 44 | 1,196 | 1,120 | 1,043 |
| Realized/Unrealized Gain | | | 2,943 | 99 | 3,042 | 2,546 | 3,546 |
| Event Income | | 3 | | | 3 | 7 | 6 |
| Other Revenues | 494 | | | | 494 | 429 | 455 |
| Loan Interest, net of expense | 323 | | | | 323 | 130 | 225 |
| Total Revenues | 28,077 | 2,779 | 14,327 | 143 | 45,326 | 40,459 | 38,102 |
| **EXPENSES:** | | | | | | | |
| Salaries and Benefits | 21,561 | 111 | | | 21,672 | 20,703 | 20,649 |
| Sales and Services of Auxiliary Enterprises | 4,403 | | | | 4,403 | 4,128 | 3,925 |
| Utilities | 529 | | | | 529 | 641 | 572 |
| Supplies and Services | 6,014 | | | | 6,014 | 5,662 | 4,664 |
| Depreciation | 2,195 | | | | 2,195 | 2,715 | 2,788 |
| Scholarships and Fellowships | 542 | | | | 542 | 573 | 468 |
| Grants | | 2,187 | | | 2,187 | 706 | 331 |
| Relocation Costs | | | 1,803 | | 1,803 | | |
| Interest on Debt | | | 385 | | 385 | 236 | 38 |
| Events | | 8 | | | 8 | 16 | 10 |
| Other | 1,533 | 108 | | | 1,641 | 593 | 735 |
| Total Expenses | 36,777 | 2,414 | 2,188 | | 41,379 | 35,973 | 34,180 |
| **Income/Loss** | $ (8,700) | $ 365 | $ 12,139 | $ 143 | 3,947 | 4,486 | 3,922 |
| **OTHER CHANGES IN NET ASSETS** | | | | | | | |
| Capital Grants and Gifts | | | | | 1,478 | 161 | 5 |
| State Capital Appropriations | | | | | 9,409 | | 1,044 |
| Gifts and Other Changes to Endowments | | | | | 1,874 | 652 | 275 |
| Total Other Changes in Net Assets | | | | | 12,761 | 813 | 1,324 |
| **Increase in Net Assets** | | | | | $ 16,708 | $ 5,299 | $ 5,246 |

In sum, after allocating $2.2 million for depreciation expense, the College (with the Foundation) closed 2006 with Income/(Loss) of $3.9 million. For comparison, in 2005, the College closed the year with Income/(Loss) of $4.5 million; in 2004, Income/(Loss) of $3.9 million was achieved. For 2006, adding this amount to capital gifts and grants of $1.5 million, gifts for endowments of $1.9 million, and state capital appropriations of $9.4 million, results in an $11.4 million increase in total net assets. For 2005, the comparable increase was $5.3 million; for 2004, a $5.2 million increase in total net assets was recognized. The reduction in Income/(Loss) from 2005 to 2006 is primarily due to $1.8 million in relocation costs (space rental, moving costs, etc.) associated with the renovation of the 200 McAllister Street building.

The College's ongoing instructional program is primarily supported by a combination of net tuition and fees, state appropriation and investment income. The sum of these three revenue sources totaled $30.6 million in 2006; an increase of $1.5 million (5%) from 2005. Total revenues grew from $40.5 million in 2005 to $45.3 million in 2006, an increase of 12%. A positive factor impacting overall revenue growth was a higher level of gain on invested funds: in 2006, realized and unrealized gains totaled $3 million; in 2005, realized and unrealized gains totaled $2.5 million; in 2004, the comparable figure was $3.5 million.

On an overall basis, total expenses increased by 15%, from $36 million in 2005 to $41.4 million in 2006. Costs associated with salaries and benefits have increased by $969,000 (5%), reflective of the resumption of employee compensation increases, costs for supplies and services increased by $352,000 (6%), and relocation costs associated with the renovation of 200 McAllister totaled $1.8 million. This growth is largely a function of the College's improved financial position that allowed for the purchase of goods and services that had been previously deferred due to fiscal constraints. The acquisition of new library materials represented the largest single element at a cost of $1.3 million. And most significantly, costs associated with relocation totaled $1.8 million. While these costs are not technically one-time, they will be winding down in 2007 with the completion of the 200 McAllister project.

## Cash Flows

The statement of cash flows provides information about cash receipts and cash payments during the year. This statement also helps users assess the College's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing.

| | College (In thousands) | | | Foundation (In thousands) | | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2006 | 2005 | 2004 |
| **Cash Provided (Used) By:** | | | | | | |
| Operating activities | $ (8,669) | $ (6,876) | $ (11,507) | $ (22) | $ 11 | $ 198 |
| Non capital financing activities | 8,551 | 9,713 | 12,384 | | | |
| Capital and related financing activities | (2,168) | (4,068) | (7,134) | | | |
| Investing activities | 2,418 | 1,680 | 1,447 | 65 | 64 | (156) |
| Net increase (decrease) in cash | 132 | 449 | (4,810) | 43 | 75 | 42 |
| Cash - Beginning of Year | 6,383 | 5,934 | 10,744 | 253 | 178 | 136 |
| Cash - End of Year | $ 6,515 | $ 6,383 | $ 5,934 | $ 296 | $ 253 | $ 178 |

As required under Governmental Accounting Standards Board (GASB) reporting standards, negative cash flow for 'operating activities' is due to the classification of revenue from state general support appropriations as a 'noncapital financing activity' and investment income as an 'investing activity.'

## Looking Forward

As a result of the lessening of economic pressures affecting the State of California, the 2007 state appropriation totals $10.7 million, an increase of $2.2 million (26%) in general State support. Of this increase, $253,000 is associated with Governor Arnold Schwarzenegger's funding compact with California's public higher education sector, $523,000 is a one-time allocation to partially offset moving and relocation expenses, and $1.4 million represents additional State funding to "buy-out" a student fee increase of 8% that had been approved by the College's Board of Directors.

The multi-year funding compact provides for annual growth in state funding for core activities beginning in 2006. The agreement extends through 2011. Major *funding* elements of the compact as they relate to professional schools include:

- Annual state funding growth of 3% for salary and other cost increases**,** growing to 4 percent annual growth in 2008.

- A further 1% annual augmentation for core needs**,** such as instructional equipment, instructional technology, building maintenance, and library materials, beginning in the 2009 fiscal year.

- The University of California will develop a plan for future professional school fees.

The state continues to financially support capital improvements funded by State of California General Obligation bonds. In 2006, appropriations totaling $20.8 million for the renovation of the College's facility at 200 McAllister Street have been be provided. Prior Budget Acts appropriated $1.8 million for the planning phases of the project.

A development that will impact the College's finances in the near future will be the resumption of employer contributions to the University of California Retirement Program (UCRP). Hastings, along with the University of California, has been in the enviable position of having all of its retirement costs funded by investment gain. Since 1990, the University's contribution rate to the UCRP has been zero. In addition, since 1990, most of the required employee member contributions to the UCRP have been redirected to the separate defined contribution plan maintained by the University. The Regents recently updated the funding policy for UCRP to provide for a targeted funding level of 100 percent over the long term, and for University and UCRP member contributions at rates necessary to maintain that level within a range of 95 percent to 110 percent. The University will implement a multi-year contribution strategy under which shared employer and employee contribution rates will increase gradually over time to 16 percent of covered compensation, shared between employer and employees, based upon UCRP's current normal cost. The Regents have authorized the initial resumption of shared employer and employee contributions beginning July 1, 2007, gradually increasing over future years toward the normal cost, subject to funding and completion of the budget process.

Hastings, along with the rest of the University of California, will need to include in their budget plans funding for the resumption of these costs in 2007-08.

# University of California Hastings College of the Law

## Statement of Net Assets

*June 30, 2006 and 2005*

| | June 30, 2006 | | June 30, 2005 | |
|---|---|---|---|---|
| | College | Foundation | College (as restated - see Note 6) | Foundation |
| **Assets** | | | | |
| **Current Assets:** | | | | |
| Cash and cash equivalents (Note 3) | $ 3,483,594 | $ 266,448 | $ 3,589,558 | $ 228,077 |
| Restricted cash and cash equivalents (Note 2) | 3,029,939 | 29,245 | 2,793,368 | 24,648 |
| Accounts receivable, net | 1,418,850 | | 1,475,479 | - |
| Current portion of notes receivable | 761,404 | | 764,256 | - |
| Pledges receivable | | 198,000 | - | 344,514 |
| Inventories, bookstore | 292,622 | | 283,552 | - |
| Prepaid expenses | 1,800,252 | | 5,557 | - |
| Total current assets | 10,786,661 | 493,693 | 8,911,770 | 597,239 |
| **Noncurrent Assets:** | | | | |
| Restricted cash and cash equivalents (Note 2) | 23 | | 509 | - |
| Endowment investments (Notes 4 and 14) | 18,197,562 | 329,579 | 15,924,752 | 305,378 |
| Other long-term investments (Note 4) | 18,155,587 | 911,006 | 18,388,068 | 844,266 |
| Notes receivable, net (Note 5) | 11,319,488 | | 11,427,549 | - |
| Pledges receivable, net | | 442,463 | | |
| Beneficial interest in trust | | 74,046 | | |
| Assets held by others (Note 6) | 7,088,017 | | 5,974,750 | - |
| Capital assets, net (Note 7) | 68,027,752 | | 57,883,071 | - |
| Prepaid expenses | 427,428 | | 452,574 | - |
| Total noncurrent assets | 123,215,857 | 1,757,094 | 110,051,273 | 1,149,644 |
| Total assets | $ 134,002,518 | $ 2,250,787 | $ 118,963,043 | $ 1,746,883 |
| **Liabilities and Net Assets** | | | | |
| **Current Liabilities:** | | | | |
| Accounts payable arid accrued liabilities | $ 2,206,703 | $ | $ 2,990,326 | $ 8,191 |
| Accrued vacation | 724,919 | 3,795 | 599,802 | - |
| Deposits | 319,089 | | 320,470 | - |
| Deferred revenues | 217,665 | | 215,910 | - |
| Current portion of long term debt (Note 8) | 280,000 | | 265,000 | - |
| Total current liabilities | 3,748,376 | 3,795 | 4,391,508 | 8,191 |
| **Noncurrent Liabilities:** | | | | |
| Bonds payable (Note 8) | 8,282,056 | | 8,590,695 | - |
| Accrued vacation | 320,024 | 40 | 404,354 | - |
| Revolving fund advance from the State | 811,900 | | 811,900 | - |
| Federal contributions to Perkins loan fund | 7,663,901 | | 7,787,825 | - |
| Total noncurrent liabilities | 17,077,881 | 40 | 17,594,774 | - |
| Total liabilities | $ 20,826,257 | $ 3,835 | $ 21,986,282 | $ 8,191 |
| **Net Assets:** | | | | |
| Invested in capital assets, net of related debt | $ 59,417,752 | | $ 49,027,376 | $ - |
| Restricted net assets: | | | | |
| Nonexpendable: | | | | |
| Scholarships and fellowships | 10,778,071 | | 9,652,263 | - |
| Instruction and research | 3,871,463 | | 3,827,636 | - |
| Academic support | 114,150 | | 114,150 | - |
| Institutional support | 1,458,662 | $ 176,054 | 1,458,662 | 176,054 |
| Sub-total restricted, nonexpendable | 16,222,346 | 176,054 | 15,052,711 | 176,054 |
| Expendable: | | | | |
| Student services | 69,958 | | 60,577 | - |
| Instruction and research | 4,725,505 | | 3,770,963 | - |
| Public and professional service | 462,296 | | 414,949 | - |
| Academic support | 291,042 | | 259,413 | - |
| Institutional support | 1,488,937 | | 1,263,600 | 509,980 |
| Capital projects | 1,130,124 | 901,256 | 1,195,742 | - |
| Scholarships and fellowships | 6,311,661 | | 5,628,347 | - |
| Perkins loan funds | 6,284,202 | | 5,993,049 | - |
| Other | 105,516 | | 108,096 | - |
| Sub-total restricted, expendable | 20,869,241 | 901,256 | 18,694,736 | 509,980 |
| Unrestricted net assets | 16,666,922 | 1,169,642 | 14,201,938 | 1,052,658 |
| Total net assets | $ 113,176,261 | $ 2,246,952 | $ 96,976,761 | $ 1,738,692 |

# University of California Hastings College of the Law

## Statement of Revenues, Expenses and Changes in Net Assets

*Years Ended June 30, 2006 and 2005*

| | June 30, 2006 | | June 30, 2005 | |
|---|---|---|---|---|
| | College | Foundation | College (as restated - see Note 6) | Foundation |
| **Revenues:** | | | | |
| Operating revenues: | | | | |
| Tuition and fees | $ 26,758,823 | | $ 25,447,076 | |
| Less: Hastings' grants | (5,173,225) | | (4,993,806) | |
| Less: Tuition and fee scholarships | (658,550) | | (682,250) | |
| Tuition and fees, net | 20,927,048 | | 19,771,020 | |
| Contributions, net | | $ 2,684,707 | | $ 853,189 |
| Government grants and contracts | 779,404 | | 581,010 | |
| Private grants and contracts | 56,619 | | 122,404 | |
| Sales and services of auxiliary enterprises | 5,496,822 | | 5,213,164 | |
| Event income | | 2,720 | | 6,525 |
| Other operating revenues | 494,162 | | 428,924 | |
| Loan interest, net of expenses | 322,917 | | 129,892 | |
| Total operating revenues | 28,076,972 | 2,687,427 | 26,246,414 | 859,714 |
| **Expenses:** | | | | |
| Operating expenses: | | | | |
| Salaries and wages: | | | | |
| Faculty | 7,666,584 | | 7,523,000 | |
| Staff | 10,933,809 | 94,801 | 10,194,640 | 91,072 |
| Benefits | 2,959,850 | 15,814 | 2,883,168 | 10,918 |
| Scholarships and fellowships | 542,239 | | 573,131 | |
| Auxiliary enterprises, including depreciation expense of $483,806 ($373,824 in 2005) | 4,403,390 | | 4,128,335 | |
| Utilities | 529,363 | | 640,970 | |
| Supplies and services | 6,014,143 | | 5,661,826 | |
| Depreciation, excluding auxiliary enterprise portion | 2,195,128 | | 2,715,192 | |
| Events | | 8,476 | | 15,485 |
| Grants | | 2,187,030 | | 706,409 |
| Other | 1,532,584 | 16,291 | 573,118 | 20,065 |
| Total operating expenses | 36,777,090 | 2,322,412 | 34,893,380 | 843,949 |
| Operating income (loss) | (8,700,118) | 365,015 | (8,646,966) | 15,765 |
| **Nonoperating Revenues (Expenses):** | | | | |
| State operating appropriations | 8,524,729 | | 8,246,358 | |
| Gifts, noncapital | 1,706,883 | | 1,440,997 | |
| Investment income | 1,152,477 | 44,026 | 1,076,894 | 42,514 |
| Realized and unrealized net gains on investments | 2,942,578 | 99,219 | 2,468,784 | 77,843 |
| Interest on debt | (385,099) | | (236,028) | |
| Relocation costs | (1,802,574) | | | |
| Net nonoperating revenues | 12,138,994 | 143,245 | 12,997,005 | 120,357 |
| Income before other changes in net assets | 3,438,876 | 508,260 | 4,350,039 | 136,122 |
| **Other Changes in Net Assets:** | | | | |
| Capital grants and gifts | 1,478,211 | | 160,553 | |
| State capital appropriation | 9,408,294 | | | |
| Gifts and other changes to endowment | 1,874,119 | | 652,653 | |
| Total other changes in net assets | 12,760,624 | - | 813,206 | - |
| **Increase in Net Assets** | 16,199,500 | 508,260 | 5,163,245 | 136,122 |
| **Net Assets**, beginning of year | 96,976,761 | 1,738,692 | 89,085,900 | 1,602,570 |
| Prior period adjustment | | | 2,727,616 | |
| **Net Assets,** beginning of year - as restated | 96,976,761 | 1,738,692 | 91,813,516 | 1,602,570 |
| **Net Assets**, end of year | $ 113,176,261 | $ 2,246,952 | $ 96,976,761 | $ 1,738,692 |

The accompanying notes are an integral part of this statement. 

# University of California Hastings College of the Law

## Statement of Cash Flows

*Years Ended June 30, 2006 and 2005*

| | June 30, 2006 | | June 30, 2005 | |
|---|---|---|---|---|
| | College | Foundation | College | Foundation |
| **Cash Flows from Operating Activities:** | | | | |
| Tuition and fees (net of all scholarships and grants) | $ 20,609,171 | | $ 19,451,854 | |
| Contributions | | $ 2,281,922 | | $ 837,203 |
| Grants and contracts | 529,299 | | 300,654 | |
| Events | | 2,720 | | 6,525 |
| Payments to vendors | (9,119,009) | | (6,167,254) | |
| Salaries and benefits | (22,550,637) | (110,615) | (20,663,088) | (101,990) |
| Foundation awards | | (2,187,030) | | (706,409) |
| Loans issued to students | (4,334,834) | | (4,237,193) | |
| Collections of student loans | 4,176,028 | | 3,211,988 | |
| Sales-Auxiliary enterprises | 5,232,020 | | 5,221,217 | |
| Expenses-Auxiliary enterprises | (4,008,736) | | (4,778,694) | |
| Loan interest income net of expenses | 310,721 | | 301,114 | |
| Other receipts (payments) | 486,041 | (8,655) | 483,114 | (24,807) |
| Net cash (used) provided by operations | (8,669,936) | (21,658) | (6,876,288) | 10,522 |
| **Cash Flows from Noncapital Financing Activities:** | | | | |
| State appropriations | 8,796,342 | | 7,734,182 | |
| Noncapital gifts and grants | | | | |
| Gifts for endowment | 42,127 | | 479,707 | |
| Other gifts | 1,429,633 | | 1,340,485 | |
| Perkins federal capital contributions | | | 159,049 | |
| Relocation costs | (1,717,365) | | | |
| Net cash provided by noncapital financing activities | 8,550,737 | - | 9,713,423 | - |
| **Cash Flows from Capital and Related Financing Activities:** | | | | |
| Capital gifts | 1,042,750 | | 131,726 | |
| Purchases of capital assets | (2,685,371) | | (3,836,482) | |
| Amortization of bond discount | 47,944 | | 19,305 | |
| Principal paid on long term debt | (155,000) | | (145,000) | |
| Interest paid on long, term debt | (418,806) | | (237,065) | |
| Net cash used by capital and related financing activities | (2,168,483) | - | (4,067,516) | - |
| **Cash Flows from Investing Activities:** | | | | |
| Proceeds from sale of investments | 2,142,001 | 20,600 | 2,521,478 | 28,776 |
| Interest on investments | 284,102 | 44,026 | 164,609 | 42,515 |
| Purchase of investments | (8,300) | | (1,006,270) | (7,236) |
| Net cash provided by investing activities | 2,417,803 | 64,626 | 1,679,817 | 64,055 |
| **Net Increase in Cash and Cash Equivalents** | 130,121 | 42,968 | 449,436 | 74,577 |
| **Cash and Cash Equivalents,** beginning of year | 6,383,435 | 252,725 | 5,933,999 | 178,148 |
| **Cash and Cash Equivalents,** end of year | $ 6,513,556 | $ 295,693 | $ 6,383,435 | $ 252,725 |

The accompanying notes are an integral part of this statement.

# University of California Hastings College of the Law

## Statement of Cash Flows

*Years Ended June 30, 2006 and 2005*

| | June 30, 2006 | | June 30, 2005 | |
|---|---|---|---|---|
| | College | Foundation | College | Foundation |
| **Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:** | | | | |
| Operating income (loss) | $ (8,700,118) | $ 365,015 | $ (8,646,966) | $ 15,765 |
| Depreciation and amortization | 2,678,934 | | 3,104,514 | |
| Allowance for doubtful accounts | | 71,163 | 91,991 | |
| Transfer from Perkins to general checking for administrative cost allowance | (197,757) | | (201,010) | |
| Loss on disposal of capital assets | 642,291 | | 2,382 | |
| Contributed stock | | (12,322) | | (20,128) |
| Other | (85,849) | | 99,928 | |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable, net | (572,123) | | (232,810) | |
| Pledges receivable | | (441,158) | | 12,500 |
| Notes receivable | 110,913 | | (768,533) | |
| Inventories | (9,070) | | 26,996 | |
| Accounts payable | (783,623) | (4,356) | (505,581) | 2,385 |
| Deposits | (1,381) | | 68,662 | |
| Deferred revenue | 1,755 | | 139 | |
| Prepaid expenses | (1,794,695) | | 4,948 | |
| Accrued vacation | 40,787 | | 79,052 | |
| Net cash (used) provided by operations | $ (8,669,936) | $ (21,658) | $ (6,876,288) | $ 10,522 |
| **Noncash Transactions:** | | | | |
| Capital assets acquired with a liability at year end | $ - | $ - | $ 220,272 | $ - |
| Capital assets acquired with State capital outlay appropriation | 9,408,294 | - | - | - |
| Reduction of State appropriation for | - | - | - | |
| settlement of debt service | 128,935 | - | 128,111 | - |
| Scholarships from assets held by others | 90,000 | - | 100,000 | - |
| Gifts in kind | 357,961 | - | 28,828 | - |
| Donated land | 700,000 | - | | |
| **Components of Cash and Cash Equivalents:** | | | | |
| Current, cash and cash equivalents | $ 3,483,594 | $ 266,448 | $ 3,589,558 | $ 228,077 |
| Current, restricted cash and cash equivalents | 3,029,939 | 29,245 | 2,793,368 | 24,648 |
| Noncurrent, restricted cash and cash equivalents | 23 | - | 509 | - |
| **Total, Cash and Cash Equivalents**, end of year | $ 6,513,556 | $ 295,693 | $ 6,383,435 | $ 252,725 |

The accompanying notes are an integral part of this statement.

**Note 1 - Organization:**

University of California, Hastings College of the Law (the "College" or "Hastings") was established as the law department of the University of California in 1878. The College, established by the California Legislature with its own Board of Directors, has operated independently of the Board of Regents of the University of California since its founding. The Board of Regents possesses degree-granting authority, but all other aspects of the College are under control of the College's Board of Directors. The College is a charter member of the Association of American Law Schools and is fully accredited by the American Bar Association.

The Hastings 1066 Foundation (the Foundation) was established in 1971 by a group of alumni in order to provide private sources of funds to allow academic programs to grow and to create unique opportunities exclusively at Hastings.

**Note 2 - Summary of Significant Accounting Policies:**

a. Basis of Accounting

The financial statements of the College and the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable effective statements as promulgated by of the Governmental Accounting Standards Board ("GASB"). In accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the College and the Foundation apply all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 that do not conflict or contradict GASB pronouncements, using the economic resources measurement focus and the accrual basis of accounting. The College and Foundation use enterprise fund accounting.

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units,* requires the College's legally separate, tax-exempt, affiliated campus foundation to be considered a component unit of the College and presented discreetly in the College's financial statements due to the nature and significance of the Foundation's relationship with the College.

GASB Statement No. 47, Accounting for Termination Benefits effective for the College's fiscal year beginning July 1, 2005, Statement No. 47 requires benefits such as early retirement incentives or severance to employees who are involuntarily terminated to be recognized in the period the College becomes obligated to provide the benefits. Benefits provided to employees who voluntarily terminate must be recognized when the termination offer is accepted.

b. Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and pooled cash invested in the University of California Office of the Treasurer's Short Term Investment Pool ("ST1P"), since such amounts are readily convertible to known amounts of cash. All cash and cash equivalents are carried at cost, which approximates market value.

c. Legally Restricted Cash Balances

The College holds legally restricted cash balances totaling $3,029,962 and $2,793,877 at June 30, 2006 and 2005, respectively. Restricted cash of $3,006,069 and $2,781,803 for 2006 and 2005, respectively, relates to the Federal Perkins student loan program. Earnings from investments for Bond payments, totaling $23 and $509 for 2006 and 2005, respectively, are held with the trustee, Wells Fargo Bank. These funds are held in accordance with the trust agreement for the Series 2003 Bonds dated May 21, 2003. The remaining funds of $23,870 and $11,565 at June 30, 2006 and 2005, respectively, relate to institutional loan funds. These balances are recorded in restricted cash and cash equivalents.

d. Receivables

Accounts receivable include amounts due from students, other receivables and receivables of $836,615 and $1,237,164 as of June 30, 2006 and 2005, respectively, from the State of California for current year general appropriations and lottery funds.

e. Investments

The College's shares in the University of California Office of the Treasurer investment pools reflect the fair value of the underlying investments of the pools. The fair value of the underlying investments of the pools are valued based on quoted market prices or appraisals and independent evaluations for partnerships. Investment income, realized and unrealized gains and losses are reflected in the restricted and unrestricted net assets respective to the source of invested funds.

f. Inventories

Inventories consist of items maintained at the bookstore and are valued at the lower of cost or market. Books repurchased from students are recorded at the lower of cost of repurchase or market and books purchased from publishers are recorded at the lower of cost or market.

g. Prepaid Expenses

Prepaid expenses primarily consist of bond issuance costs related to the Series 2003 bond offering. These costs are being amortized over 30 years, the life of the bonds. This amount also reflects the College's share of the 200 McAllister building renovation costs.

h. Pledges

Unconditional pledges of private gifts to the Foundation to be received in the future are recorded as pledges receivable and revenue in the year promised at the present value. Conditional pledges, including pledges of endowments to be received in future periods, are recorded when the specified conditions are met.

i. Capital Assets

Land and improvements, buildings and improvements, equipment, and libraries and collections of works of art are stated at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. Significant additions, replacements, major repairs and renovations are generally capitalized if the cost exceeds $ 10,000 and they have a useful life of more than one year. Minor renovations are charged to operations, as incurred.

Depreciation is calculated using the straight-line method over the estimated economic useful lives of the assets.

The College's 200 McAllister building is currently undergoing renovation. Effective August 2006, all occupants had been relocated to other locations. The carrying value of this asset, as of June 30, 2006 is $11,861,401.

Estimated economic lives are generally as follows:

| | |
|---|---|
| Land improvements | 20 years |
| Buildings and improvements | 50 years |
| Equipment | 5-15 years |
| Computer software | 10 years |
| Library books and materials | 15 years |

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

j. Deposits

Deposits include amounts received in advance of being earned for the following: rental of various College facilities, non-student library usage; and payments from employers who have hired federal work-study students. Deposits on work-study wages and the library are fully refundable. Deposits are recognized as revenue when earned.

k. Deferred Revenues

Deferred revenues represent enrollment deposits and deposits related to the on-campus interview program. Deferred revenues are recognized when earned, generally in the following fiscal year.

l. Revolving Fund Advance from the State of California

The revolving fund advance from the State is an advance from the College's general appropriation from the State of California. Repayment to the State is required if the advance exceeds ten (10%) of the College's annual State appropriation. Since the College's State general appropriation for fiscal 2007 is $10,671,000, the revolving fund advance as of June 30, 2006 of $811,900 does not require repayment in fiscal 2007, and consequently, has been classified as a noncurrent liability.

m. Federal Contributions to the Perkins Loan Fund

The noncurrent liability of the federal contributions to the Perkins loan funds consists of the federal capital contribution net of the principal and interest assigned to the Department of Education and the administrative cost allowance. All other activity associated with the Federal Perkins loan program is reflected in Restricted, Expendable Net Assets, Perkins loan funds.

n. Net Assets

Net assets are required to be classified for accounting and reporting purposes into the following categories:

*Invested in Capital Assets, Net of Accumulated Depreciation and Related Debt*

This category includes all of the College's capital assets, net of accumulated depreciation and related debt, including the 2003 bond funds and the State energy bond funds.

*Restricted*

The College and the Foundation classify net assets resulting from transactions with purpose restrictions as restricted net assets until the resources are used for the specific purpose or for as long as the provider requires the resources to remain intact.

*Nonexpendable*

Net assets subject to externally-imposed restrictions that they be maintained in perpetuity by the College and the Foundation are classified as nonexpendable net assets. Such assets include the College and the Foundation's permanent endowment funds.

*Expendable*

Net assets whose use by the College and the Foundation are subject to externally-imposed restrictions by donors, grantors, creditors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation are classified as expendable net assets.

*Unrestricted*

This category includes net assets of the College and the Foundation that are neither restricted nor invested in capital assets, net of related debt. Unrestricted net assets may be designated for specific purposes by the Board of Directors. Substantially all unrestricted net assets are allocated for instruction, institutional support, scholarship, student services, academic and research initiatives or for capital programs.

o. Revenues and Expenses

Operating revenues include receipts from student tuition and fees, grants and contracts for specific operating activities, and sales and services from education activities and auxiliary enterprises. Operating expenses incurred in conducting the programs and services of the College and the Foundation are presented in the statement of revenues, expenses and changes in net assets as operating activities.

In accordance with GASB Statement No. 35, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the College and the Foundation are mandated to be recorded as nonoperating revenues, including state general appropriations, private gifts and investment income. Nonoperating revenues and expenses include State general appropriations (for the support of College operating expenses), private gifts for other than capital purposes, investment income, realized and net unrealized gains or losses on investments and interest expense. In fiscal year 2005-06, relocation costs incurred related to the renovation of the 200 McAllister buildings have been recorded a nonoperating expenses. This amount totals $1,802,574 for 2005-06.

All grants expended by the Foundation are reflected by the College as either noncapital or capital gifts, or gifts for endowment.

Other changes in net assets include State capital appropriations, gifts for capital funds for specified purposes and gifts of endowments.

p. Student Tuition and Fees

All of the student tuition and fees provide for current operations of the College. Certain waivers of the student tuition and fees considered to be scholarship and financial aid grant allowances (i.e. tuition remission) are recorded as an offset to revenue. Tuition and fee revenue is recognized in the fall and spring semesters of each year.

q. Scholarship Allowances

The College recognizes certain financial aid allowances (e.g., Hastings grants) and enrollment fee waivers as the difference between the stated charge for tuition and fees and the amount that is paid by the student, as well as third parties making payments on behalf of the student. Payments of financial aid and scholarships made directly to students from private gifts, donations and endowment income are classified as scholarship and fellowship expenses.

r. <u>State Appropriations</u>

The State provides appropriations to the College on an annual basis. State educational appropriations for the general support of the College are recognized as nonoperating revenue, however related expenses incurred to support either educational operations or other specific operating purposes are designated as operating expenses. State appropriations for capital projects are recorded as revenue under other changes in net assets when the related expenditures are incurred.

s. <u>Use of Estimates</u>

The preparation of financial statements in accordance 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

t. <u>New Accounting Pronouncements</u>

In August 2004, the GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, effective for the College's fiscal year beginning July 1, 2008. Statement No. 45 requires accrual-based measurement, recognition and disclosure of other postemployment benefits (OPEB) expense, such as retiree medical and dental costs, over the employees' years of service, along with related liability, net of any plan assets. Currently, the College records retiree medical and dental costs as they are paid and does not recognize the liability in the financial statements. The College is currently evaluating the effect, if any, that GASB Statement No. 45 will have on its financial statements. Hastings has received preliminary approval from its Board of Directors to participate in the University of California's OPEB Trust, as a cost-sharing employer. Hastings is continuing to discuss this option with the University.

u. <u>Reclassifications</u>

Certain reclassifications have been made to the June 30, 2005 financial statements to conform with the June 30, 2006 presentation. The reclassifications have no effect on either the financial position or the changes in net assets of the College.

**Note 3 - Cash and Cash Equivalents:**

Cash and cash equivalents at June 30, 2006 and 2005 consist of the following:

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | College | Foundation | College | Foundation |
| Cash in banks | $ 3,626,441 | $ - | $ 2,857,841 | $ - |
| Pooled cash included in STIP | 2,887,115 | 295,693 | 3,525,594 | 252,725 |
| Total cash and cash equivalents | $ 6,513,556 | $ 295,693 | $ 6,383,435 | $ 252,725 |

The College and the Foundation follow the practice of pooling cash. The cash and cash equivalents pools allocate earnings based on the number of units held of the total on a monthly basis. The College and the Foundation utilize STIP, which is managed by the University of California Office of the Treasurer. STIP consists of money market and fixed income investments with a maximum maturity of five years. The objective of STIP is to maximize returns consistent with liquidity and cash flow needs. The College and the Foundation consider STIP to operate as a demand deposit.

At June 30, 2006 and 2005, respectively, the carrying amount of the College's deposits were $3,626,418 and $2,857,841 and the bank balances were $4,147,939 and $2,991,261. Of the bank balances, $200,000 was covered by federal depository insurance and $3,938,441 and $2,790,752 for 2006 and 2005, respectively, was uninsured but collateralized with securities held by a third-party financial institution in accordance with the State of California Government Code, but not in the College's name.

**Note 4 - Investments:**

The College and Foundation follow the investment philosophy of the University of California and invest their excess cash and long-term investments with the University of California Office of the Treasurer ("Office of the Treasurer"). Accordingly, all investments held by the Office of the Treasurer are uninsured and unregistered and are not held in the College's or Foundation's name. The College invests in the General Endowment Pool ("GEP") managed by the Office of the Treasurer. GEP consists primarily of equity securities that comprise between 42% to 72% of the pool with the balance invested in fixed income securities, 8% to 38% and alternative investments, 5% to 35%. The objective of GEP is to balance current income and capital appreciation objectives.

The College and the Foundation's share in the GEP's investments by type, at June 30, 2006 and 2005 is as follows:

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | College | Foundation | College | Foundation |
| Equity securities | $ 23,266,016 | $ 793,975 | $ 21,960,205 | $ 735,773 |
| Fixed income | 9,088,287 | 310,146 | 8,578,205 | 287,411 |
| Other investments | 3,998,846 | 136,464 | 3,774,4101 | 26,461 |
| Total investments | $ 36,353,149 | $ 1,240,585 | $ 34,312,820 | $ 1,149,645 |

Risk Profile of the Investments

Financial instruments that potentially subject the College and the Foundation to concentrations of credit risk consist principally of investments with the Office of the Treasurer, which may invest in cash equivalents, U. S. Government and federal agency obligations, common stocks, and corporate debt securities; the remainder of the Office of the Treasurer's portfolio is diversified and issuers of the securities are dispersed throughout many industries and geographies. 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. The College and the Foundation do not directly hold nor do they intend to purchase any of the more volatile types of derivative mortgage securities.

*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 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. Certain fixed income securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk.

The Office of the Treasurer recognizes that credit risk is appropriate in balanced investment pools such as GEP, by virtue of the benchmark chosen for the fixed income portion of that pool. That fixed-income benchmark, the Citigroup Large Pension Fund Index (LPF) is comprised of approximately 30 percent high grade corporate bonds and 30 percent mortgage/asset-backed securities, all of which carry some degree of credit risk. The remaining 40 percent are government-issued bonds. Credit risk in the GEP is managed primarily by diversifying across issuers and portfolio guidelines mandate that no more than 10 percent of the market value of fixed income may be invested in issues with credit rating below investment grade. Further, the weighted average credit rating must be "A" or higher.

*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 100 basis point (1 percentage point) change in the level of interest rates. It is not a measure of time.

The Office of the Treasurer portfolio guidelines for the fixed and variable income portion of GEP limit weighted average effective duration to plus or minus 20 percent of the effective duration of the benchmark (Citigroup Large Pension Fund). This constrains the potential price movement due to interest rate changes of the portfolio to be similar to that of the benchmark. The effective durations of total investments of the College and the Foundation in the office of the Treasurer's GEP as of June 30, 2006 and 2005 were 5.06 and 6.4, respectively.

*Foreign Currency Risk*

The Office of the Treasurer's strategic asset allocation policy for GEP includes an allocation to non-US equities. These equity investments are not hedged, therefore foreign currency risk is an essential part of the investment strategy. Portfolio guidelines for fixed income securities also allow exposure to non-US dollar denominated bonds up to 10 percent of total the 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 investment policies, such instruments are not permitted for speculative use or to create leverage. The portions of total investments of the College and the Foundation in the office of the Treasurer's GEP associated with various foreign currency denominations as of June 30, 2006 and 2005 were $9,730,918 and $8,183,338, respectively.

## Note 5 - Notes Receivables:

Notes receivable of the College at June 30, 2006 and 2005 consists of the following:

| | 2006 | 2005 |
|---|---|---|
| Federal Perkins and NDSL | $ 11,565,417 | $ 11,801,114 |
| O'Neill loans | 896,072 | 872,270 |
| Hastings loans | 288,674 | 218,222 |
| Public Interest Career Assistance Program ("PICAP") loans | 8,114 | 63,667 |
| California Bar Preparation loans | 12,500 | |
| Less: Allowance for doubtful accounts | (689,885) | (763,468) |
| | $ 12,080,892 | $ 12,191,805 |

The current portion of notes receivable, net of allowance for doubtful accounts, of $761,404 ($764,256 in 2005) is presented in current assets in the statement of net assets.

All loans, except PICAP and the California Bar Preparation loans, are payable over approximately 10 years following College attendance. Federal Perkins loans and National Direct Student Loans ("NDSL"), include interest at three percent or five percent. O'Neill loans made prior to July 1, 1996 are interest-free; and loans made July 1, 1996 or after accrue interest at five percent. Funding for the O'Neill Loan program is made by a private gift to the College. O'Neill loans are advanced to students who are residents of Sacramento County. Hastings loans are also funded by private gifts to the College and accrue interest at five percent.

The PICAP loans are designed to aid and encourage the College students interested in working in public interest legal organizations or government agencies by assisting with repayment of qualifying, outstanding educational loans upon graduation.

To partially mitigate disincentives recognizing the disparity in salary between corporate employment and public interest law, the College is committed to supporting PICAP by ensuring that its loan repayment assistance is significant and meaningful.

Beginning in January 2004, the College converted its PICAP allocations from a grant program to a forgivable loan program. Borrowers confirm their eligibility every six months. Borrowers who do not continue their eligibility are required to begin repayment of their loans immediately. The PICAP loans accrue interest at five percent and are generally payable over five years.

The first loans under the College's new California Bar Preparation Loan fund were made in June 2006. Through gifts received from members of the College's Board of Directors and Faculty, this loan is used to asst Hastings graduates with academic need with the costs of bar review courses and living expenses while preparing for the California Bar Exam.

**Note 6 - Assets Held by Others:**

Assets held by others represent the College's right to the perpetual income streams resulting from two irrevocable and perpetual trusts held by external trustees. The College's right to the income from these trusts is valued at the market value of the investments held by the trusts. One trust is administered by The Bank of New York and the other by the Regents of the University of California ("UC"). Investment income of $90,000 and $100,000 for 2006 and 2005, respectively, was distributed by the external trustees to recipients of the Tony Patino Fellowship. The College has recorded the distributions as gift revenue and fellowship expenditures.

In addition, UC holds six endowments (not pursuant to irrevocable agreements) for which income is allocated to the College and recorded in the accompanying financial statements as nonoperating revenues, specifically as gifts, noncapital. The income generated from these endowments in fiscal 2006 and 2005 was $152,627 and $144,511, respectively. Income generated from three of these endowments has been designated by the donor to be distributed exclusively to Hastings' students. For the remaining three, the income allocated to Hastings conforms to the donors' intent that endowment income be used for financial support of University of California law students. In 2005-06, the College changed the presentation of two of its endowments, Percy Towne Scholarship Fund and the Warren Olney Jr. Scholarship Fund, aggregating $2,886,830 as of June 30, 2006, which are included as Assets Held by Others in the statement of net assets. This also resulted in a restatement of the 2005 financial statements, increasing Assets Held by Others and Restricted, Nonexpendable Scholarships and Fellowships Net Assets by $2,727,616. The market value of the remaining four endowments as of June 30, 2006 and 2005 total $1,827,075and $1,690,498, respectively.

In addition, assets held by others include $108,499 held by the State Treasurer related to the Public Works Energy bonds and $12,000 held as an imprest account in Mellon Bank for workers' compensation payments at June 30, 2006. In 2005, these amounts were $108,499 and $12,000, respectively.

**Note 7 - Capital Assets:**

The activities related to capital assets during fiscal 2006 and 2005 for the College are summarized below:

| | 2005 | Additions | Disposals/ Transfers | 2006 |
|---|---|---|---|---|
| **Original Cost:** | | | | |
| Land and improvements | $ 5,088,532 | $ 700,000$ | | $ 5,788,532 |
| Buildings and improvements | 65,606,389 | 111,889 | | 65,718,278 |
| Equipment, furniture and fixtures | 3,892,722 | 262,208 | $ (143,299) | 4,011,631 |
| Software | 285,504 | | (45,063) | 240,441 |
| Library books | 15,454,645 | 542,604 | (621,525) | 15,375,724 |
| Works of Art | 19,183 | 348,300 | (8,000) | 359,483 |
| Construction in progress | 3,029,293 | 11,501,256 | | 14,530,549 |
| Capital assets at original cost | 93,376,268 | 13,466,257 | (817,887) | 106,024,638 |
| **Accumulated Depreciation:** | | | | |
| Buildings and improvements | (22,816,603) | (1,522,671) | | (24,339,274) |
| Equipment, furniture and fixtures | (2,866,959) | (249,627) | 138,820 | (2,977,766) |
| Software | (164,688) | (18,065) | 36,425 | (146,328) |
| Library books | (9,644,947) | (888,571) | | (10,533,519) |
| Accumulated depreciation | (35,493,197) | (2,678,934) | 175,245 | (37,996,886) |
| Capital assets, net | $ 57,883,071 | $ 10,787,323 | $ (642,642) | $ 68,027,752 |

The 200 McAllister Renovation Project, as reflected in Construction in Progress, has received substantial financial support from the State of California since the inception of project planning in fiscal 2002. The Budget Act of 2004 appropriated $18,758,000 for the Construction Phase. Further, to achieve substantial improvements to the Law Library, in fiscal 2006 the College allocated $2,300,000 to supplement the state-funded code compliance upgrade. In fiscal 2006, the construction contract for the Renovation Project was awarded and the College estimates it will be completed in fiscal 2007.

In fiscal 2006, the State of California augmented the project budget by $2,042,000 to partially offset the deficit of $2,946,760 between the final bid received and the initial construction budget. The College supplemented project funding with $904,760 to close the bid deficit. In Fiscal 2007, the College funded an additional $400,000 to this project to include building improvements for the 3rd Floor Data Center and the Student Services.

| | 2004 | Additions | Disposals/ Transfers | 2005 |
|---|---|---|---|---|
| **Original Cost:** | | | | |
| Land and improvements | $ 5,088,532 | $ - | $ - | $ 5,088,532 |
| Buildings and improvements | 55,804,412 | 9,985,119 | (183,142) | 65,606,389 |
| Equipment, furniture and fixtures | 4,047,675 | 302,772 | (457,725) | 3,892,722 |
| Software | 202,307 | 83,197 | - | 285,504 |
| Library books | 15,012,519 | 580,561 | (119,252) | 15,473,828 |
| Construction in progress | 9,817,611 | 993,310 | (7,781,628) | 3,029,293 |
| Capital assets at original cost | 89,973,056 | 11,944,959 | (8,541,747) | 93,376,268 |
| **Accumulated Depreciation:** | | | | |
| Buildings and improvements | (21,461,032) | (1,540,083) | 184,512 | (22,816,603) |
| Equipment, furniture and fixtures | (2,782,438) | (523,511) | 438,990 | (2,866,959) |
| Software | (144,457) | (20,231) | - | (164,688) |
| Library books | (8,639,756) | (1,005,191) | - | (9,644,947) |
| Accumulated depreciation | (33,027,683) | (3,089,016) | 623,502 | (35,493,197) |
| Capital assets, net | $ 56,945,373 | $ 8,855,943 | $ (7,918,245) | $ 57,883,071 |

**Note 8 - Long-Term Debt:**

Long-term debt of the College consists of the following at June 30, 2006 and 2005:

| | 2006 | 2005 |
|---|---|---|
| Hastings College of the Law Series 2003 Bonds, due serially to 2033, with interest from 3.5% to 6.5% (average coupon rate of 4.29%) | $ 8,305,000 | $ 8,460,000 |
| State Public Works Board of the State of California Bonds due serially to 2010 with interest from 4.0% to 4.3% | 305,000 | 415,000 |
| Unamortized bond (discount) premium | (47,944) | (19,305) |
| Total bonds payable | $ 8,562,056 | $ 8,855,695 |

The College has executed two contracts with the State Public Works Board of the State of California for the replacement or installation of certain fixtures and mechanical systems for the purpose of energy conservation measures funded by bond proceeds. Approximately $97,000 of bond financing costs and $108,000 as a debt service reserve are required by the contracts and are incorporated into the debt service schedule. The original amount of the two contracts of $1,075,000 was financed through the fiscal year 2010 with varying principal and interest installment amounts.

In fiscal 2003, with the Series 2003 Bonds, the College issued approximately $8,600,000 in new bonds for the renovation of the 100 McAllister Street building and to reimburse development costs for other capital projects. The renovation of this building was fully completed in fiscal 2005.

The activity with respect to the College's current and noncurrent debt for the year ended June 30, 2006 and 2005 is as follows:

| | Series 2003 Bonds | Public Works Bonds | Total |
|---|---|---|---|
| Current portion at June 30, 2005 | $ 155,000 | $ 110,000 | $ 265,000 |
| Principal payments in fiscal 2006 | (155,000) | (110,000) | (265,000) |
| Reclassification from noncurrent | 165,000 | 115,000 | 280,000 |
| Current portion at June 30, 2006 | $ 165,000 | $ 115,000 | $ 280,000 |

| | Series 2003 Bonds | Public Works Bonds | Total |
|---|---|---|---|
| Noncurrent portion, excluding amortized bond premium, at June 30, 2005 | 8,305,000 | $ 305,000 | $ 8,610,000 |
| Total noncurrent | 8,305,000 | 305,000 | 8,610,000 |
| Unamortized bond discount | (47,944) | | (47,944) |
| Reclassification to current | (165,000) | (115,000) | (280,000) |
| Noncurrent portion at June 30, 2006 | $ 8,092,056 | $ 190,000 | $ 8,282,056 |

| | Series 2003 Bonds | Public Works Bonds | Total |
|---|---|---|---|
| Current portion at June 30, 2004 | $ 145,000 | $ 105,000 | $ 250,000 |
| Principal payments in fiscal 2005 | (145,000) | (105,000) | (250,000) |
| Reclassification from noncurrent | 155,000 | 110,000 | 265,000 |
| Current portion at June 30, 2005 | $ 155,000 | $ 110,000 | $ 265,000 |
| Noncurrent portion, excluding amortized bond premium, at June 30, 2004 | $ 8,460,000 | $ 411,051 | $ 8,871,051 |
| Other changes | - | 3,949 | 3,949 |
| Total noncurrent | 8,460,000 | 415,000 | 8,875,000 |
| Unamortized bond discount | (19,305) | - | (19,305) |
| Reclassification to current | (155,000) | (110,000) | (265,000) |
| Noncurrent portion at June 30, 2005 | $ 8,285,695 | $ 305,000 | $ 8,590,695 |

Principal and interest payments required to be made for each of the next five fiscal years and thereafter are summarized as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| 2007 | $ 280,000 | $ 372,415 | $ 652,415 |
| 2008 | 295,000 | 357,364 | 652,364 |
| 2009 | 240,000 | 346,141 | 586,141 |
| 2010 | 210,000 | 332,619 | 542,619 |
| 2011 | 210,000 | 314,039 | 524,039 |
| 2011-2016 | 1,160,000 | 1,453,711 | 2,613,711 |
| 2016-2021 | 1,405,000 | 1,216,086 | 2,621,086 |
| 2021-2026 | 1,710,000 | 903,035 | 2,613,035 |
| 2026-2031 | 2,120,000 | 500,281 | 2,620,281 |
| 2031-2033 | 980,000 | 64,750 | 1,044,750 |
| | $ 8,610,000 | $ 5,860,441 | $ 14,470,441 |

**Note 9 - Retirement Benefits:**

Substantially all College employees are participants in the University of California Retirement System ("UCRS"). UCRS consists of a basic plan, University of California Retirement Plan ("UCRP", a cost-sharing multiple-employer defined benefit plan), and several supplemental plans, including the University of California Defined Contribution Plan ("UCDCP"). The latest available actuarial and financial information for the plans is for the year ended June 30, 2005. UCRP issues a publicly available financial report that includes financial statements and supplemental information of the plans. That report is available by writing to UC Retirement System, P. O. Box 24000, Oakland, California, 94623-1000.

Membership in UCRP is required for a career employee appointed to work at least 50% of the time for a year or more. Five years of service is required for vesting and entitlement to retirement benefits. The amount of benefit is determined by salary rate, age and years of service. UCRP is funded by contributions from both the employer and employee. During years ended June 30, 2006 and 2005, employee contributions to the UCRP were redirected to the UCDCP.

The Regents' funding policy for the UCRP has been to establish annual contributions as a percentage of payroll by using the entry age normal actuarial funding method and based on designated State appropriations. The Regents have implemented a full funding policy. Under that policy, the Regents suspend contributions to the Plan when the market value or the actuarial value of Plan assets (whichever is smaller) exceeds the lesser of the actuarial accrued liability or 150% of the current liability plus normal cost. For the years ended June 30, 2006 and 2005, the College was not required to and did not make contributions to the Plan, due to the Plan's fiscal position and its fully funded status as described in internal Revenue Code Section 412.

For URCP eligible employees, participation in UCDCP is mandatory and on a temporary basis in lieu of contribution to UCRP. Participation in other defined contribution plans (i.e., 403(b), tax deferred annuities) is optional. Commencing in fiscal 1993, ineligible UCRP employees began participating in UCDCP (Safe Harbor). In September 2004, eligible UCRP employees were offered participation in the 457(b) plan, which is a deferred compensation plan.

In addition to the benefits described above, participation in UCRP entitles College employees to certain postretirement health care benefits. Retired employees are eligible to have a potion of their medical and dental insurance coverage paid by the College, up to 100%, subject to certain restrictions and eligibility criteria. An employee's eligibility for this benefit is based primarily on the date he or she was hired and his or her years of service credit in UCRP at the time of retirement. The College records expenditures for post employment health care benefits as corresponding premiums are paid. For the years ended June 30, 2006 and 2005, approximately $399,247 and $348,530, respectively, was expensed by the College for health care benefits for approximately 79 retirees.

**Note 10 - Federal and State Income Taxes:**

As a separate law department of the University of California, the College is an instrument of the State and accordingly, is not subject to federal or state income taxes, except for taxes on unrelated business income.

**Note 11 - Contingencies:**

The College receives substantially all of its unrestricted revenue from tuition and fees and State appropriations. The College tuition and fee schedule is established annually by the Board of Directors. The State legislature establishes the annual appropriation to the College. The appropriation may increase or decrease during the year due to State budget changes.

Substantial amounts are received and expended by the College under federal and state grants and contracts, and are subject to audit by cognizant governmental agencies. This funding relates primarily to student financial assistance and related programs. College management believes that liabilities, if any, arising from such audits will not have a significant effect on the College's financial condition or results of operations.

**Note 12 - Operating Leases:**

The College is currently involved in a project for the renovation of its 200 McAllister building. In connection with this project, in fiscal 2005, the College entered into a revocable month-to-month agreement to lease office space at 50 UN Plaza, San Francisco to temporarily relocate some of its employees. This agreement expires on February 28, 2007. See Note 15.

As of June 30, 2006, the future minimum lease payments were as follows:

| Year Ended | Minimum Operating Lease Payments |
|---|---|
| 2007 | $ 264,389 |
| Net minimum lease payments | $ $264,389 |

Rent expense of the College for fiscal 2006 and 2005 was approximately $318,500 and $90,000, respectively.

**Note 13 - Insurance:**

The College is exposed to various risks of loss including general liability, property and casualty, workers' compensation, employee health and legal defense. The College purchases insurance through commercial and risk retention insurance companies with deductibles of between $25,000 and $100,000 depending on the policy type. Settled claims have not exceeded this coverage in any of the past three fiscal years. Beginning July 1, 2004, the College moved to a self-insured workers' compensation program.

**Note 14 - Endowments:**

Endowments are administered by the College. The endowments held by the College at June 30, 2006 are as follows:

| | Restricted Net Assets Nonexpendable | Restricted Net Assets Expendable | Unrestricted Net Assets | Total |
|---|---|---|---|---|
| Endowments | $ 9,254,829 | $ 7,091,677 | | $ 16,346,506 |
| Funds functioning as endowments | - | - | $ 1,013,556 | 1,013,556 |
| Endowment assets held by others | 6,967,518 | - | - | 6,967,518 |
| College's endowments | $ 16,222,347 | $ 7,091,677 | $ 1,013,556 | $ 24,327,580 |

Endowments held by the College at June 30, 2005 are as follows:

| | Restricted Net Assets Nonexpendable (as restated) | Restricted Net Assets Expendable | Unrestricted Net Assets | Total |
|---|---|---|---|---|
| Endowments | $ 9,198,461 | $ 5,798,588 | $ - | $ 14,997,049 |
| Funds functioning as endowments | - | - | 927,703 | 927,703 |
| Endowment assets held by others | 5,854,250 | - | - | 5,854,250 |
| College's endowments | $ 15,052,711 | $ 5,798,588 | $ 927,703 | $ 21,779,002 |

Endowments held by the Foundation at June 30, 2006 and 2005 are as follows:

| | 2006 Restricted Net Assets | | 2005 Restricted Net Assets | |
|---|---|---|---|---|
| | Nonexpendable | Expendable | Nonexpendable | Expendable |
| Foundation's endowments | $ 176,054 | $ 153,525 | $ 176,054 | $ 129,324 |

The College'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 a maximum long-term total return. As a result of this emphasis on total return, the proportion of the annual income distribution funded by dividend and interest income and by capital gains may vary significantly from year to year. Under provisions of California law, the Uniform 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 the College's programs. The College utilizes a total return spending policy governing the payout on endowed funds. Total return policies permit the expenditure of both current income and appreciation. The portion of investment returns earned on endowments held by the College and distributed each year to support current operations is based upon a payout rate that is approved by the Board. The payout rate for 2006 and 2005 was 4.34% and 4.50%, respectively, calculated on the 60-month average market value of endowed funds. Endowment income is available to meet future spending needs, subject to the approval of the Board. Net appreciation on investments of donor-restricted endowments that is available for spending is reflected in the above tables as restricted expendable net asset amounts.

Generally, the College's practice is to spend restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The total distribution from endowments held by the College was $581,717 and $581,212, for the years ended June 30, 2006 and 2005, respectively.

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# APPENDIX C

## SUMMARY OF THE TRUST AGREEMENT

*The following is a summary of certain provisions contained in the Trust Agreement dated as of April 1, 2003 and the First Supplemental Trust Agreement dated as of February 1, 2008, both between Hastings College of the Law and Wells Fargo Bank, National Association, as Trustee, and is not to be considered as a full statement thereof. See also "THE SERIES 2008 BONDS" in the Official Statement. Reference is made to the Trust Agreement and the First Supplemental Trust Agreement for full details of the terms of the Series 2008 bonds, the application of Available Funds therefor and the security provisions pertaining thereto.*

<u>Definitions.</u>

"Accrediting Bodies" means (1) the American Bar Association, and (2) the Committee of Bar Examiners of the State, so long as the College operates a program accredited thereby.

"Additional Indebtedness" means any evidences of indebtedness for borrowed money issued from time to time by the College by the Trust Agreement or by Supplemental Trust Agreement pursuant to the terms summarized under the heading "Conditions for the Issuance of Additional Indebtedness" below, including but not limited to bonds, notes, bond anticipation notes, commercial paper, lease or installment purchase agreements or certificates of participation therein.

"Ambac Assurance" means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company.

"Annual Debt Service" means, for each Bond Year, the sum of (1) the interest falling due on all outstanding Bonds in such Bond Year, assuming that all outstanding Bonds are retired or redeemed from the Sinking Account, as scheduled (except to the extent that such interest is to be paid from the proceeds of the sale of any Bonds), (2) the principal amount of the Outstanding Bonds, if any, maturing by their terms in such Bond Year, and (3) the minimum amount of such Outstanding Bonds required to be paid or called and redeemed in such Bond Year.

"Annual Debt Service" shall not include principal and interest allocable to that portion of the proceeds of any Bonds required to remain unexpended and to be held in escrow pursuant to the terms of a Supplemental Trust Agreement, provided that (i) projected interest earnings on such proceeds, plus such amounts, if any, deposited by the College in the Interest Account, are sufficient to pay the interest due on such portion of the Bonds so long as it is required to be held in escrow, and (ii) the conditions of release of such proceeds from escrow are substantially similar to those for the issuance of Additional Indebtedness.

"Average Annual Debt Service" means the average Bond Year Annual Debt Service over all the Bond Years.

For the purpose of determining Annual Debt Service on any Bonds, the following shall apply:

(1) To determine the interest payable on Variable Rate Bonds, the interest rate used shall be (except to the extent that either the provisions relating to Hedged Bonds or the provisions relating to Balloon Bonds applies) the current average annual fixed rate of interest on securities of similar quality, subject to similar federal and state income tax treatment and having a similar maturity date, all as certified by a Financial Advisor, plus 25 basis points (0.25%). With respect to any Guaranteed Obligations, Annual Debt Service shall include the Guaranteed Obligation Requirements, if any.

(2) With respect to any Hedged Bonds, the interest on such Hedged Bonds during the term of any Qualified Hedge and for so long as the related Qualified Hedge Provider has not defaulted on its payment obligations thereunder, shall be calculated by adding (a) the amount of interest payable by the College on such Hedged Bonds pursuant to their terms, and (b) the amount of payments payable by the College under the related Qualified Hedge, and subtracting (c) the amount of payments payable to the College under the Qualified Hedge by the Qualified Hedge Provider at the rate specified in the related Qualified Hedge; provided, however, that to the extent that the related Qualified Hedge Provider is in default under the Qualified Hedge, the amount of interest payable by the College on the related Hedged Bonds shall be the interest calculated as if such Qualified Hedge had not been executed. In determining the amount of payments by or receipts of the College under a Qualified Hedge for any future period that are not fixed throughout the term thereof (i.e., which are variable), such payments or receipts for any period of calculation (the "Determination Period") shall be computed by assuming that the variables comprising the calculation (e.g., indices) applicable to the Determination Period are equal to the average of the actual variables which were in effect for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period).

(3) For the purpose of calculating the Annual Debt Service on Balloon Bonds which do not constitute Short-Term Obligations excluded from the calculation of Annual Debt Service pursuant to clause (6) below, such Balloon Bonds shall be treated as if the principal amount thereof were amortized from the date originally incurred in substantially equal installments of principal and interest over a term of 25 years (provided, however, that the full principal amount of such Balloon Bonds shall be included in making such calculation if such principal amount is due within one year of the date such calculation is being made); and, if interest accrues under such Balloon Bonds at other than a fixed rate, the interest rate used for such computation shall be the rate at which the College could borrow (as of the time of calculation) for such period, as certified by a certificate of a Financial Advisor delivered to the College. With respect to any Guaranteed Obligations, Annual Debt Service shall include the Guaranteed Obligation Requirements, if any.

(4) The principal of and interest on Bonds, Guaranteed Obligation Requirements and payments under a Qualified Hedge shall be excluded from the determination of Annual Debt Service to the extent that the same were or are expected to be paid with amounts on deposit on the date of calculation (or Bond proceeds to be deposited on the date of issuance of proposed Bonds) in a fund under the Trust Agreement or any Supplemental Trust Agreement.

(5) For purposes of computing the Annual Debt Service of Paired Obligation Bonds, the applicable rate of interest payable thereon shall be the net interest rate payable pursuant to the offsetting indices.

(6) For purposes of calculating the Annual Debt Service of Short-Term Obligations which are or will be payable only from Available Funds of the Fiscal Year in which such Short-Term Obligations are incurred, such Short-Term Obligations shall be disregarded and shall not be included in calculating Annual Debt Service.

(7) Notes which are issued in anticipation of the receipt of grants shall not be included in calculating Annual Debt Service.

"Available Funds" means all funds of the College lawfully available to pay Annual Debt Service, including but not limited to all income, rentals, fees, tuition, rates, charges, insurance proceeds, condemnation proceeds and other moneys derived from the ownership or operation of the College, but excluding any refundable deposits, fines or forfeitures, less (a) restricted gifts to the College, (b) amounts appropriated by the State for the support of the College, and (c) resident student fees, except to the extent such amounts or fees referred to in clauses (b) and (c) or any other moneys are from time to time designated by the College's Board of Directors for the payment of Annual Debt Service.

"Balloon Bond" means any Bond (including commercial paper notes and bond anticipation notes), 25% or more of the principal of which matures or is payable on the same date and which is not required by the instrument pursuant to which such Bond was incurred, to be amortized by payment or redemption prior to such date.

"Bond Fund" means the Bond Fund established in the Trust Agreement.

"Bonds" means the Series 2003 Bonds and all Additional Indebtedness.

"Bond Year" means the twelve-month period ending on April 1 of each year to which reference is made; provided that the first Bond Year shall commence on the date the Series 2003 Bonds are originally delivered and shall end on April 1, 2004.

"Business Day" means any day other than a Saturday or Sunday or day upon which the Corporate Trust Office of the Trustee is authorized by law to remain closed.

"Certificate of the College" means an instrument in writing signed by the Chancellor and Dean or the Chief Financial Officer of the College, or a designee of any such officer or by any other officer of the College duly authorized by the Board of Directors of the College in writing to the Trustee for that purpose.

"College" means the Hastings College of the Law, a public institution of higher education duly organized as an affiliate of the University of California and existing under the laws and the Constitution of the State.

"Code" means the Internal Revenue Code of 1986.

"Continuing Disclosure Agreement" means that certain Continuing Disclosure Agreement between the College and the Trustee dated the date of issuance and delivery of each series of Bonds for which such an agreement is required, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Corporate Trust Office" means such corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the College, initially being in San Francisco, California. The Trustee may designate in writing to the College and the Holders such other office or agency from time to time for purposes of registration, transfer, exchange, payment or redemption of Bonds.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the College and related to the Bonds, including, but not limited to, costs of preparation and reproduction of documents, bond insurance premiums, if any, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of the underwriter, fees and charges for preparation, execution and safekeeping of the Bonds, and any other cost, charge or fee in connection with the original execution and delivery of the Bonds.

"Costs of Issuance Fund" means the Costs of Issuance Fund established in the Trust Agreement.

"Designated Debt" means a specific indebtedness, designated by the College, in which such debt shall be offset with a Qualified Hedge, such specific indebtedness to include all or any part of a series of Bonds.

"Financial Advisor" means an investment banking or financial advisory firm, commercial bank, or any other Person who or which is retained by the College for the purpose of passing on questions relating to the availability and terms of specified types of Bonds and is actively engaged in and, in the good faith opinion of the College, has a favorable reputation for skill and experience in underwriting or providing financial advisory services in respect of similar types of securities.

"Financial Guaranty Insurance Policy" means the financial guaranty insurance policy issued by Ambac Assurance insuring the payment when due of the principal of and interest on the Bonds as provided therein; provided that, with respect to the Series 2008 Bonds, the term "Financial Guaranty Insurance Policy" shall mean the Series 2008 Policy.

"First Supplemental Trust Agreement" means the First Supplemental Trust Agreement and all Supplemental Trust Agreements supplementing or amending the First Supplemental Trust Agreement.

"Fiscal Year" means the twelve-month period terminating on June 30 of each year, or any other annual accounting period selected and designated by the College as its Fiscal Year in accordance with applicable law.

“Guaranteed Obligation Requirements” means, with respect to any Guaranteed Obligations pertaining to any series of Bonds, for purposes of any calculation under the Trust Agreement for the Fiscal Year in which such calculation is made and for each subsequent Fiscal Year, the amount required to be paid by the College to the Qualified Bank during such Fiscal Year (whether by reason of scheduled payments, payments required to be made at the option or demand of the Qualified Bank, or otherwise) as compensation (to the extent not taken into account in Net Expenses) or reimbursement in accordance with the terms of the Letter of Credit Agreement, if on or prior to the date of calculation, the Letter of Credit shall have been drawn upon in whole or in part to pay the principal of and/or interest on the Guaranteed Obligations and such draw shall not have been reimbursed. In such case the repayment obligations under the Letter of Credit Agreement shall be on a parity with all Outstanding Bonds.

“Guaranteed Obligations” means Bonds becoming due on one fixed maturity date, the payment of which is additionally secured by a Letter of Credit issued by a Qualified Bank pursuant to a Letter of Credit Agreement. Nothing in the Trust Agreement prevents any series of Bonds issued under the Trust Agreement from having two or more maturities of Guaranteed Obligations if the Guaranteed Obligations are not stated to mature in consecutive annual installments.

“Hedged Bonds” means Bonds for which the College shall have entered into a Qualified Hedge.

“Holder” means any person who shall be the registered owner of any Outstanding Bond.

“Indebtedness” means:

(1) twenty-five percent (25%) of the outstanding principal amount of all indebtedness of Persons, other than the College, for which indebtedness the College is a guarantor, unless, within the two most recent Fiscal Years, the guarantee of such person’s indebtedness has been drawn or the College has transferred funds to such person,

(2) all indebtedness of Persons, other than the College, for which indebtedness the College is a guarantor if the guarantee of such Person’s indebtedness has been drawn upon or the College has transferred funds to such person within the two most recent Fiscal Years,

(3) the principal amount of the Outstanding Bonds,

(4) all other indebtedness of the College (including the obligation of the College to make any installment purchase and capital lease rental obligations) which (a) in accordance with Generally Accepted Accounting Principles is classified as a liability on a balance sheet or statement of financial position; and (b) which has a final maturity (or which, pursuant to the terms of a revolving credit or similar agreement or otherwise, is renewable or extendable at the option of the College to a date for a period ending) more than one year after the applicable date of determination, notwithstanding the fact that payments in respect thereof (whether installment, serial maturity or sinking fund payments or otherwise) are required to be made less than one year after the applicable date of determination, excluding any indebtedness which is renewable or extendable pursuant to the terms of the revolving credit or similar agreement if, by the terms of such agreement, no indebtedness is permitted to be outstanding thereunder for a period of at least

thirty (30) consecutive days during each period of twelve (12) consecutive months beginning with the effective date of such revolving credit or other similar agreement.

"Independent Certified Public Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State or a comparable successor, appointed and paid by the College, and who, or each of whom --

(1) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the College;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the College; and

(3) is not connected with the College as a member, officer or employee of the College, but who may be regularly retained to audit the accounting records of and make reports thereon to the College.

"Information Services" means (1) Financial Information, Inc.'s Financial Daily Called Bond Service, 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; (2) Moody's Municipal and Government, 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; (3) Kenny Information Service's Called Bond Service, 65 Broadway, 16th Floor, New York, New York 10006; (4) Standard & Poor's Called Bond Record, 25 Broadway, 3d Floor, New York, New York 10004; or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds, or such services as the College may designate in a Certificate of the College delivered to the Trustee.

"Insurance Trustee" means The Bank of New York, in New York, New York, as insurance trustee for Ambac Assurance, or any successor insurance trustee.

"Interest Account" means the account by that name established in the Trust Agreement.

"Interest Payment Date" means a date on which interest is due on the Bonds, being April 1 and October 1 of each year to which reference is made, commencing on April 1, 2008 for the Series 2008 Bonds.

"Letter of Credit" means an irrevocable and unconditional letter of credit, a standby purchase agreement, a line of credit or other similar credit arrangement issued by a Qualified Bank to secure payment of Guaranteed Obligations or Variable Rate Bonds.

"Letter of Credit Agreement" means an agreement between the College and a Qualified Bank pursuant to which such Qualified Bank agrees to issue a Letter of Credit and which sets forth the repayment obligation of the College to such Qualified Bank on account of any draw under the Letter of Credit, which agreement shall be authorized by the College in a Supplemental Trust Agreement. The Supplemental Trust Agreement shall also authorize the issuance or remarketing of the Guaranteed Obligations or Variable Rate Bonds secured by such Letter of Credit.

“Mandatory Sinking Account Payments” means those payments made pursuant to the Trust Agreement on April 1 of each year on and after April 1, 2029 (with respect to the Bonds maturing on April 1, 2033) and on and after April 1, 2034 (with respect to the Bonds maturing on April 1, 2037). See “THE SERIES 2008 BONDS—Redemption—*Mandatory Redemption*” in the Official Statement.

“Maximum Annual Debt Service” means the largest Annual Debt Service during the period from the date of such determination through the final maturity date of any Outstanding Bonds.

“Moody’s” means Moody’s Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the College.

“Net Expenses” means all operating and other expenses of the College less an amount of such expenses paid from moneys excluded from Available Funds clauses (a), (b) and (c) of the definition of Available Funds.

“Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the College.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Trust Agreement described under “Disqualified Bonds” below) all Bonds except:

(1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) Bonds paid or deemed to have been paid within the meaning of the provisions of the Trust Agreement described under “Defeasance—Discharge of Bonds” below; and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the College pursuant to the Trust Agreement.

“Paired Obligation Bonds” means Bonds issued by the College which consist of an arrangement in which two inversely related Variable Rate Bonds are issued with interest based on off-setting indices or other mechanism resulting in a combined payment which is economically equivalent to a fixed rate.

“Participating Underwriter” has the meaning ascribed thereto in the Continuing Disclosure Agreement.

“Permitted Investments” means any of the following to the extent permitted by the laws of the State:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation);

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

(3) Senior debt obligations of other Government Sponsored Agencies approved by Ambac Assurance;

(4) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: Export-Import Bank, Rural Economic Community Development Administration, U.S. Maritime Administration, Small Business Administration, U.S. Department of Housing & Urban Development (PHAs), and Federal Housing Administration and Federal Financing Bank;

(5) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC); obligations of the Resolution Funding Corporation (REFCORP); senior debt obligations of the Federal Home Loan Bank System; and senior debt obligations of other Government Sponsored Agencies approved by Ambac;

(6) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(7) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(8) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(9) Pre-refunded Municipal Obligations;

(10) Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P;

(11) Investment agreements approved in writing by Ambac Assurance (supported by appropriate opinions of counsel);

(12) Participation in the Local Agency Investment Fund (LAIF); and

(13) Other forms of investments (including repurchase agreements) approved in writing by Ambac Assurance.

The value of the above investments shall be determined as follows:

(a) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Salomon Smith Barney, Bear Stearns, or Lehman Brothers.

(b) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest thereon; and

(c) As to any investment not specified above: the value thereof established by prior agreement among the College, the Trustee, and Ambac Assurance.

provided that with respect to the proceeds of the Series 2008 Bonds, "Permitted Investments" shall mean:

1. (a) Cash (fully insured by the Federal Deposit Insurance Corporation), (b) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("U.S. Treasury Obligations"), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

2. Federal Housing Administration debentures.

3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

a) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

b) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes

c) Federal Home Loan Banks (FHL Banks) consolidated debt obligations

d) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

4. Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated “A-1+” or better by S&P and “Prime-1” by Moody’s.

5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation, in banks which have capital and surplus of at least $15 million.

6. Commercial paper (having original maturities of not more than 270 days) rated “A-1+” by S&P and “Prime-1” by Moody's.

7. Money market funds rated “Aam” or “AAm-G” by S&P, or better and if rated by Moody’s rated “Aa2” or better.

8. “State Obligations”, which means:

a) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated at least “A3” by Moody's and at least “A-” by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

b) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (a) above and rated “A-1+” by S&P and “MIG-1” by Moody's.

c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (b) above and rated “AA-” or better by S&P and “Aa3” or better by Moody's.

9. Pre-refunded municipal obligations rated “AAA” by S&P and “Aaa” by Moody's meeting the following requirements:

a) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

b) the municipal obligations are secured by cash or U.S. Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

c) the principal of and interest on the U.S. Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification Report”);

d) the cash or U.S. Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

e) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification Report; and

f) the cash or U.S. Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase agreements: with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A-" by S&P and "A3" Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A-" by S&P and "A3" by Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at least "A" by S&P and "A3" Moody's and acceptable to the 2008 Bond Insurer (each an "Eligible Provider"), provided that:

a) (i) permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers), and (ii) collateral levels must be at least 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("Eligible Collateral");

b) the trustee or a third party acting solely as agent therefore or for the issuer (the "Custodian") has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor's books) and such collateral shall be marked to market;

c) the collateral shall be marked to market at least daily and the provider or Custodian shall send monthly reports to the Trustee, the College and the 2008 Bond Insurer setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

d) the repurchase agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of the 2008 Bond Insurer;

e) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;

f) the repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, notify the College, the Trustee and the 2008 Bond Insurer within five (5) days of receipt of such notice. Within ten (10) days of receipt of such notice, the provider shall either: (i) provide a written guarantee acceptable to the 2008 Bond Insurer, (ii) post Eligible Collateral, or (iii) assign the agreement to an Eligible Provider. If the provider does not perform a remedy within ten (10) business days, the provider shall, at the direction of the trustee (who shall give such direction if so directed by the 2008 Bond Insurer) repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the College or the Trustee.

11. Investment agreements: with (1) a domestic or foreign bank or corporation the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA-" by S&P and "Aa3" by Moody's, and (2) with respect to a life insurance or property and casualty insurance company the claims paying ability is rated at least "AAA" by S&P and "Aaa" by Moody's, and acceptable to the 2008 Bond Insurer (each an "Eligible Provider"); provided that:

a) interest payments are to be made to the trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Series 2008 Bonds;

b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days' prior notice; the College and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

c) the provider shall send monthly reports to the Trustee, the College and the 2008 Bond Insurer setting forth the balance the issuer or trustee has invested with the provider and the amounts and dates of interest accrued and paid by the provider;

d) the investment agreement shall state that is an unconditional and general obligation of the provider, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

e) the investment agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of the 2008 Bond Insurer;

f) the College, the Trustee and the 2008 Bond Insurer shall receive an opinion of domestic counsel to the provider that such investment agreement is legal, valid, binding and enforceable against the provider in accordance with its terms;

g) the College, the Trustee and the 2008 Bond Insurer shall receive an opinion of foreign counsel to the provider (if applicable) that (i) the investment agreement has been duly authorized, executed and delivered by the provider and constitutes the legal, valid and binding obligation of the provider, enforceable against the provider in accordance with its terms, (b) the choice of law of the state set forth in the investment agreement is valid under that country's laws and a court in such country would uphold such choice of law, and (c) any judgment rendered by a court in the United States would be recognized and enforceable in such country;

h) the investment agreement shall provide that if during its term:

i) the provider's rating by either S&P or Moody's falls below “AA-” or “Aa3”, the provider shall, at its option, within ten (10) days of receipt of publication of such downgrade, either (i) provide a written guarantee acceptable to the 2008 Bond Insurer, (ii) post Eligible Collateral with the College, the trustee or a third party acting solely as agent therefore (the “Custodian”) free and clear of any third party liens or claims, or (iii) assign the agreement to an Eligible Provider, or (iv) repay the principal of and accrued but unpaid interest on the investment;

ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below “A-” or “A3”, the provider must, at the direction of the issuer or the trustee (who shall give such direction if so directed by the Insurer), within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the issuer or trustee.

i) in the event the provider is required to collateralize, permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers) and collateral levels must be 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA’s and 104% of the total principal when the collateral type is FNMA and FHLMC (“Eligible Collateral”);

j) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;

k) the investment agreement must provide that if during its term: (i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the College or the Trustee (who shall give such direction if so directed by the 2008 Bond Insurer), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the College or Trustee, as appropriate, and (ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. (“event of insolvency”), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the issuer or trustee, as appropriate.

l) Local Agency Investment Fund.

m) California Asset Management Program.

n) Any other investment approved in writing by the 2008 Bond Insurer.

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

"Pre-refunded Municipal Obligations" means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(a) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successor thereto; or

(b) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in clause (2) of the definition of Permitted Investments, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

"Principal Account" means the account by that name established in the Trust Agreement.

"Principal Payment Date" means the date on which the principal amount of any Serial Bond, or a Mandatory Sinking Account Payment of any Term Bond, is due and payable. With respect to the Series 2008 Bonds, the Principal Payment Dates are each April 1, commencing April 1, 2010.

"Qualified Bank" means a state or national bank or trust company or savings and loan association or a foreign bank with a domestic branch or agency which is organized and in good standing under the laws of the United States or any state thereof or any foreign country, which is legally authorized to provide a Letter of Credit with respect to Guaranteed Obligations.

"Qualified Hedge" means any financial arrangement (including any option obtained by the College to enter into such arrangement in the future) between the College and a Qualified Hedge Provider (a) which provides that each of the parties shall pay to the other an amount or amounts calculated as if such amount were interest accruing during the term of the arrangement at a specified rate (whether fixed or variable rate or measured against some other rate) on a Designated Debt, and payable from time to time or at a designated time or times (whether before, during or after the term of the arrangement), including a swap, cap, floor or collar; (b) which provides that if such amount is to be paid before it is deemed to have accrued, the amount paid shall reflect the present value of such future amount (i.e., an upfront premium), while an amount to be paid after it is deemed to have accrued shall reflect the time value of such funds; (c) which provides that payment dates and calculated accrual rates need not be the same for each payor, but to the extent payment dates coincide, the arrangement may (but need not) provide that one shall pay to the other any net amount due under such arrangement, (d) which relates to Designated Debt consisting of all or part of a particular series of Bonds; (e) the provider of which is a Qualified Hedge Provider or has been a Qualified Hedge Provider within the 60 day period preceding the date on which the calculation of Annual Debt Service is being made; (f) which has a term not greater than the term of the Designated Debt or to a specified mandatory tender or redemption of such Designated Debt; and (g) which has been designated in writing to the Trustee by the College as a Qualified Hedge with respect to such Bonds.

"Qualified Hedge Provider" means financial institutions that have been pre-approved by the College and (A) the long-term, unsecured and unsubordinated obligations of which are rated at the time of execution of the Agreement by at least one rating agency as described in clause (i) and by at least one other rating agency as described in clause (ii): (i) at least "Aa3" by Moody's or "AA-" by S&P or Fitch IBCA Inc. ("Fitch") and (ii) not lower than "A2" by Moody's or "A" by S&P or Fitch; or (B) the obligations of which under the Agreement and the Credit Support Annex are unconditionally guaranteed by a bank or non-bank financial institution the long-term, unsecured and unsubordinated obligations of which are rated at the time of execution of the Agreement by at least one rating agency as described in clause (i) and by at least one other rating agency as described in clause (ii): (i) at least "Aa3" by Moody's or "AA-" by S&P or Fitch and (ii) not lower than "A2" by Moody's or "A" by S&P or Fitch.

"Rating Agencies" means Moody's and S&P, or, in the event that Moody's and S&P no longer maintain ratings on the Bonds, any other nationally recognized bond rating agency then maintaining a rating on the Bonds, but, in each instance, only so long as Moody's, S&P or other nationally recognized rating agency then maintains a rating on the Bonds.

"Rebate Fund" means the Rebate Fund established under the Trust Agreement.

"Record Date" means, with respect to an Interest Payment Date, the fifteenth day of the month proceeding such Interest Payment Date.

"Representation Letter" means the blanket letter of representations of the College to The Depository Trust Company, New York, New York.

"Revenues Available for Debt Service" means Available Funds less Net Expenses.

"S&P" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term Standard & Poor's Corporation shall be deemed to refer to any other nationally recognized securities rating agency selected by the College.

"Securities Depositories" means The Depository Trust Company, 711 Stewart Avenue, Garden City, NY 11530, Facsimile transmission: (516) 227-4039, (516) 227-4190; or such other addresses and/or such other securities depositories as the College may designate to the Trustee.

"Serial Bonds" means Bonds for which no sinking fund payments are provided.

“Series 2003 Bonds” means all bonds of the College authorized by and at any time Outstanding pursuant to the Trust Agreement, and executed, issued and delivered in accordance with the Trust Agreement.

“Series 2003 Closing Date” means the date on which the Series 2003 Bonds are delivered to the original purchaser of the Series 2003 Bonds.

“Series 2003 Project Fund” means the Series 2003 Project Fund established in the Trust Agreement.

“Series 2008 Bonds” means the Hastings College of the Law, Series 2008, issued and delivered in accordance with the Trust Agreement and the First Supplemental Trust Agreement.

“2008 Bond Insurer” means Assured Guaranty Corp., a Maryland corporation

“Series 2008 Policy” means the financial guaranty insurance policy issued by the 2008 Bond Insurer guaranteeing the payment when due of the principal of and interest on the Series 2008 Bonds as provided in and subject to the limitations set forth therein.

“Series 2008 Project” means financing and refinancing the improvement, equipping, remodeling and renovation of facilities owned by the College, including, but not limited to, a multi-level parking garage, with ground-level retail space and below-grade storage space.

“Series 2008 Project Fund” means the account by that name established pursuant to the First Supplemental Trust Agreement.

“Short-Term Obligations” means bonds, notes or other evidences of indebtedness payable from Available Funds with a total maturity of not more than 12 months.

“State” means the State of California.

“Supplemental Trust Agreement” means any trust agreement then in full force and effect which has been duly executed and delivered by the College and the Trustee amendatory of or supplemental to the Trust Agreement; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

“Tax Certificate” means the Tax Certificate delivered by the College at the time of the issuance and delivery of a series of Bonds, as the same may be amended or supplemented in accordance with its terms.

“Term Bonds” means Bonds which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

“Trust Agreement” means the Trust Agreement, dated as of April 1, 2003, between the College and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions thereof, including the First Supplemental Trust Agreement, dated as of February 1, 2008, between the College and the Trustee.

"Trustee" means Wells Fargo Bank, National Association or any other association or corporation which may at any time be substituted in its place.

"Variable Rate Bonds" means Bonds which bear interest at a variable rate of interest.

"Written Request of the College" means an instrument in writing signed by the Chancellor and Dean or the Chief Financial Officer, or a designee of any such officer, or by any other officer of the College duly authorized by the Board of Directors of the College in writing to the Trustee for that purpose.

<u>Trust Agreement Constitutes Contract.</u>

In consideration of the acceptance of the Bonds by the Holders thereof, the Trust Agreement shall be deemed to be and shall constitute a contract among the College, the Trustee and the Holders from time to time of all Bonds authorized, executed, issued and delivered under the Trust Agreement and then Outstanding to provide for the payment of the interest on and principal of and redemption premiums, if any, on all Bonds which may from time to time be authorized, executed, issued and delivered under the Trust Agreement, subject to the agreements, conditions, covenants and provisions contained therein; and all agreements and covenants set forth in the Trust Agreement to be performed by or on behalf of the College shall be for the equal and proportionate benefit, protection and security of all Holders of the Bonds without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number or date thereof or the time of authorization, sale, execution, issuance or delivery thereof or for any cause whatsoever, except as expressly provided in the Trust Agreement.

<u>Conditions for the Issuance of Additional Indebtedness.</u>

The College may at any time issue Additional Indebtedness under the Trust Agreement, but only subject to the following specific conditions, which are conditions precedent to the issuance of any such Additional Indebtedness:

(a) The College shall be in compliance with all agreements and covenants contained in the Trust Agreement.

(b) The issuance of such Additional Indebtedness shall have been authorized pursuant to a resolution of the Board of Directors of the College and shall have been provided for by a Supplemental Trust Agreement, which shall specify the terms of such Additional Indebtedness and the purpose for which such Additional Indebtedness is to be issued; provided that such Additional Indebtedness shall be applied solely for (i) the purpose of financing facilities or other costs determined by the Board of Directors to be necessary or convenient for the functioning of the College, and for payment of all costs incidental to or connected with the issuance of Additional Indebtedness for such purpose, and/or (ii) the purpose of refunding any Bonds then Outstanding, including payment of all costs incidental to or connected with such refunding.

(c) The Trustee shall have received a Certificate of the College to the effect that the conditions described in the Official Statement under the caption "Additional Indebtedness" have been met.

The College shall also provide the Trustee with an Opinion of Counsel to the effect that (1) the College has executed and delivered the Supplemental Trust Agreement, and the Supplemental Trust Agreement is valid and binding upon the College and (2) such Additional Indebtedness is a valid and binding obligation of the College , and such Additional Indebtedness has been duly and validly issued under the Trust Agreement;

Deposit and Investments of Money in Accounts and Funds.

All money held by the Trustee in any of the accounts or funds established pursuant to the Trust Agreement shall be invested in Permitted Investments at the Written Request of the College filed with the Trustee. If the Trustee has not received instructions within ten (10) days of receipt of funds or within ten (10) days of the maturity of funds held according to previously received instructions, the Trustee shall notify the College that it has no instructions on file. If no Written Request of the College is received, the Trustee shall invest funds held by it in Permitted Investments described in clause 8 of the definition thereof. Such investments shall, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement under the Trust Agreement. All interest, profits and other income received from any money invested in the Series 2008 Project Fund shall be retained in the 2008 Project Fund, respectively, and all interest, profits and other income received from any money invested in other funds and accounts shall be deposited in the Bond Fund. The Trustee shall have no liability or responsibility for any loss resulting from any investment made or sold in accordance with the provisions of the Trust Agreement, except for any loss due to the negligence or willful misconduct of the Trustee. The Trustee or an affiliate may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charge therefor.

Covenants of the College.

Punctual Payment and Performance.

The College will punctually pay the interest on and the principal of and redemption premiums, if any, to become due on every Bond issued under the Trust Agreement in strict conformity with the terms of the Trust Agreement and of the Bonds, and will faithfully observe and perform all the agreements and covenants to be observed or performed by the College contained in the Trust Agreement and in the Bonds.

Extension of Payment of Bonds.

The College shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Trust Agreement, to the benefits of the Trust Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended.

Nothing in this section shall be deemed to limit the right of the College to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Power to Issue Bonds.

The College is duly authorized pursuant to law to issue the Bonds and to enter into the Trust Agreement. The Bonds and the provisions of the Trust Agreement are the legal, valid and binding obligations of the College in accordance with their terms.

Accounting Records and Reports.

The Trustee will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of moneys on deposit in the funds and accounts established under the Trust Agreement and will provide such reports to the College on a quarterly basis or as requested by the College.

Prosecution and Defense of Suits.

The College will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent involving the failure of the College to fulfill its obligations under the Trust Agreement; provided that the Trustee or any affected Holder at its election may appear in and defend any such suit, action or proceeding. The College, to the extent permitted by law, will indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of such failure by the College, and will indemnify and hold harmless the Trustee against any attorney's fees or other expenses which it may incur in connection with any litigation to which it may become a party by reason of its actions under the Trust Agreement, except for any loss, cost, damage or expense resulting from the active or passive negligence or willful misconduct by the Trustee. Notwithstanding any contrary provision thereof, this covenant shall remain in full force and effect even though all Bonds secured by the Trust Agreement may have been fully paid and satisfied.

Further Assurances.

Whenever and so often as reasonably requested to do so by the Trustee or any Holder, the College will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, 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 Holders all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by the Trust Agreement.

Waiver of Laws.

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

Continuing Disclosure.

The College and the Trustee each covenant and agree that they will comply with and carry out all of the provisions of the Continuing Disclosure Agreement, for which each entity is responsible. Notwithstanding any other provision of the Trust Agreement, failure of the College or the Trustee to comply with the Continuing Disclosure Agreement shall not be considered an event of default; however, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% of the aggregate principal amount of Outstanding Bonds, shall) or any Holder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the College or the Trustee, as the case may be, to comply with its obligations therein.

Accreditation.

The College will maintain its accreditation by the Accrediting Bodies or their respective successors as bodies that accredit schools like the College, or, if none, another nationally recognized body or bodies that accredit such schools. The College covenants to provide to the Trustee, within thirty (30) days of receipt thereof, copies of any action letter sent to the College by each such Accrediting Body following its review of the report of each team which visited the College's facilities, which apprises the College that such Accrediting Body is issuing a warning to the College or placing the College on probation.

No Liens on Available Funds.

The College covenants and agrees that it will not create, or permit the creation of, any pledge of, lien on, security interest in or encumbrance upon Available Funds. The College further covenants and agrees that it will not incur any Indebtedness payable from Available Funds other than the Bonds except as provided for in the Trust Agreement.

Tax Covenants; Rebate Fund.

The College will not use or permit the use of any proceeds of the Bonds or any other funds of the College, directly or indirectly, to acquire any securities or obligations, and will not take or permit to be taken any other action or actions, which would cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code, or which would otherwise affect the exclusion of interest on the Bonds from gross income of the recipients thereof for federal income tax purposes.

The College will at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the College on the Bonds will, for federal income tax purposes, be excluded from the gross income of the recipients thereof. In furtherance of this covenant, the College will execute and deliver and comply with the Tax Certificate.

In addition to the other funds and accounts created under the Trust Agreement, the Trustee will establish and maintain a fund separate from any other fund or account established and maintained thereunder designated as the Rebate Fund. There will be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate and in accordance with written instructions of the College. 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 Certificate), for payment to the United States of America. Notwithstanding the provisions of the Trust Agreement relating to the investment of money in any fund or account, the application of funds upon acceleration and the defeasance of Outstanding Bonds, all amounts required to be deposited into or on deposit in the Rebate Fund will be governed exclusively by the provisions of the Trust Agreement relating to the College' tax covenants and by the Tax Certificate. The Trustee will be deemed conclusively to have complied with such provisions if it follows the written directions of the College, and will have no liability or responsibility to enforce compliance by the College with the terms of the Tax Certificate.

Any funds remaining in the Rebate Fund after redemption and payment with respect to all of the Bonds, or provision made therefor satisfactory to the Trustee, including accrued interest and payment of any applicable fees and expenses to the Trustee and satisfaction of the Rebate Requirement (as defined in the Tax Certificate), will be withdrawn by the Trustee and remitted to or upon the direction of the College.

<u>The Trustee</u>.

Wells Fargo Bank, National Association, shall serve as the Trustee for the Bonds for the purpose of receiving all money which the College is required to deposit with the Trustee under the Trust Agreement and for the purpose of allocating, applying and using such money as provided therein and for the purpose of paying the interest on and principal of and redemption premiums, if any, on the Bonds presented for payment at the Corporate Trust Office of the Trustee with the rights and obligations provided in the Trust Agreement. The College agrees that it will at all times maintain a Trustee having a corporate trust office in California.

The College may at any time, unless there exists any event of default under the caption "Events of Default and Acceleration of Maturities" below, or Ambac Assurance may at any time, remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; *provided* that any such successor shall be a bank or trust company in good standing, duly authorized to exercise trust powers, doing business and having a corporate trust office in California, having a combined capital (exclusive of borrowed capital) and surplus of at least $75,000,000 and subject to supervision or examination by federal or state authority, and be acceptable to Ambac Assurance. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this provision the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the College and Ambac Assurance, and by mailing to the Holders notice of such resignation. Upon receiving such notice of resignation, the College shall promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee, acceptable to Ambac Assurance. If, within thirty (30) days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required by the Trust Agreement.

The Trustee is authorized to pay or redeem the Bonds when duly presented for payment at maturity or on redemption prior to maturity. The Trustee shall cancel all Bonds upon payment thereof or upon the surrender thereof by the College and shall destroy such Bonds and a certificate of destruction shall be delivered to the College. The Trustee shall keep accurate records of all Bonds paid and discharged and cancelled by it.

The Trustee shall, prior to an event of default, and after the curing of all events of default that may have occurred, perform such duties and only such duties as are specifically set forth in the Trust Agreement and no implied duties or obligations shall be read into the Trust Agreement. The Trustee shall, during the existence of any event of default (that has not been cured), exercise such of the rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

The Trustee shall not be bound to recognize any person as the Holder of a Bond unless and until such Bond is submitted for inspection, if required, and such Holder's title thereto satisfactorily established, if disputed.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time 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 Trust Agreement.

The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Trust Agreement at the request, order or direction of any of the Bondholders pursuant to the provisions of the Trust Agreement unless such Bondholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that may be incurred therein or thereby. The Trustee has no obligation or liability to the Holders for the payment of interest on, principal of or redemption premium, if any, with respect to the Bonds from its own funds; but rather the Trustee's obligations shall be limited to the performance of its duties under the Trust Agreement.

The Trustee shall not be deemed to have knowledge of any event of default unless and until an officer at the Trustee's Corporate Trust Office responsible for the administration of its duties under the Trust Agreement shall have actual knowledge thereof or the Trustee shall have received written notice thereof at its Corporate Trust Office. The Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements in the Trust Agreement or of any of the documents executed in connection with the Bonds, or as to the existence of a default or event of default under the Trust Agreement. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it.

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall meet the requirements set forth above, shall be the successor to the Trustee under the Trust Agreement and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor under the Trust Agreement, without the execution or filing of any paper or further act, anything therein to the contrary notwithstanding.

Amendment of the Trust Agreement.

Subject to certain consent right of Ambac Assurance set forth in the Trust Agreement, the Trust Agreement and the rights and obligations of the College and of the Holders may be amended at any time by a Supplemental Trust Agreement which shall become binding when the written consents of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as described under “Disqualified Bonds” below, and Ambac Assurance, are filed with the Trustee. No such amendment shall (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, or extend the time of payment on any Bond without the express written consent of the Holder of such Bond, or (2) reduce the percentage of Bonds required for the written consent to any such amendment.

The Trust Agreement and the rights and obligations of the College and of the Holders may also be amended at any time by a Supplemental Trust Agreement which shall become binding upon adoption without the consent of any Holders, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel, for any purpose that will not materially adversely affect the interests of the Holders or Ambac Assurance, including (without limitation) for any one or more of the following purposes:

(a) to add to the agreements and covenants required in the Trust Agreement to be performed by the College other agreements and covenants thereafter to be performed by the College, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved in the Trust Agreement to or conferred therein on the College;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement and in any Supplemental Trust Agreement or in regard to questions arising under the Trust Agreement which the College may deem desirable or necessary and not inconsistent therewith;

(c) to provide for the issuance of any Additional Indebtedness and to provide the terms of such Additional Indebtedness, subject to the conditions and upon compliance with the procedure set forth in Article III of the Trust Agreement (which shall be deemed not to adversely affect Holders or Ambac Assurance);

(d) to modify, amend or add to the provisions in the Trust Agreement or in any Supplemental Trust Agreement to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statutes thereafter in effect, and to add such other terms, conditions and provisions as may be permitted by such statute or similar statute; or

(e) to modify, amend or supplement the Trust Agreement and any Supplemental Trust Agreement in any manner that does not materially adversely affect the interest of Holders of Bonds or Ambac Assurance.

The Trustee shall not be required to enter into or consent to any supplemental trust agreement which, in the sole judgment of the Trustee, may adversely affect the rights, obligations, powers, privileges, indemnities and immunities provided the Trustee in the Trust Agreement.

Notwithstanding any other provision of the Trust Agreement, in determining whether the rights of the Holders will be adversely affected by any action taken pursuant to the terms and provisions of the Trust Agreement, the Trustee shall consider the effect on the Holders as if there were no Financial Guaranty Insurance Policy.

Disqualified Bonds.

Bonds owned or held by or for the account of the College shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in the Trust Agreement, and shall not be entitled to consent to or take any other action provided in the Trust Agreement.

Endorsement or Replacement of Bonds After Amendment.

After the effective date of any action taken as provided the Trust Agreement, the College may determine that the Bonds may bear a notation by endorsement in form approved by the College as to such action, and in that case upon demand of the Holder of any Outstanding Bonds and presentation of his Bond for such purpose at the office of the Trustee a suitable notation as to such action shall be made on such Bond. If the College shall so determine, new Bonds so modified as, in the opinion of the College, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Holder of any Outstanding Bond a new Bond or Bonds shall be exchanged at the office of the Trustee without cost to each Holder for its Bond or Bonds then Outstanding upon surrender of such Outstanding Bonds.

Amendment by Mutual Consent.

The provisions in the Trust Agreement shall not prevent any Holder from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

Attorney's Opinion Regarding Supplemental Agreements.

Prior to entering into any amendment or supplement under the Trust Agreement, the Trustee shall be entitled to receive an Opinion of Counsel that any such amendment or supplement to the Trust Agreement complies with the provisions of the Trust Agreement and the Trustee may conclusively rely upon such opinion.

Events of Default and Acceleration of Maturities.

If one or more of the following events (herein called "events of default") shall happen, that is to say:

(a) if default shall be made by the College in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;

(b) if default shall be made by the College in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as expressed in the Trust Agreement or by proceedings for redemption;

(c) if default shall be made by the College in the performance of any of the agreements or covenants required in the Trust Agreement to be performed by the College, and such default shall have continued for a period of sixty (60) days after the College shall have been given notice in writing of such default by the Trustee or the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding, specifying such default and requiring the same to be remedied, provided, however, if the default stated in the notice can be corrected, but not within the applicable period, the Trustee and such Holders shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the College within the applicable period and diligently pursued until the default is corrected.

(d) if the College shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the College seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the College or of the whole or any substantial part of its property;

then and in each and every such case during the continuance of such event of default, the Trustee may, with the consent of Ambac Assurance, and shall, at the direction of Ambac Assurance or upon the written request of the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding with the consent of Ambac Assurance, by notice in writing to the College, declare the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall, without further action, become due and payable, anything contained in the Trust Agreement or in the Bonds to the contrary notwithstanding. The Trustee shall promptly notify all Holders of any such event of default which is continuing.

The provisions described above, however, are subject to the condition that if at any time after the principal of the Bonds then Outstanding shall have been so declared due and payable and before any judgment or decree for the payment of the money due shall have been obtained or entered the College shall deposit with the Trustee a sum sufficient to pay all matured interest on all of the Bonds and all principal of the Bonds matured prior to such declaration, with interest at the rate borne by such Bonds on such overdue interest and principal, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of interest on and principal of the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding, by written notice to the College and to the Trustee, may on behalf of the Holders of all the Bonds then Outstanding, rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Anything in the Trust Agreement to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined in the Trust Agreement, Ambac Assurance shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders or the Trustee for the benefit of the Holders under the Trust Agreement, including, without limitation: (i) the right to accelerate the principal of the Bonds as described in the Trust Agreement, and (ii) the right to annul any declaration of acceleration, and Ambac Assurance shall also be entitled to approve all waivers of events of default.

Application of Funds Upon Acceleration.

All moneys in the Bond Fund, Interest Account, Principal Account, Series 2003 Project Fund, the Series 2008 Project Fund, Cost of Issuance Fund upon the date of the declaration of acceleration by the Trustee described under "Events of Default and Acceleration of Maturities" above, and all amounts in the funds and accounts thereafter received by the College under the Trust Agreement shall be transmitted to the Trustee and shall be applied by the Trustee in the following order--

First, to the payment of the costs and expenses of the Trustee in providing for the declaration of such event of default, including reasonable compensation to its accountants and counsel, and any outstanding fees and expenses of the Trustee; and

Second, upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with (to the extent permitted by law) interest on the overdue interest and principal at the rate borne by such Bonds, and in case such money shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and (to the extent permitted by law) interest on overdue interest and principal without preference or priority among such interest, principal and interest on overdue interest and principal ratably to the aggregate of such interest, principal and interest on overdue interest and principal.

Institution of Legal Proceedings by Trustee.

If one or more of the events of default shall happen and be continuing, the Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Holders of Bonds under the Trust Agreement by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Trust Agreement, or in aid of the execution of any power therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties under the Trust Agreement.

Non-Waiver.

Nothing in the Trust Agreement or in the Bonds shall affect or impair the obligation of the College, which is absolute and unconditional, to pay the interest on and principal of and redemption premiums, if any, on the Bonds to the respective Holders of the Bonds at the respective dates of maturity or upon prior redemption, or shall affect or impair the right of such Holders, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Trust Agreement and in the Bonds.

A waiver of any default or breach of duty or contract by the Trustee or any Holder shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee or any Holder to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence in the Trust Agreement, and every right or remedy conferred upon the Holders by the Trust Agreement may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Holders.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned, the College, the Trustee and any Holder shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Actions by Trustee as Attorney-in-Fact.

Any action, proceeding or suit which any Holder shall have the right to bring to enforce any right or remedy under the Trust Agreement may be brought by the Trustee for the equal benefit and protection of all Holders, whether or not the Trustee is a Holder, and the Trustee is appointed (and the successive Holders, by taking and holding the Bonds issued under the Trust Agreement, shall be conclusively deemed to have so appointed it) the true and lawful attorney-in-fact of the Holders for the purpose of bringing any such action, proceeding or suit and for the purpose of doing and performing any and all acts and things for and on behalf of the Holders as a class or classes as may be advisable or necessary in the opinion of the Trustee as such attorney-in-fact.

Remedies Not Exclusive.

No remedy in the Trust Agreement conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement or now or thereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

Limitation on Holders' Right to Sue.

No Holder of any Bond issued under the Trust Agreement shall have the right to institute any suit, action or proceeding at law or equity, for any remedy under or upon the Trust Agreement, unless (a) such Holder shall have previously given to the Trustee written notice of the occurrence of an event of default as described under "Events of Default and Acceleration of Maturities" above; (b) the Holders of at least a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers therein before granted or to institute such suit, action or proceeding in its own name; (c) said Holders shall have tendered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

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

Defeasance

Discharge of Bonds.

(a) If the College shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated in the Trust Agreement, and shall pay or provide for the payment of all fees and expenses of the Trustee, then all agreements, covenants and other obligations of the College to the Holders of such Bonds under the Trust Agreement shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the College all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, the Trustee shall pay over or deliver to the College all money or securities held by it pursuant to the

Trust Agreement which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

(b) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in clause (a) above if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the College shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice as described in the Official Statement under "THE SERIES 2008 BONDS—Notice of Redemptions," (2) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient, and/or (B) Permitted Investments of the type described in clauses (2) or (3) of the definition of Permitted Investments, the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of an Independent Certified Public Accountant, to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the College shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Holders of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

(c) Notwithstanding anything in the Trust Agreement to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by Ambac Assurance pursuant to the Financial Guaranty Insurance Policy, the Bonds shall remain Outstanding for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the College, and all covenants, agreements and other obligations of the College to the Holders shall continue to exist and shall run to the benefit of Ambac Assurance, and Ambac Assurance shall be subrogated to the rights of such Holders.

Unclaimed Money.

Anything contained in the Trust Agreement to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Bonds or interest thereon which remains unclaimed for two (2) years after the date when such Bonds or interest thereon have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when such Bonds have become due and payable, shall be repaid by the Trustee to the College as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Holders shall not look to the Trustee for the payment of such Bonds.

Miscellaneous

Benefits of the Trust Agreement Limited to Parties.

Nothing contained in the Trust Agreement, expressed or implied, is intended to give to any person other than the College, the Trustee, Ambac Assurance and the Holders any right, remedy or claim under or by reason thereof. Any agreement or covenant required in the Trust Agreement to be performed by or on behalf of the College or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Trustee, Ambac Assurance and the Holders.

Waiver of Personal Liability.

No member, officer or employee of the College shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds by reason of their issuance, but nothing in the Trust Agreement contained shall relieve any such member, officer or employee from the performance of any official duty provided by any applicable provisions of law or by the Trust Agreement.

Accounts and Funds; Business Days.

Any account or fund required in the Trust Agreement to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such accounts and funds shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the Holders. Any action required to occur under the Trust Agreement on a day which is not a Business Day shall be required to occur on the next succeeding Business Day.

2008 Bond Insurer Provisions.

So long as the Series 2008 Policy is in full force and effect and the 2008 Bond Insurer is not in default of its obligations thereunder, the following provisions shall be followed:

(a) In addition to those rights granted to the 2008 Bond Insurer under the Trust Agreement, the 2008 Bond Insurer shall, to the extent it makes any payment of principal or interest on the Series 2008 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Series 2008 Policy, and to evidence such subrogation (i) in the case of claims for past due interest, the Trustee shall note the 2008 Bond Insurer's rights as subrogee on the registration books of the College maintained by the Trustee upon receipt from the 2008 Bond Insurer of proof of payment of interest thereon to the registered holders of the Series 2008 Bonds, and (ii) in the case of claims for past due principal, the Trustee, shall note the 2008 Bond Insurer's rights as subrogee on the registration books of the College maintained by the Trustee, upon surrender of the Series 2008 Bonds together with receipt of proof of payment of principal thereof.

(b) Consent Rights. Any provision of the Trust Agreement expressly recognizing or granting rights in or to the 2008 Bond Insurer may not be amended in any manner which affects the rights of the 2008 Bond Insurer without the prior written consent of the 2008 Bond Insurer. The 2008 Bond Insurer's consent shall be required in lieu of the consent of the registered owners of the Series 2008 Bonds (the "Holders"), when required, for the following purposes: (i) the execution and delivery of any amendment, change to or modification of the Trust Agreement affecting the Series 2008 Bonds, (ii) the removal of the Trustee and selection and appointment of any successor Trustee; and (iii) the initiation or approval of any action not described in (i) or (ii) above which requires consent of the Holders of the Series 2008 Bonds. Any reorganization or liquidation plan with respect to the College must be acceptable to the 2008 Bond Insurer. In the event of any reorganization or liquidation, the 2008 Bond Insurer shall have the right to vote on behalf of all Holders of the Series 2008 Bonds absent a default by the 2008 Bond Insurer under the Series 2008 Policy. Anything in the Trust Agreement to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined therein, the 2008 Bond Insurer shall have the right, concurrent with the Holders of the Series 2008 Bonds, to enforce all rights and remedies granted to the Holders under the Trust Agreement.

(c) Series 2008 Bonds Deemed Outstanding. Notwithstanding anything in the Trust Agreement to the contrary, in the event that the principal and/or interest due on the Series 2008 Bonds shall be paid by the 2008 Bond Insurer pursuant to the Series 2008 Policy, the Series 2008 Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the College, and the assignment and pledge of the College's general obligation (as defined in the Trust Agreement) and all covenants, agreements and other obligations of the College to the Holders shall continue to exist and shall run to the benefit of the 2008 Bond Insurer, and the 2008 Bond Insurer shall be subrogated to the rights of such Holders, including, without limitation, any rights that such Holders may have in respect of securities law violations arising from the offer and sale of the Series 2008 Bonds.

(d) Defeasance Securities. Notwithstanding anything to the contrary in the Trust Agreement, for purposes of the Series 2008 Bonds, the term "Defeasance Securities" shall mean (i) cash (insured at all times by the Federal Deposit Insurance Corporation); (ii) direct obligations of the United States of America; and (iii) senior debt obligations of other government-sponsored agencies approved in writing by the 2008 Bond Insurer.

(e) 2008 Bond Insurer as Third Party Beneficiary. The 2008 Bond Insurer is hereby explicitly recognized as being a third-party beneficiary under the Trust Agreement and may enforce any such right, remedy or claim conferred, given or granted to the Holders of the Series 2008 Bonds under the Trust Agreement.

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# APPENDIX D

## BOOK-ENTRY SYSTEM

The information in this APPENDIX D concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book-entry system has been obtained from DTC and the College takes no responsibility for the completeness or accuracy thereof. The College cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2008 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2008 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2008 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this APPENDIX. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Series 2008 Bonds. The Series 2008 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 security certificate will be issued for each maturity of the Series 2008 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC", "GSCC", "MBSCC", and "EMCC", also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. 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.

Purchases of the Series 2008 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008 Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or

Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2008 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2008 Bonds, except in the event that use of the book-entry system for the Series 2008 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2008 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2008 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2008 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2008 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Series 2008 Bonds may wish to ascertain that the nominee holding the Series 2008 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. The conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC 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. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify a Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Series 2008 Bonds called for redemption or of any other action premised on such notice. Redemption of portions of the Series 2008 Bonds by the College will reduce the outstanding principal amount of Bonds held by DTC. In such event, DTC will implement, through its book-entry system, a redemption by lot of interests in the Series 2008 Bonds held for the account of DTC Participants in accordance with its own rules or other agreements with DTC Participants and then DTC Participants and Indirect Participants will implement a redemption of the Series 2008 Bonds for the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Trust Agreement and will not be conducted by the College or the Trustee.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2008 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2008 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 evidenced by the Series 2008 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 College or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the College, 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 evidenced by the Series 2008 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the College 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.

NEITHER THE COLLEGE NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF SERIES 2008 BONDS FOR PREPAYMENT.

Neither the College nor the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Series 2008 Bonds paid to DTC or its nominee, as the registered Holder, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

DTC may discontinue providing its services as depository with respect to the Series 2008 Bonds at any time by giving reasonable notice to the College or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The College may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

In the event that the book-entry system is discontinued as described above, the requirements of the Trust Agreement will apply. The foregoing information concerning DTC concerning and DTC's book-entry system has been provided by DTC, and none of the College or the Trustee take any responsibility for the accuracy thereof.

Neither the College nor the Underwriter can and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Series 2008 Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the College nor the Underwriter are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Series 2008 Bonds or an error or delay relating thereto.

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## APPENDIX E

## PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Hastings College of Law
San Francisco, California

Hastings College of the Law Bonds,
Series 2008
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Hastings College of the Law Bonds (the "Issuer") in connection with issuance of $25,080,000 aggregate principal amount of Hastings College of the Law Bonds, Series 2008, issued pursuant to a Trust Agreement (the "Master Trust Agreement"), dated as of April 1, 2003 and a First Supplemental Trust Agreement (the "First Supplemental Trust Agreement, and together with the Master Trust Agreement, the "Trust Agreement"), dated as of February 1, 2008, between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement, the Tax Certificate, dated the date hereof (the "Tax Certificate"), opinions of counsel to the Issuer and the Trustee, certificates of the Issuer, 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 the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement 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 Trust Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Trust Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Issuer.

2. The Trust Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Trust Agreement, except the Rebate Fund, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement.

3. 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 or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

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## APPENDIX F

## FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by Hastings College of the Law (the "College") and Wells Fargo Bank, National Association, as trustee (the "Trustee") and as dissemination agent (the "Dissemination Agent") in connection with the issuance of $25,080,000 aggregate principal amount of Hastings College of the Law Bonds, Series 2008 (the "Bonds"). The Bonds are being issued as authorized by a resolution (the "Resolution") adopted by the Executive Committee of the Board of Directors of the College on January 17, 2008, and in accordance with the terms of a Trust Agreement, dated as of April 1, 2003, as amended by the First Supplemental Trust Agreement, dated as of February 1, 2008, by and between the College and the Trustee (the "Trust Agreement"). Pursuant to the Trust Agreement, the College has covenanted to comply with its obligations hereunder. The College and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the College and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the College pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to vote or consent with respect to, or to dispose of or make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent which may be designated in writing by the College and which has filed with the College a written acceptance of such designation.

"Holder" shall mean the person in whose name any Bond shall be registered.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission as of the date of this Agreement are set forth at:

http://www.sec.gov/info/municipal/nrmsir.htm.

"Official Statement" shall mean the Official Statement relating to the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and the State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission as listed at http://www.sec.gov.info/municipal/nrmsir.htm. As of the date of this Disclosure Agreement, there is no State Repository.

SECTION 3. <u>Provision of Annual Reports</u>.

(a) The College shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of the College's fiscal year (currently ending June 30), commencing with the report for the 2007-08 Fiscal Year (which is due not later than April 1, 2009), provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided, that the audited financial statements of the College may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the College's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to said date, the College shall provide the Annual Report to the Dissemination Agent (if other than the College). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the College to determine if the College is in compliance with the first sentence of this subsection (b). If the Dissemination Agent is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository, the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) to the extent the College has provided the Annual Report to the Dissemination Agent, file a report with the College and (if the Dissemination Agent is other than the Trustee), file a report with the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The College's Annual Report shall contain or include by reference the following:

- Audited financial statements of the College for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the College's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

To the extent not included in the audited financial statement of the College, the Annual Report shall also include the following:

- Adopted budget of the College for the current fiscal year.
- Information for the preceding fiscal year of the type contained in the table entitled "Student Enrollment and Degrees Awarded" on page A-13 of Appendix A to the Official Statement.
- Information for the preceding fiscal year of the type contained in the table entitled "Application Pool" on page A-13 of Appendix A to the Official Statement.
- Information for the preceding fiscal year of the type contained in the table entitled "Historical Operating Revenues, Available Funds, Net Expenses and Revenues Available for Debt Service" on page A-19 of Appendix A to the Official Statement.
- College outstanding indebtedness.
- College accreditation status for the current fiscal year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the College or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the

Municipal Securities Rulemaking Board. The College shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the College shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies.
2. non-payment related defaults.
3. modifications to rights of Holders.
4. optional, contingent or unscheduled bond calls.
5. defeasances.
6. rating changes.
7. adverse tax opinions or events affecting the tax-exempt status of the Bonds.
8. unscheduled draws on the debt service reserves reflecting financial difficulties.
9. unscheduled draws on the credit enhancements reflecting financial difficulties.
10. substitution of the credit or liquidity providers or their failure to perform.
11. release, substitution or sale of property securing repayment of the Bonds.

(b) Whenever the College obtains knowledge of the occurrence of a Listed Event, the College shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the College has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the College shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (e).

(d) If in response to a request under subsection (b), the College determines that the Listed Event would not be material under applicable federal securities laws, the College shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(e) If the Dissemination Agent has been instructed by the College to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and the State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) 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 Trust Agreement.

(f) The Dissemination Agent may conclusively rely on an opinion of counsel that the College's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. The College's obligations under this Disclosure Agreement shall terminate (a) upon the legal defeasance, prior redemption or payment in full of all of the Bonds or (b) if, in the opinion of nationally recognized bond counsel, the College ceases to be an "obligated person" (within the meaning of the Rule) with respect to the Bonds or the Bonds otherwise cease to be subject to the requirements to the Rule. If such termination occurs prior to the final maturity of the Bonds, the College shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The College may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the College pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the College shall be the Dissemination Agent. The initial Dissemination Agent shall be Wells Fargo Bank, National Association.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the College and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the College provided such amendment does not impose any greater duties, nor risk of liability, on the Dissemination Agent, as the case may be), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the College shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the College. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the College from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the College chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the College shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the College or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and at the request of any Participating Underwriter or the Holders of at least 25% of the aggregate principal amount of the Outstanding Bonds, shall), or any Holder or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the College or the Dissemination Agent to comply with its obligations under this Disclosure Agreement; provided that any such action may be instituted only in Superior Court of the State of California in and for the County of San Francisco or in U.S. District Court in or nearest to the County. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the College or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the College, to the extent permitted by law, agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall receive reasonable compensation for its services rendered under this Disclosure Agreement. The obligations of the College under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

| | |
|---|---|
| To the College: | Hastings College of the Law<br>University of California<br>198 McAllister Street, Room 214<br>Mail Address: 200 McAllister Street<br>San Francisco, California 94102<br>Attention: Chief Financial Officer |
| To the Dissemination Agent: | Wells Fargo Bank, National Association<br>333 Market Street, 18th Floor<br>San Francisco, CA 94105<br>Attention: Corporate Trust Department |

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the College, the Dissemination Agent, the Participating Underwriters, and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: February 14, 2008.

HASTINGS COLLEGE OF THE LAW

By: ______________________________________
Chancellor and Dean

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Dissemination Agent

By: ______________________________________
Authorized Signatory

## EXHIBIT A

FORM OF NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

| | |
|---|---|
| Name of Issuer: | HASTINGS COLLEGE OF THE LAW (the "College") |
| Name of Bond Issue: | HASTINGS COLLEGE OF THE LAW BONDS, SERIES 2008 (the "Bonds") |
| Date of Issuance: | February 14, 2008 |

NOTICE IS HEREBY GIVEN that the College has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Agreement of the College, dated the Date of Issuance. [The College anticipates that the Annual Report will be filed by _____________.]

Dated: _______________

[HASTINGS COLLEGE OF THE LAW
or Dissemination Agent, if any]

By: ______________________________________
[Name]
[Title]

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# APPENDIX G

## SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

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Assured Guaranty Corp.
1325 Avenue of the Americas
New York, NY 10019
t. 212.974.0100
www.assuredguaranty.com

# Financial Guaranty Insurance Policy

**Issuer:**

**Policy No.:**

**Obligations:**

**Premium:**

**Effective Date:**



Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department – Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. "**Term**" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the "**Fiscal Agent**") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation: its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.



**ASSURED GUARANTY CORP.**

(SEAL)

By:__________________________________
[Insert Authorized Signatory Name]
[Insert Authorized Signatory Title]

Signature attested to by:

______________________________
Counsel

HASTINGS COLLEGE OF THE LAW BONDS • SERIES 2008

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