NEW ISSUE - BOOK-ENTRY ONLY **Ratings: See "Ratings" herein**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Board, 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 2011A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), and interest on the Series 2011A Bonds is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2011A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that interest on the Series 2011A Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011A Bonds. See "TAX MATTERS" herein.

$429,855,000
TRUSTEES OF THE CALIFORNIA STATE UNIVERSITY
SYSTEMWIDE REVENUE BONDS
SERIES 2011A

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

The Trustees of the California State University Systemwide Revenue Bonds, Series 2011A (the "Series 2011A Bonds") are being issued by the Trustees of the California State University (the "Board") pursuant to an Indenture dated as of April 1, 2002, as previously supplemented and as supplemented from time to time, including by a Fourteenth Supplemental Indenture dated as of September 1, 2011 (collectively, the "Indenture"), between the Board and the Treasurer of the State of California, as trustee (the "State Treasurer"). The Series 2011A Bonds are being issued to finance and refinance the acquisition, construction, renovation and improvement of certain facilities of the California State University. See Appendix H—"PROJECTS FINANCED AND BONDS REFUNDED WITH SERIES 2011A BONDS."

The Series 2011A Bonds are being issued on a parity with other bonds of the Board that have been issued previously or may be issued in the future pursuant to the Indenture. The pledge and lien on the Gross Revenues under the Indenture secures bonds issued under the Indenture on a parity basis and is senior to other indebtedness of the Board. See "SECURITY FOR THE SERIES 2011A BONDS—No Senior Lien Indebtedness" and "— Parity Lien Indebtedness."

The Series 2011A Bonds will be issued in fully registered form in denominations of $5,000 each or any integral multiple thereof, and following their purchase by the Underwriters will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Series 2011A Bonds. Individual purchases will be made in book-entry form only, in principal amounts of $5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interests in the Series 2011A Bonds purchased. See "THE SERIES 2011A BONDS—Book Entry Only System."

Interest on the Series 2011A Bonds is payable on May 1, 2012, and semiannually thereafter on May 1 and November 1 of each year. Principal of and interest on the Series 2011A Bonds are payable by the State Treasurer, as trustee, to DTC. DTC is required to remit such principal and interest to its Participants for subsequent disbursement to the Beneficial Owners of the Series 2011A Bonds, as described herein. See Appendix G—"BOOK-ENTRY ONLY SYSTEM."

The Series 2011A Bonds are subject to optional and mandatory sinking fund redemption as described herein. See "THE SERIES 2011A BONDS—Redemption."

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS
SEE INSIDE COVER

THE SERIES 2011A BONDS ARE LIMITED OBLIGATIONS OF THE BOARD, PAYABLE FROM GROSS REVENUES AND OTHER AMOUNTS PLEDGED UNDER THE INDENTURE. NEITHER THE PAYMENT OF THE PRINCIPAL OF THE SERIES 2011A BONDS NOR ANY PART THEREOF, NOR ANY INTEREST THEREON, CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF CALIFORNIA. THE SERIES 2011A BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN OR OTHER ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE STATE OF CALIFORNIA OR OF THE BOARD, EXCEPT TO THE EXTENT OF THE AFOREMENTIONED PLEDGE. THE OWNERS OF THE SERIES 2011A BONDS HAVE NO RIGHT TO COMPEL THE EXERCISE OF ANY TAXING POWER OF THE STATE OF CALIFORNIA. THE BOARD HAS NO TAXING POWER.

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

The Series 2011A Bonds are offered when, as and if issued, subject to the approval of certain legal matters by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Board. Certain legal matters will be passed upon for the Board by its General Counsel and for the Underwriters by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Underwriters' Counsel and Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the Board. It is anticipated that the Series 2011A Bonds will be available for delivery to DTC in New York, New York, on or about September 28, 2011.

Barclays Capital **Loop Capital Markets**

Backstrom McCarley Berry & Co., LLC
Grigsby & Associates, Inc.
Prager, Sealy & Co., LLC
SL Hare Capital, Inc.
William Blair & Company

BofA Merrill Lynch
J.P. Morgan
Siebert Brandford Shank & Co., L.L.C.
Stone & Youngberg

Dated: September 14, 2011

MATURITY SCHEDULE
SERIES 2011A BONDS

Maturity (November 1)	Principal Amount	Interest Rate	Yield	CUSIP**	Maturity (November 1)	Principal Amount	Interest Rate	Yield	CUSIP**
2012	$ 840,000	2.00%	0.32%	13077CVC5	2021	$ 6,310,000	4.00%	2.77%	13077CVM3
2013	15,200,000	0.55	0.55	13077CVD3	2021	15,690,000	5.00	2.77	13077CWF7
2014	16,115,000	4.00	0.73	13077CVE1	2022	660,000	3.25	3.00*	13077CVN1
2015	560,000	3.00	0.99	13077CVF8	2022	22,360,000	5.00	3.00*	13077CWG5
2015	16,305,000	5.00	0.99	13077CVZ4	2023	24,200,000	5.00	3.23*	13077CVP6
2016	5,000,000	3.00	1.40	13077CVG6	2024	25,415,000	5.00	3.47*	13077CVQ4
2016	12,675,000	5.00	1.40	13077CWA8	2025	13,535,000	5.00	3.61*	13077CVR2
2017	5,000,000	4.00	1.71	13077CVH4	2026	14,240,000	5.25	3.64*	13077CVS0
2017	13,495,000	5.00	1.71	13077CWB6	2027	1,280,000	3.75	3.85	13077CVT8
2018	7,290,000	2.50	2.05	13077CVJ0	2027	5,740,000	5.00	3.85*	13077CWH3
2018	12,050,000	5.00	2.05	13077CWC4	2028	7,395,000	5.25	3.85*	13077CVU5
2019	5,000,000	4.00	2.37	13077CVK7	2029	7,790,000	5.25	3.95*	13077CVV3
2019	15,195,000	5.00	2.37	13077CWD2	2030	8,210,000	5.25	4.04*	13077CVW1
2020	1,550,000	3.00	2.60	13077CVL5	2031	625,000	4.125	4.23	13077CVX9
2020	19,650,000	5.00	2.60	13077CWE0	2031	8,020,000	5.25	4.13*	13077CWJ9

$61,800,000 5.00% Term Bond due November 1, 2037 Yield* 4.52%, CUSIP** 13077CWK6

$60,660,000 5.00% Term Bond due November 1, 2042 Yield* 4.60%, CUSIP** 13077CVY7

* Yield computed to call date of November 1, 2021.

** CUSIP numbers are provided for convenience of reference only. The Board assumes no responsibility for the accuracy of such numbers.

CALIFORNIA STATE UNIVERSITY

Trustees

Officers and Executives

Dr. Charles B. Reed, *Chancellor*
Dr. Benjamin F. Quillian, *Executive Vice Chancellor, Administration and Finance, and Chief Financial Officer*
Dr. Ephraim P. Smith, *Executive Vice Chancellor and Chief Academic Officer*
Christine Helwick, *Secretary and General Counsel*
Garrett P. Ashley, *Vice Chancellor, University Relations and Advancement*
Gail E. Brooks, *Vice Chancellor, Human Resources*
Larry Mandel, *University Auditor*

Special Services

The Honorable Bill Lockyer
Treasurer of the State of California

The Honorable Kamala D. Harris
Attorney General of the State of California

Orrick, Herrington & Sutcliffe LLP, *San Francisco, California*
Bond Counsel and Disclosure Counsel

KNN Public Finance, a division of Zions First National Bank, *Oakland, California*
Financial Advisor

Causey Demgen & Moore, Inc., *Denver, Colorado*
Verification Agent

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 Series 2011A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Board or the State of California.

Certain of the information set forth herein has been obtained from the State of California, the Board, and other sources which are believed to be reliable. Such information is not guaranteed as to accuracy or completeness. 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 affairs of the State of California or the California State University since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2011A Bonds and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the California State University.

The Underwriters have provided the following sentence for inclusion in this Official Statement:

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

This Official Statement is not to be construed as a contract with the purchasers of the Series 2011A 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 representations of facts.

A wide variety of other information, including financial information, concerning the State of California and the California State University is available from State agencies, State agency publications and State agency internet sites. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of, or incorporated into, this Official Statement. The references to internet websites contained in this Official Statement are shown for reference and convenience only; the information contained in such websites is not incorporated herein by reference and does not constitute a part of this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2011A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2011A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE SERIES 2011A BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Series 2011A Bonds being offered and a brief description of the Official Statement. A full review should be made of the entire Official Statement including the Appendices hereto. All statements contained in this introductory section are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California or any other documents referred to herein do not purport to be complete, and such references are qualified in their entirety by reference to the complete provisions thereof.

General

The purpose of this Official Statement (the "Official Statement") is to set forth certain information concerning the Trustees of the California State University Systemwide Revenue Bonds, Series 2011A (the "Series 2011A Bonds"). The Series 2011A Bonds are authorized to be issued by the Trustees of the California State University (the "Board") pursuant to The State University Revenue Bond Act of 1947, Sections 90010 through 90081 of the Education Code of the State of California (the "Act") and an indenture dated as of April 1, 2002, as supplemented (the "Indenture"), by and between the Board and the Treasurer of the State of California, as trustee (the "State Treasurer").

CSU and Systemwide Financing Program

The California State University (the "CSU") system is an agency of the State of California (the "State") created by the Donohoe Higher Education Act in 1960, which reorganized higher education in California. At that time, twelve existing schools, previously under the jurisdiction of the State Board of Education, were brought under the stewardship of the Board. Today there are 23 campuses and nine off-campus centers in the CSU system. The campuses are geographically disbursed throughout the State to provide a wide spectrum of higher education services. During the Fall term of the 2010-11 academic year, CSU provided instruction to approximately 348,000 undergraduate students and approximately 63,000 graduate students. See Appendix A for a general description of CSU and Appendix B for an overview of each CSU campus.

CSU issues debt to finance many of its capital facilities needs. Responsibility for the management of CSU debt obligations is centralized in the CSU Chancellor's Office, with oversight and ultimate approval by the Board. See Appendix A—"CALIFORNIA STATE UNIVERSITY—CSU and Related Entity Indebtedness."

The Series 2011A Bonds represent the fifteenth series of bonds issued by the Board pursuant to a systemwide debt financing program adopted on March 13, 2002 (the "Systemwide Financing Program"). Previously, the Board had financed various capital projects by issuing directly, or through auxiliary support organizations, separate series of bonds relating to individual projects, or one or more similar projects. The Systemwide Financing Program has a multi-source revenue pledge intended to create a more efficient borrowing structure with a more diverse revenue base. The Board retains the right to finance projects outside of the Systemwide Financing Program, although the Board expects that the Systemwide Financing Program will continue to be the primary long-term financing method for CSU revenue generating capital projects.

The revenues pledged under the Systemwide Financing Program generally include student housing fees, student union fees, parking fees, health center facility fees and continuing education fees derived from substantially all of the housing, parking, student union, student center, student health center and continuing education facilities owned or operated by the Board and other projects and revenues designated by the Board for inclusion in the Systemwide Financing Program. Those other projects and revenues include certain projects leased by the Board to certain auxiliary organizations of CSU and governmental entities related to CSU, including projects previously owned and financed by the California State University Headquarters Building Authority and the California State University, Channel Islands Site Authority. See "SECURITY FOR THE SERIES 2011A BONDS," "THE PROJECTS" and Appendix A – "CALIFORNIA STATE UNIVERSITY—Systemwide Revenue Bond Programs."

Security for the Series 2011A Bonds

The Series 2011A Bonds are limited obligations of the Board. The Series 2011A Bonds are being issued as additional bonds pursuant to the Indenture and will be secured on a parity with the approximately $3,179,768,000 aggregate principal amount of revenue bonds that will be outstanding pursuant to the Indenture upon issuance of the Series 2011A Bonds, taking into account the refunding of certain of such revenue bonds described under "REFUNDING PLAN." These revenue bonds together with the Series 2011A Bonds and any additional series of revenue bonds that the Board may issue in the future from time to time in accordance with the Indenture are referred to in this Official Statement as the "Systemwide Revenue Bonds." See "SECURITY FOR THE SERIES 2011A BONDS—Parity Lien Indebtedness" and "—No Senior Lien Indebtedness."

The Board has covenanted in the Indenture that it will not incur any additional Indebtedness secured by a Senior Lien. See "SECURITY FOR THE SERIES 2011A BONDS— No Senior Lien Indebtedness." The Board may incur additional Indebtedness secured by a pledge and lien on Gross Revenues on a parity with the Systemwide Revenue Bonds upon satisfaction of certain requirements for incurring Indebtedness secured by a Parity Lien under the Indenture. See "SECURITY FOR THE SERIES 2011A BONDS—Parity Lien Indebtedness."

There is no bond reserve fund established by the Indenture to secure the Systemwide Revenue Bonds.

The Systemwide Revenue Bonds do not constitute a liability of or a lien or charge upon the funds or property of the State of California or of the Board, except to the extent of the aforementioned pledge under the Indenture. The Board has no taxing power.

Purpose of the Series 2011A Bonds

The proceeds of the Series 2011A Bonds will be used for the purpose of financing and refinancing the acquisition, construction, improvement and renovation of certain facilities of CSU. In that connection, a portion of the proceeds of the Series 2011A Bonds, together with certain other moneys, will be applied to refund certain bonds issued by an auxiliary organization of CSU and certain Outstanding Systemwide Revenue Bonds (the "Prior Bonds"). See "REFUNDING PLAN," Appendix A—"CSU AND RELATED ENTITY INDEBTEDNESS—Commercial Paper" and Appendix H—"PROJECTS FINANCED AND BONDS REFUNDED WITH SERIES 2011A BONDS."

Redemption

The Series 2011A Bonds are subject to optional and mandatory sinking account redemption as described herein. See "THE SERIES 2011A BONDS—Redemption."

Continuing Disclosure

The Board has covenanted for the benefit of the registered owners and Beneficial Owners of the Series 2011A Bonds to provide certain financial information and operating data relating to the Series 2011A Bonds (the "Annual Report") not later than the January 1 following the end of the Board's fiscal year (which fiscal year currently ends June 30), commencing with the report for the fiscal year ending June 30, 2011, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and notices of material events will be filed with the Municipal Securities Rulemaking Board. See "CONTINUING DISCLOSURE." The specific nature of the information to be contained in the Annual Report and in the notice of material events is summarized in Appendix E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters of the Series 2011A Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements generally are identifiable by the terminology used, such as "plan," "expect," "estimate," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "INTRODUCTION" and Appendix A.

The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Board 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, except as described under the caption "CONTINUING DISCLOSURE" and in Appendix E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Certain Information Related to this Official Statement

This Official Statement contains brief descriptions of the Series 2011A Bonds, security for the Series 2011A Bonds, the Board, the Projects, the Continuing Disclosure Certificate and the Indenture. General information concerning CSU, including the Systemwide Financing Program, is contained in Appendices A and B. The audited Financial Statements of CSU for the fiscal year ended June 30, 2010 are contained in Appendix C-1 and the audited Financial Statements of the CSU Systemwide Revenue Bond Program Fund for the fiscal year ended June 30, 2010 are contained in Appendix C-2. The summaries of the Indenture and the Continuing Disclosure Certificate contained herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the Indenture and the Continuing Disclosure Certificate. Copies of the Indenture, the Continuing Disclosure Certificate and other documents referenced herein are available for inspection and for delivery from the Board at Chancellor's Office, 401 Golden Shore, 5th Floor, Long Beach, California 90802-4210, Attention: Senior Director, Financing and Treasury.

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Board since the date hereof. All financial and other information presented in this Official Statement has been provided by the Board from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the Board. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

Capitalized terms used herein which are not otherwise defined have the meanings set forth under the heading Appendix D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—CERTAIN DEFINED TERMS."

Tax Matters

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Board, 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 2011A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), and interest on the Series 2011A Bonds is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2011A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that interest on the Series 2011A Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011A Bonds. See "TAX MATTERS".

THE SERIES 2011A BONDS

General

The Series 2011A Bonds are issued in fully registered form in denominations of $5,000 and any integral multiple thereof. The Series 2011A Bonds will bear interest from their date of delivery, and will mature on the dates and in the principal amounts set forth on the inside cover page hereof, subject to the rights of prior redemption described herein.

Interest on the Series 2011A Bonds is payable on May 1, 2012 and semiannually thereafter on May 1 and November 1 of each year. The record date for the payment of such interest on the Series 2011A Bonds is the close of business on the fifteenth day of the month immediately preceding such interest payment date. As described in Appendix G—"BOOK ENTRY ONLY SYSTEM," principal and interest on the Series 2011A Bonds are payable directly to DTC by the State Treasurer. Upon receipt of payments of principal and interest, DTC is to in turn remit such principal and interest to the Direct Participants in DTC for disbursement to the Beneficial Owners of the Bonds.

Book Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2011A Bonds. The ownership of one fully registered Series 2011A Bond for each maturity set forth on the inside cover page hereof, in the aggregate principal amount of the Series 2011A Bonds maturing on that date, will be registered in the name of Cede & Co., as nominee of DTC. See Appendix G—"BOOK ENTRY ONLY SYSTEM" for a description of DTC and the Book Entry Only System.

Redemption

Optional Redemption. The Series 2011A Bonds maturing on or before November 1, 2021 are not subject to redemption prior to their respective stated maturities. The Series 2011A Bonds maturing on or after November 1, 2022 are subject to redemption prior to their respective stated maturities, at the option of the Board from lawfully available funds deposited in the Optional Redemption Account as a whole or in part on any date, on or after November 1, 2021 (in such order of maturity as shall be selected by the Board in a written order of the Board filed with the State Treasurer and by lot within a maturity) at a price of the par amount thereof, without premium, together with accrued interest to the date fixed for redemption.

Sinking Account Redemption. The Series 2011A Bonds maturing on November 1, 2037 are subject to redemption prior to maturity in part, by lot, at the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, from mandatory sinking account payments in the following amounts, commencing on November 1, 2032 according to the following schedule:

Schedule of Mandatory Sinking Account Payments
Series 2011A Bonds Maturing November 1, 2037

Redemption Date (November 1)	Principal Amount
2032	$ 9,100,000
2033	9,555,000
2034	10,050,000
2035	10,570,000
2036	11,105,000
2037*	11,420,000

*Maturity

The Series 2011A Bonds maturing on November 1, 2042 are subject to redemption prior to maturity in part, by lot, at the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, from mandatory sinking account payments in the following amounts, commencing on November 1, 2038 according to the following schedule:

Schedule of Mandatory Sinking Account Payments
Series 2011A Bonds Maturing November 1, 2042

Redemption Date (November 1)	Principal Amount
2038	$11,260,000
2039	11,835,000
2040	12,445,000
2041	13,080,000
2042*	12,040,000

*Maturity

Notice of Redemption. If DTC or its nominee is the registered owner of any Series 2011A Bond to be redeemed, notice of redemption will be given to DTC or its nominee as the registered owner of such Series 2011A Bond. Any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner of any Series 2011A Bond to be redeemed shall not affect the validity of the redemption of such Series 2011A Bond.

Notice of redemption shall be given by mail not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption, to the respective registered owners of any Series 2011A Bonds designated for redemption at their addresses appearing on the bond registration books of the State Treasurer. Each notice of redemption shall state the date fixed for redemption, the place or places of redemption, and, as further described in the following paragraph, if such funds are not then held by the State Treasurer, that such redemption will be cancelled if the funds are not held by the State Treasurer on the date fixed for redemption, the maturities, and, if less than all of any such maturity, the distinctive numbers of the Series 2011A Bonds of such maturity, to be redeemed and, in the case of Series 2011A Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and shall also state that on said date there will become due and payable on each of said Series 2011A Bonds the principal thereof or of said specified portion of the principal thereof, in the case of a Series 2011A Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such date interest thereon shall cease to accrue, and shall require that such Series 2011A Bonds be then surrendered.

With respect to any notice of optional redemption of Series 2011A Bonds, such notice may state that such redemption shall be conditional upon the receipt by the State Treasurer on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Series 2011A Bonds to be redeemed and that, if such moneys shall not have been so received, said notice shall be of no force and effect and the State Treasurer shall not be required to redeem such Series 2011A Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the State Treasurer shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Notice of redemption of Bonds shall be given by the State Treasurer for and on behalf of the Board. Any failure of the State Treasurer to mail notice of redemption of any Series 2011A Bond to any Bondholder or any defect in such notice shall not affect the validity of the proceedings for redemption of any other Series 2011A Bond.

Selection of Series 2011A Bonds for Redemption. Under the Indenture, the Series 2011A Bonds that are subject to optional redemption may be selected for such redemption in such amounts and order of maturity or Mandatory Sinking Account Payment of Outstanding Series 2011A Bonds as shall be selected by the Board. Whenever provision is made in the Indenture for the redemption of the Series 2011A Bonds or a portion thereof by lot, and less than all of the Series 2011A Bonds or portion thereof are called for redemption, and if the Series 2011A Bonds are in book-entry form at the time of such redemption, the State Treasurer shall provide written notice to DTC in accordance with the Indenture and the DTC Letter of Representations of the Board, filed with DTC upon the issuance of the Series 2011A Bonds. If the Series 2011A Bonds of any maturity are to be redeemed prior to maturity and if the Series 2011A Bonds are not then in book-entry form at the time of such redemption, on each redemption date, the State Treasurer shall select the Series 2011A Bonds to be redeemed, from the Outstanding Series 2011A Bonds or portion thereof not previously called for redemption, by lot in any manner which the State Treasurer in his sole discretion shall deem appropriate and fair.

As described in Appendix G—"BOOK ENTRY ONLY SYSTEM," DTC shall select Series 2011A Bonds for redemption in accordance with its customary practices and procedures and neither the Board nor the State Treasurer shall have any responsibility to ensure that DTC has properly selected such Series 2011A Bonds for redemption.

Effect of Redemption of Series 2011A Bonds. Notice of redemption having been duly given as provided in the Indenture, and moneys for payment of the interest accrued to the date fixed for redemption on, the Series 2011A Bonds (or portions thereof) so called for redemption being held by the State Treasurer, on the date fixed for redemption designated in such notice the Series 2011A Bonds (or portions thereof) so called for redemption shall become due and payable at the principal amount specified in such notice and interest accrued thereon to the date fixed for redemption, interest on the Series 2011A Bonds (or portions thereof) so called for redemption shall cease to accrue, said Series 2011A Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Holders of said Series 2011A Bonds shall have no rights in respect thereof except to receive payment of said principal amount and accrued interest.

SECURITY FOR THE SERIES 2011A BONDS

Limited Obligations

As described in this section, the Series 2011A Bonds are limited obligations of the Board, payable from Gross Revenues and other amounts pledged under the Indenture. The Series 2011A Bonds will not constitute a liability of or a lien upon the funds or property of the State of California or of the Board, except to the extent of the aforementioned pledge under the Indenture. The Board has no taxing power.

Pledge

The Series 2011A Bonds will be secured solely by the Gross Revenues and other amounts pledged under the Indenture. See Appendix D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Pledge and Assignment; Gross Revenue Fund; Revenue Fund."

Gross Revenues. As defined in the Indenture, Gross Revenues means (i) all income, rentals, fees, rates, charges, insurance proceeds, condemnation proceeds and other moneys derived from the ownership or operation of the Projects, but excluding any refundable deposits, fines or forfeitures or operating revenues from student unions or student centers that are not mandatory student center fees, and (ii) any other revenues, receipts, income or other moneys from time to time designated by the Board for the payment of principal of and interest on the Systemwide Revenue Bonds, in each case subject to the provisions of the Security Documents governing any Indebtedness secured by a Senior Lien. There is no outstanding Indebtedness of the Board secured by a Senior Lien, and the Board has covenanted in the Indenture that it will not incur Indebtedness secured by a Senior Lien.

The term "Projects," as defined in the Indenture, means, on any given date, (i) all of the housing, parking, student union, student center, student health center and continuing education facilities owned or operated by the Board and (ii) any other facilities designated by the Board as Projects under the Indenture in a Certificate of the Board filed with the State Treasurer, except in all cases the Excluded Facilities. "Excluded Facilities" means any facilities which may be designated from time to time by the Board as Excluded Facilities in a Certificate of the Board which is filed with the State Treasurer. There are currently no Excluded Facilities. See "THE PROJECTS—Excluded Facilities." As more fully described below under the caption "—Rate Covenant," the Board has covenanted to set rates, charges and fees for Projects at levels necessary to meet debt service obligations of the Systemwide Revenue Bonds.

Gross Revenues consist primarily of mandatory and user fees collected from students attending CSU campuses. Gross Revenues do not include the Tuition Fee (previously known as the State University Fee), which is the basic enrollment charge paid by all students who attend CSU. For a description of the fees and certain other amounts constituting Gross Revenues, their method of collection and recent historical collections, see Appendix A—"CALIFORNIA STATE UNIVERSITY—Systemwide Revenue Bond Programs."

The Board covenants in the Indenture that, so long as any of the Systemwide Revenue Bonds remain Outstanding, (i) all of the Gross Revenues not encumbered by any Senior Lien shall be deposited as soon as practicable upon receipt in a fund designated as the "Trustees of the California State University Systemwide Revenue Bonds Gross Revenue Fund" (the "Gross Revenue Fund") which the Board shall establish and maintain and (ii) funds equal to Gross Revenues encumbered by any Senior Lien shall be deposited in the Gross Revenue Fund at the earliest practicable time and to the extent such funds are available pursuant to the terms of the Security Documents evidencing such Senior Lien.

Prior to the occurrence of an Event of Default under the Indenture, amounts in the Gross Revenue Fund may be used and withdrawn by the Board at any time for any lawful purpose. In the case of an Event of Default, amounts in the Gross Revenue Fund will be used to pay certain expenses, including Maintenance and Operating Expenses with respect to Projects, before payment of debt service on the Systemwide Revenue Bonds, all as further described in Appendix D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Pledge and Assignment; Gross Revenue Fund; Revenue Fund" and "—Application of Gross Revenues and Other Funds After Default."

Rate Covenant

The Board has covenanted in the Indenture to set rates, charges, and fees for the Projects for the then current Fiscal Year so as to cause Net Income Available for Debt Service to be in an amount at least equal to Aggregate Debt Service for all Indebtedness and Designated Auxiliary Debt for such Fiscal Year. See Appendix D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Particular Covenants of the Board of Trustees."

The annual debt service on the Systemwide Revenue Bonds is set forth in Table 9 in Appendix A. The Gross Revenues for the five fiscal years ended June 30, 2010 are summarized by program element in Table 8 in

Appendix A. See Appendix A—"CALIFORNIA STATE UNIVERSITY—Financial Information Related to Systemwide Revenues" and Appendix C-2—"AUDITED FINANCIAL STATEMENTS OF THE CALIFORNIA STATE UNIVERSITY SYSTEMWIDE REVENUE BOND PROGRAM FUND AS OF JUNE 30, 2010", including Note (1)(j) therein.

Parity Lien Indebtedness

Pursuant to the Indenture, the Board may from time to time issue additional series of Systemwide Revenue Bonds to provide funds to pay the costs of acquiring, constructing, financing and refinancing the Projects as determined by the Board and in accordance with the requirements of the Indenture, including the requirements for issuing or incurring Indebtedness secured by a Parity Lien described in the next paragraph. The maximum principal amount of Systemwide Revenue Bonds that may be issued under the Indenture is not limited.

In addition, so long as no Event of Default has occurred or is continuing under the Indenture, the Board may issue or incur Indebtedness secured by a Parity Lien if there is filed with the State Treasurer a Certificate of the Board confirming its expectation that, for the first full Fiscal Year following the date the Project financed or refinanced with the proceeds of such Indebtedness secured by a Parity Lien is placed in service, Net Income Available for Debt Service for such Fiscal Year shall be in an amount at least equal to Aggregate Debt Service for such Fiscal Year on all Indebtedness secured by a Parity Lien and Designated Auxiliary Debt. See Appendix D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Particular Covenants of the Board of Trustees."

The Indenture does not limit the power of the Board to issue or incur (a) any Indebtedness secured by a Subordinate Lien; or (b) any Indebtedness which is not secured by any pledge, lien or encumbrance on Gross Revenues.

No Senior Lien Indebtedness

There is no outstanding Indebtedness of the Board secured by a Senior Lien, and the Board has covenanted in the Indenture that it will not incur Indebtedness secured by a Senior Lien.

ESTIMATED SOURCES AND USES OF FUNDS

SOURCES

Principal Amount of Series 2011A Bonds	$429,855,000.00
Net Original Issue Premium	46,206,768.55
Moneys Related to Prior Bonds and Funds on Hand	1,050,892.33
Total Sources of Funds	$477,112,660.88

USES

Series 2011A Project Account [1]	$229,909,603.18
Escrow Funds[2]	226,883,696.07
Series 2011A Capitalized Interest Account	17,503,743.16
Series 2011A Costs of Issuance[3]	2,815,618.47
Total Uses of Funds	$477,112,660.88

(1) Moneys in the Series 2011A Project Account will be used to pay costs of financing and refinancing the Series 2011A Projects listed in Appendix H.

(2) Certain moneys related to the Prior Bonds, together with proceeds of the Series 2011A Bonds deposited into the Escrow Funds, will be used to defease or repay the Prior Bonds listed in Appendix H.

(3) Includes Underwriters' discount and fees and costs of Bond Counsel, Disclosure Counsel and the State Treasurer and rating agency fees and financial advisor fees.

REFUNDING PLAN

The Board has authorized Systemwide Revenue Bonds to refund $7,325,000 aggregate principal amount of certain outstanding bonds issued by California State University, Fresno Association, Inc., an auxiliary organization serving CSU (the "Auxiliary") and $201,850,000 aggregate principal amount of certain Systemwide Revenue Bonds identified in the following table (collectively, the "Prior Bonds"). To refund the Prior Bonds, a portion of the proceeds of the Series 2011A Bonds together with certain moneys held in connection with certain of the Prior Bonds will be deposited in trust with each of the trustees for the Prior Bonds, as escrow agent (each, an "Escrow Agent"), in the Escrow Funds created pursuant to Escrow Agreements, dated as of September 1, 2011 between the applicable Escrow Agent and the Auxiliary or the Board, as applicable. The money so deposited will be used to purchase non-callable direct obligations of the United States of America (the "Federal Securities"), the principal of and interest on which (together with any initial cash deposit) will be sufficient to pay the principal of and interest on the Prior Bonds to and including their respective redemption dates, plus any applicable redemption premiums as shown in the following table and in Appendix H. Upon such deposit and provision for any required redemption notice, the Prior Bonds will no longer be deemed to be outstanding and will have been defeased in accordance with their respective terms. The holders of Prior Bonds will thereafter be entitled to payment only from proceeds of the Federal Securities and funds (if any) on deposit in the respective Escrow Fund established for such Prior Bonds. The cash flow adequacy of the Escrow Funds will be verified by the certified public accounting firm of Causey Demgen & Moore, Inc.

Systemwide Revenue Bonds to Be Refunded by Series 2011A Bonds

Series	*Principal to be Refunded*	*Redemption Date*	*Redemption Price*	*CUSIP (Base)*
Systemwide Revenue Bonds, Series 2002A	$ 85,185,000	November 1, 2012	100%	130774
Systemwide Revenue Bonds, Series 2003A	116,665,000	May 1, 2013	100	13077C

Auxiliary Organization Revenue Bonds to Be Refunded by Series 2011A Bonds

Organization/Series	*Principal to be Refunded*	*Redemption Date*	*Redemption Price*	*CUSIP (Base)*
California State University, Fresno Association, Inc., Auxiliary Organization Refunding Revenue Bonds (Student Residence Project), Series 2001	$7,325,000	November 1, 2011	101%	13077P

THE PROJECTS

General Description

The Projects that contribute toward Gross Revenues include (i) all housing, student union, parking, student centers, student health and continuing education facilities, and (ii) other facilities designated by the Board, except, in all cases, facilities designated by the Board as Excluded Facilities. The current Projects are located at all 23 campuses of CSU. All Projects are owned by the Board and are operated by CSU or an auxiliary organization. The Projects are generally described as follows:

Student Housing: Twenty-two of the 23 campuses comprising the CSU system operate housing facilities under the State University Revenue Bond Act of 1947. In Fall 2010, the design capacity for the housing facilities was 45,264 spaces, which was approximately 11% of the Fall 2010 enrollment for CSU. Operational capacity by campus is set forth in Appendix C-2—"AUDITED FINANCIAL STATEMENTS OF THE CALIFORNIA STATE UNIVERSITY SYSTEMWIDE REVENUE BOND PROGRAM FUND AS OF JUNE 30, 2010." The Gross Revenues derived from the housing facilities constitute a portion of the Gross Revenues securing the Systemwide Revenue Bonds.

Student Union: As of Fall 2010, 22 of the 23 campuses in the CSU system operated student union facilities and collected student body center fees. The student body center fees constitute a portion of the Gross Revenues securing the Systemwide Revenue Bonds.

Parking: All 23 campuses operate parking lots and structures to accommodate students, faculty, staff and visitors. Establishment of parking rates is delegated by the Board to the Chancellor, who further delegates the authority to each respective campus president. As of June 30, 2010, there were approximately 159,409 parking spaces comprising the parking projects designated under the Indenture. The parking revenues constitute a portion of the Gross Revenues securing the Systemwide Revenue Bonds.

Student Health Facilities: Twenty-two of the 23 campuses in the CSU system operate student health facilities and collect a health center facility fee that constitutes a portion of the Gross Revenues securing the Systemwide Revenue Bonds. These fees are not pledged to secure any indebtedness other than the Systemwide Revenue Bonds.

Continuing Education Facilities: On each of the CSU campuses, there are several types of Extended University programs offered by CSU that comprise the Continuing Education Program: Certificate Programs; On-line Programs and Courses; Professional Development; Off-Campus Degree Programs; Test Preparation; and Corporate Training and In-Service Education. Each student enrolling in a continuing education class pays a fee per class collected at the time of registration. The fees are established by each campus and constitute a portion of the Gross Revenues securing the Systemwide Revenue Bonds.

Facilities of Certain Auxiliary Organizations and Other Entities: From time to time certain facilities serving CSU are owned, operated or financed with the participation of an auxiliary organization or a special purpose governmental unit. See Appendix A—"CALIFORNIA STATE UNIVERSITY—Governance and Administration—Campus Administration" and "SYSTEMWIDE REVENUE BOND PROGRAMS—Auxiliary Organizations Program and Other Entities." These facilities may include, but are not limited to, the types of facilities described above. In certain cases, a facility financed or refinanced by the Board with Systemwide Revenue Bonds may be leased from the Board, as lessor, to an auxiliary organization or governmental unit, as lessee. Under the terms of the lease, the lessee will agree to operate the facility and to make certain rental payments to the Board which will constitute a portion of the Gross Revenues securing the Systemwide Revenue Bonds. In other cases, the Board may loan proceeds of Systemwide Revenue Bonds to an auxiliary organization to pay for the costs of acquiring or constructing such facilities and such auxiliary organizations will agree to make loan payments to the Board which will constitute Gross Revenues under the Indenture. At the time the lease or loan is entered into, certain lessees or borrowers may have outstanding debt and the obligation to make payments to the Board under the lease or loan may be on a parity with, or junior and subordinate to, such debt of the lessee or borrower. In addition, certain auxiliary organizations, their debt and revenues may be designated by the Board pursuant to the Indenture as Designated Auxiliary Organizations, Designated Auxiliary Revenues and Designated Auxiliary Debt, respectively, and treated accordingly for purposes of the rate covenant and the additional borrowing test under the Indenture. See "SECURITY FOR THE SERIES 2011A BONDS—Rate Covenant" and "—Parity Lien Indebtedness" and Appendix A—"CALIFORNIA STATE UNIVERSITY—Auxiliary Organizations Program and Other Entities." There are currently 15 auxiliary organizations that are Designated Auxiliary Organizations with Designated Auxiliary Revenues and Designated Auxiliary Debt, the same 15 auxiliary organizations that make loan or lease payments that have been designated as Gross Revenues by the Board.

For information on certain approval procedures, the acquisition and construction process and the operation and maintenance of the Projects, see Appendix A.

Excluded Facilities

Under the Indenture, the Board may, at any time, without the consent of owners of the Series 2011A Bonds, designate any existing or future facilities as Excluded Facilities. Certain facilities operated by the Board, because they were not a part of the facilities that provide funds for repayment of the Board's debt programs, have been designated in the past as Excluded Facilities. Although the Excluded Facilities may change from time to time at the discretion of the Board, there are currently no Excluded Facilities. The revenues derived from Excluded Facilities do not constitute a part of the Gross Revenues, and therefore the historic Gross Revenues set forth in Table 8 in Appendix A do not include any revenues derived from Excluded Facilities. As described further in Appendix A under the heading "SYSTEMWIDE REVENUE BOND PROGRAMS—Debt Management Program" the Board adopted a policy in March 2002 that restricts the designation of Excluded Facilities by the Board. As more fully described above under the heading "SECURITY FOR THE SERIES 2011A BONDS—Rate Covenant," the Board has covenanted to set rates, charges and fees for Projects at levels necessary to generate Gross Revenues sufficient to meet debt service obligations of the Systemwide Revenue Bonds.

Effect of Damage to or Loss of Projects

Damage to or destruction of one or more Projects as a result of seismic or other events could result in a reduction in the Gross Revenues collected, and a major disaster could have a material adverse effect on the ability of CSU to collect sufficient Gross Revenues.

Under the Indenture, CSU is required to maintain property and casualty insurance in such amounts and against such risks as are appropriate, as determined by the Board, for facilities of similar size and nature as the Projects, in the event and to the extent that such insurance is customarily maintained by the Board for facilities of similar size and nature as the Projects. See Appendix A—"CALIFORNIA STATE UNIVERSITY—OTHER MATTERS—Insurance" for a description of the insurance currently maintained by CSU. Notwithstanding this insurance program, losses could be incurred due to uninsured events or damage in excess of any coverage then in effect. CSU does not currently insure the Projects against risk of loss due to earthquakes or flood.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Board ("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 2011A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), and interest on the Series 2011A Bonds is exempt from State of California personal income taxes. Bond Counsel is also of the opinion that interest on the Series 2011A 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 in calculating corporate alternative minimum taxable income. Bond Counsel expects to deliver an opinion at the time of issuance of the Series 2011A Bonds substantially in the form set forth in Appendix F hereto.

To the extent the issue price of any maturity of the Series 2011A Bonds is less than the amount to be paid at maturity of such Series 2011A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2011A Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Series 2011A 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 2011A Bonds is the first price at which a substantial amount of such maturity of the Series 2011A 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 2011A Bonds accrues daily over the term to maturity of such Series 2011A 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 2011A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2011A Bonds. Owners of the Series 2011A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2011A Bonds with original issue discount, including the treatment of purchasers who do not purchase such Series 2011A Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2011A Bonds is sold to the public.

Series 2011A 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 2011A Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium 2011A 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 purchaser's basis in a Premium 2011A Bond, will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium 2011A 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 tax purposes of interest on obligations such as the Series 2011A Bonds. The Board has made certain representations and has covenanted to comply with certain restrictions designed to ensure that interest on the Series 2011A 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 2011A Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Series 2011A 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) after the date of issuance of the Series 2011A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2011A Bonds.

Certain requirements and procedures contained or referred to in the Indenture, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2011A Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series 2011A Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe LLP.

Although Bond Counsel is of the opinion that interest on the Series 2011A Bonds is excluded from gross income for federal income tax purposes and that the interest on the Series 2011A Bonds is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011A Bonds may otherwise affect a beneficial owner's federal or state tax liability. The nature and extent of these other tax consequences will depend 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 legislation, if enacted into law, or clarification of the Code may cause interest on the Series 2011A Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Series 2011A Bonds. Prospective purchasers of the Series 2011A Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation, 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 2011A 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 Board, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Board has covenanted, however, to comply with the requirements of the Code.

The IRS has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the IRS, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. Bond Counsel is not obligated to defend the beneficial owners regarding the tax-exempt status of the Series 2011A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Board 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 Board legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2011A 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 2011A Bonds, and may cause the Board or the beneficial owners to incur significant expense.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, sale and delivery by the Board of the Series 2011A Bonds and with regard to the tax status of interest on the Series 2011A Bonds under existing laws are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel, will provide certain other legal services for the Board. The form of opinion Bond Counsel proposes to render with respect to the Series 2011A Bonds is attached as Appendix F hereto.

CONTINUING DISCLOSURE

The Board has covenanted for the benefit of the holders and beneficial owners of the Series 2011A Bonds to provide certain financial information and operating data relating to CSU by not later than January 1 following the end of CSU's fiscal year (which fiscal year as of the date hereof ends June 30) (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and notices of material events will be filed directly 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 summarized in Appendix E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." Pursuant to the Indenture, failure of the Board to comply with its obligations under the Continuing Disclosure Certificate will not be considered an event of default under the Indenture. However, the Trustee and any holder or Beneficial Owner (as defined in the Continuing Disclosure Certificate) may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Board to comply with its obligations under the Continuing Disclosure Certificate.

The Board has complied in all material respects with all previous undertakings with regard to providing such annual reports or notices of such material events in accordance with Rule 15c2-12 of the Securities and Exchange Commission.

LEGALITY FOR INVESTMENT

Under provisions of the Act, the Series 2011A Bonds are legal investments in California for commercial and savings banks, all trust funds, for the funds of all insurance companies, trust companies, and for State school funds. Any moneys or funds which may by law be invested in bonds of a county, municipality or school district may be invested in the Series 2011A Bonds, and the Series 2011A Bonds may also be used as security for the deposit of public moneys in banks in California.

LITIGATION

There is no litigation of any nature pending against the Board as of the date of this Official Statement to restrain or enjoin the issuance, sale, execution or delivery of the Series 2011A Bonds or in any way contesting or affecting the validity of the Series 2011A Bonds or the security thereof, or any proceedings of the Board taken with respect to the issuance or sale thereof. At the time of delivery of the Series 2011A Bonds, the Board will furnish a certificate to the effect that no such litigation is then pending.

At any given time, including the present, there are certain other claims and disputes, including those currently in litigation, that arise in the normal course of CSU's activities. Such matters could, if determined adversely to the Board, affect expenditures by the Board, and in some cases, its Gross Revenues. The Board and its General Counsel are of the opinion that no pending actions are likely to have a material adverse effect on the Board's ability to pay the principal of, premium, if any, and interest on the Series 2011A Bonds when due.

RATINGS

The Series 2011A Bonds have been assigned ratings of "Aa2" and "A+" by Moody's Investors Service and Standard & Poor's Ratings Services, respectively. Such ratings reflect only the views of the respective rating agency, and explanations of the significance of the ratings must be obtained from the rating agency furnishing such rating. There is no assurance that such ratings will continue for any given period of time or will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of the rating agencies circumstances so warrant. A downward revision or withdrawal of any such credit ratings may have an adverse effect on the market price of the Series 2011A Bonds.

UNDERWRITING

The Series 2011A Bonds are being purchased by an underwriting group represented by Barclays Capital Inc. (collectively called the "Underwriters") from the State Treasurer, who is authorized pursuant to the Act to sell the Series 2011A Bonds on behalf of the Board. The Underwriters have agreed to purchase the Series 2011A Bonds at a price of $473,980,541.72. The price represents the principal amount of the Series 2011A Bonds, plus a net original issue premium of $46,206,768.55, less an Underwriters' discount of $2,081,226.83. The purchase contract pursuant to which the Series 2011A Bonds are being sold provides that the Underwriters will purchase all of the Series 2011A Bonds if any such Series 2011A Bonds are purchased with the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase contract, the approval of certain legal matters by counsel and certain other conditions.

Backstrom McCarley Berry & Co., LLC ("BMcB"), one of the Underwriters, has entered into a non-exclusive Master Selling Group Agreement with Mitsubishi UFJ Securities (USA), Inc. and a Broker/Dealer Agreement with Stern Brothers & Co. for the distribution of certain securities offerings, including the Series 2011A Bonds, at the original issue prices. Pursuant to the distribution agreements, Mitsubishi UFJ Securities (USA), Inc. and/or Stern Brothers & Co. will purchase Series 2011A Bonds from BMcB at the original issue price less a negotiated portion of the selling concession applicable to any Series 2011A Bonds that such firm sells.

Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, and Barclays Capital Inc., one of the Underwriters, established a strategic alliance in May of 2009, which enables Pershing LLC to participate as a selling group member and a retail distributor for all new issue municipal bond offerings underwritten by Barclays Capital Inc., including the Series 2011A Bonds offered hereby. Pershing LLC will receive a selling concession from Barclays Capital Inc. in connection with its distribution activities relating to the Series 2011A Bonds.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase Series 2011A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2011A Bonds that such firm sells.

Prager, Sealy & Co., LLC, one of the Underwriters, has entered into distribution agreements (the "Prager Distribution Agreements") with HSBC Securities and HSBC Private Wealth Management Groups for the retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to the Prager Distribution Agreements (if applicable for this transaction), Prager, Sealy & Co., LLC will share a portion of its underwriting compensation with respect to the Series 2011A Bonds with HSBC Securities and HSBC Private Wealth Management Groups.

Stone & Youngberg LLC, one of the Underwriters, has entered into agreements (the "Stone Distribution Agreements") with Stifel, Nicolaus & Company and First Republic Securities Company LLC, Member FINRA/SIPC, a subsidiary of First Republic Bank, for retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to the Stone Distribution Agreements, if applicable to the Series 2011A Bonds, Stone & Youngberg LLC will share a portion of its underwriting compensation with respect to the Series 2011A Bonds with Stifel, Nicolaus & Company and First Republic Securities Company LLC.

FINANCIAL ADVISOR

The Board has entered into an agreement with KNN Public Finance (the "Financial Advisor"), a division of Zions First National Bank, whereunder the Financial Advisor provides financial recommendations and guidance to the Board with respect to preparation for sale of the Series 2011A Bonds, timing of sale, tax-exempt bond market conditions, costs of issuance and other factors related to the sale of the Series 2011A Bonds. The Financial Advisor has read and participated in the drafting of certain portions of this Official Statement. The Financial Advisor has not audited, authenticated or otherwise verified the information set forth in the Official Statement.

FINANCIAL INTERESTS

The fees payable to the Underwriters, Underwriters' Counsel, Bond Counsel, Disclosure Counsel and the Financial Advisor are contingent upon the issuance of the Series 2011A Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore, Inc. ("Causey"), a firm of independent public accountants, will deliver to the Board, on or before the settlement date of the Series 2011A Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Federal Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements of the Prior Bonds, and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Series 2011A Bonds will be excluded from gross income for federal income tax purposes.

The verification performed by Causey will be solely based upon data, information and documents provided to Causey by the Board and its representatives. Causey has restricted its procedures to recalculating the computations provided by the Board and its representatives and has not evaluated or examined the assumptions or information used in the computations.

AUDITED FINANCIAL STATEMENTS

The audited financial statements for Fiscal Year 2009-10 for CSU included in Appendix C-1 of this Official Statement have been audited by KPMG LLP (the "Auditor"), certified public accountants, independent auditor, as stated in its reports included in Appendix C-1 herein. The audited financial statements for Fiscal Year 2009-10 for the CSU Systemwide Revenue Bond Program Fund included in Appendix C-2 of this Official Statement have also been audited by the Auditor, as stated in its report included in Appendix C-2 herein. The Auditor has not consented to the inclusion of its reports herein and has not undertaken to update its reports. No opinion is expressed by the Auditor with respect to any event subsequent to its report dated December 17, 2010 of CSU. See Appendix C-1. No opinion is expressed by the Auditor with respect to any event subsequent to its report dated December 9, 2010 of the Systemwide Financing Program. See Appendix C-2. CSU believes that there has not been any material adverse change in the financial condition of CSU or the Systemwide Financing Program since June 30, 2010.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Board and the purchasers or holders of any of the Series 2011A Bonds.

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

TRUSTEES OF THE CALIFORNIA STATE UNIVERSITY

By: /s/ Dr. Charles B. Reed
Dr. Charles B. Reed
Chancellor

APPENDIX A

CALIFORNIA STATE UNIVERSITY

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APPENDIX A

CALIFORNIA STATE UNIVERSITY

GENERAL

California State University ("CSU") is the nation's largest system of public higher education serving more than 412,000 students and employing more than 47,000 faculty and staff. CSU spans the entire State of California (the "State") and includes the State's oldest public higher education institution. Its annual budget for Fiscal Year 2011-12 is approximately $7 billion.

The CSU system (the "CSU System") is an agency of the State created by the Donohoe Higher Education Act in 1960, which reorganized higher education in California. At that time, twelve existing schools, previously under the jurisdiction of the State Board of Education, were brought under the stewardship of the Board of Trustees (the "Board"). Today there are 23 campuses and nine off-campus centers in the CSU System. See Appendix B for an overview of each campus.

Education Program

The educational responsibilities of CSU are to provide undergraduate and graduate instruction through bachelor's and master's degrees in the liberal arts and sciences, in applied fields, and the professions. A number of doctoral degrees are offered jointly with the University of California and with private institutions in California, and CSU is authorized to offer a Doctor of Education (Ed.D.) degree independently of any other institution of higher education. Since the implementation of the first CSU Ed.D. degree program in the Fall 2007, CSU has expanded this program to 14 participating campuses. In addition, CSU is currently developing Doctor of Nursing and Doctor of Physical Therapy programs. CSU has two polytechnic campuses, California Polytechnic State University, San Luis Obispo and California State Polytechnic University, Pomona that emphasize the applied fields of agriculture, engineering, business, home economics and other occupational and professional programs.

The mission statement of CSU lists the following general objectives:

- To advance and extend knowledge, learning, and culture, especially throughout California.
- To provide opportunities for individuals to develop intellectually, personally, and professionally.
- To prepare significant numbers of educated, responsible people to contribute to California's schools, economy, culture, and future.
- To encourage and provide access to an excellent education to all who are prepared for and wish to participate in collegiate study.
- To offer undergraduate and graduate instruction leading to bachelor's and higher degrees in the liberal arts and sciences, the applied fields, and the professions, including doctoral degrees when authorized.
- To prepare students for an international, multi-cultural society.
- To provide public services that enrich the university and its communities.

CSU confers bachelor's and master's degrees that span approximately 384 different degree programs, as well as teaching credentials.

Accreditation

The regional accrediting body for California, Hawaii, and certain Pacific Islands is the Western Association of Schools and Colleges ("WASC"), which is one of the six major regional college accreditation agencies in the United States. WASC's Accrediting Commission for Senior Colleges and Universities has granted institutional accreditation to all 23 CSU campuses.

GOVERNANCE AND ADMINISTRATION

The Board of Trustees

CSU is governed by the Board through the Chancellor, who is the chief executive officer of the CSU System.

Under present law there are 24 voting Trustees and one non-voting Trustee. Nineteen of the Trustees are appointed by the Governor for staggered terms of office. The Alumni Trustee is appointed by CSU-statewide Alumni Council. Appointments are for eight years, except for the Student Trustees, an Alumni Trustee and Faculty Trustee whose terms are for two years. After the expiration of their terms, Trustees remain on the Board until a replacement is named, provided, however, that a Trustee subject to State Senate confirmation may not remain on the Board longer than 60 days without reappointment. All appointments, except for the Student, Alumni and Faculty Trustees, must be confirmed by the State Senate.

Five voting Trustees are ex officio members: the Governor, the Lieutenant Governor, the Speaker of the Assembly, the State Superintendent of Public Instruction and the Chancellor.

The Governor is designated as the President of the Board. The Executive Vice Chancellor, Administration and Finance, and Chief Financial Officer Dr. Benjamin F. Quillian serves as Treasurer, and General Counsel Christine Helwick serves as Secretary.

The following individuals serve as voting members of the governing Board of CSU:

The Honorable Edmund G. Brown, Jr.	*Governor of California*
The Honorable Gavin Newsom	*Lieutenant Governor*
The Honorable John A. Pérez	*Speaker of the Assembly*
The Honorable Tom Torlakson	*State Superintendent of Public Instruction*
Dr. Charles B. Reed	*CSU Chancellor*
Dr. Herbert L. Carter	*Chair, CSU Board of Trustees*
A. Robert Linscheid	*Vice Chair, Alumni, CSU Board of Trustees*
Roberta Achtenberg	*Member, CSU Board of Trustees*
Carol R. Chandler	*Member, CSU Board of Trustees*
Bernadette Cheyne	*Faculty, CSU Board of Trustees*
Steven Dixon	*Student, CSU Board of Trustees*
Dr. Debra S. Farar	*Member, CSU Board of Trustees*
Dr. Kenneth Fong	*Member, CSU Board of Trustees*
Margaret Fortune	*Member, CSU Board of Trustees*
Steven Glazer	*Member, CSU Board of Trustees*
Melinda Guzman	*Member, CSU Board of Trustees*
William Hauck	*Member, CSU Board of Trustees*
Hsing Kung	*Member, CSU Board of Trustees*
Linda A. Lang	*Member, CSU Board of Trustees*
Dr. Peter G. Mehas	*Member, CSU Board of Trustees*
Henry Mendoza	*Member, CSU Board of Trustees*
Lou Monville	*Member, CSU Board of Trustees*
Dr. Glen O. Toney	*Member, CSU Board of Trustees*

Central Administration

The Board appoints the Chancellor, who is the Chief Executive Officer of CSU, and the President of each campus, who is the Chief Executive Officer of the respective campus. The Board, the Chancellor, and the Presidents develop systemwide policy, with actual implementation at the campus level taking place through broadly-based consultative procedures. Principal staff members of the CSU System are located in CSU offices at 401 Golden Shore, Long Beach, California. They include:

Dr. Charles B. Reed, Chancellor and member of the Board. Dr. Reed joined CSU as Chancellor in March 1998. Prior to this appointment he was the Chancellor of the State University System of Florida, beginning in 1985. Dr. Reed has worked in higher education since 1963.

Dr. Benjamin F. Quillian, Treasurer of the Board and Executive Vice Chancellor, Administration and Finance, and Chief Financial Officer, has been with the Chancellor's Office since 2008 and prior to that was Vice President and CFO at the CSU, Fresno campus. Dr. Quillian was the Senior Vice President for Business and Operations and Chief Financial Officer of the American Council of Education from 2003-2008. Dr. Quillian has worked in higher education for more than 30 years.

Dr. Ephraim P. Smith, Executive Vice Chancellor and Chief Academic Officer, was appointed in July 2010. Prior to his appointment, Dr. Smith was Vice President and Dean at California State University, Fullerton since 1998. Dr. Smith has been in the education field more than 35 years.

Christine Helwick, Secretary of the Board and General Counsel, was appointed to the position of General Counsel in March 1996, having joined CSU in 1994. Ms. Helwick came from the University of California, where she provided legal counsel beginning in 1978.

Garrett P. Ashley, Vice Chancellor, University Relations and Advancement, was appointed to the position in November 2008. Prior to joining CSU, Mr. Ashley was Undersecretary for International Trade in the Business and Housing Agency for the State of California and worked for Governor Arnold Schwarzenegger as Deputy Chief of Staff for Operations. Mr. Ashley's public policy and government experience extends to Congress and other Governor-appointed positions prior to 1991.

Gail Brooks, Vice Chancellor, Human Resources joined the Chancellor's Office in 2006, after having served for seven years as Assistant Vice Chancellor, Human Resources at the University of California, Irvine. Ms. Brooks has worked in human resources and labor relations for more than 20 years.

Larry Mandel, University Auditor, is the chief audit executive of CSU. Mr. Mandel has worked in the internal audit area for more than 30 years and in higher education for more than 40 years, spending the first ten years in academic program and resource administration.

Campus Administration

Campus presidents are the chief executive officers of their respective campuses. They are responsible to the Chancellor and the Board for all activities on their campuses, including those educational activities funded from State appropriations and a variety of support activities funded from Non-State resources. As a result, campus presidents are required to develop and oversee Non-State self-supporting services and programs.

The laws applicable to CSU include provisions for the establishment of auxiliary organizations, which are chartered by their respective campus to perform many of these Non-State self-supporting activities under the supervision of their respective campus president. These organizations operate pursuant to special written agreements with their respective campus and perform specific functions that contribute to the educational mission of the campus. They are subject to certain specific statutes, regulations and policies established by the Board of Trustees, the Chancellor, and the campus presidents and almost all are classified as non-profit for tax purposes. Due to restrictions on the use of State funds, activities conducted by the auxiliary organizations must be self-supporting. Revenue in excess of expenditures for a fiscal year is used to establish working capital and reserves and to pay for capital expenditures or special campus programs as developed through a campus program budget review process. Auxiliary organization financial activity is audited annually and incorporated in the CSU audited financial statements. For additional information, see "SYSTEMWIDE REVENUE BOND PROGRAMS—Auxiliary

Organizations Program and Other Entities" and Appendix C-1 — "AUDITED FINANCIAL STATEMENTS OF CALIFORNIA STATE UNIVERSITY AS OF JUNE 30, 2010."

THE CSU SYSTEM AND CAMPUSES

Enrollment

The following table sets forth fall enrollment figures for each CSU campus for the years 2006 to 2010.

TABLE 1
CALIFORNIA STATE UNIVERSITY
SIZE AND ENROLLMENT
2006 through 2010

Present Name	Date Institution Opened	Size of Campus Including Agricultural Acres	Fall Enrollment (Headcount)				
			2006	2007	2008	2009	2010(1)
CSU, Bakersfield	1970	376	7,711	7,700	7,684	8,003	7,906
CSU Channel Islands	2002	930	3,123	3,599	3,783	3,862	3,828
CSU, Chico	1889	773	16,250	17,034	17,132	16,934	15,989
CSU, Dominguez Hills	1965	356	12,068	12,082	12,851	14,477	13,854
CSU, East Bay	1959	355	12,706	13,124	14,167	14,749	12,889
CSU, Fresno	1911	1,410	22,098	22,383	22,613	21,500	20,932
CSU, Fullerton	1959	225	35,921	37,130	36,996	36,262	35,590
Humboldt State University	1914	144	7,435	7,773	7,800	7,954	7,903
CSU, Long Beach	1949	322	35,574	36,868	37,891	35,557	33,416
CSU, Los Angeles	1947	173	20,565	21,051	20,743	20,619	20,142
California Maritime Academy	1929	67	828	858	875	823	856
CSU, Monterey Bay	1995	1,387	3,818	4,080	4,340	4,340	4,790
CSU, Northridge	1958	353	34,560	35,466	36,208	35,198	35,272
California State Polytechnic University, Pomona	1938	1,437	20,510	21,477	21,190	22,273	20,747
CSU, Sacramento	1947	282	28,529	28,829	29,011	29,241	27,033
CSU, San Bernardino	1965	430	16,479	17,066	17,646	17,852	16,400
San Diego State University	1897	283	34,305	36,559	35,832	33,790	30,016
San Francisco State University	1899	128	29,628	30,125	30,014	30,469	29,718
San Jose State University	1862	154	29,604	31,906	32,746	31,280	29,076
California Polytechnic State University, San Luis Obispo	1901	6,051	18,722	19,777	19,471	19,325	18,360
CSU, San Marcos	1990	304	8,734	9,159	9,148	9,767	9,722
Sonoma State University	1961	219	8,274	8,770	8,921	8,546	8,395
CSU, Stanislaus	1960	220	8,374	8,836	8,601	8,586	8,305
Total:			415,816	431,652	435,663	431,755	411,139

(1) The above data do not include the non-campus programs of CalState Teach and International Studies, which for Fall 2010 had enrollments of 679 and 554 students, respectively.

Source: California State University

In Fall 2010, enrollment at CSU decreased by approximately 4.8% in response to reduced funding from the State. Late in Fall 2010, CSU received partial budget restoration from the State, which permitted CSU campuses to admit and enroll new students in Spring 2011. In Spring 2011, CSU enrolled over 396,000 students, approximately 11,000 more students than it served in Spring 2010. Fall 2011 enrollment figures are still being finalized. Due to continuing budget uncertainties, there may be further reductions in student enrollment in the future. See

"GENERAL CSU FINANCIAL INFORMATION –State Budget Acts for Recent Fiscal Years" and "—State Budget Act for Fiscal Year 2011-12." However, each CSU campus has the ability to seek adjustments to student fees and other charges constituting Gross Revenues in order to mitigate adverse effects of declining enrollment on Gross Revenues. See Table 8 below.

Table 2 below sets forth total enrollment and full time undergraduate enrollment information for CSU and the University of California for the years 2006 to 2010.

TABLE 2
ENROLLMENT IN
PUBLIC UNIVERSITIES IN CALIFORNIA
Fall 2006 through 2010

	Fall 2006		Fall 2007		Fall 2008		Fall 2009		Fall 2010[1]	
	Total	Full Time Undergrad	Total	Full Time Undergrad	Total	Full Time Undergrad	Total	Full Time Undergrad	Total	Full Time Undergrad
California State University	415,816	272,562	431,632	285,000	435,663	292,413	431,755	291,075	411,139	289,255
University of California	200,085	163,099	205,489	167,319	211,374	172,599	216,916	177,259	219,326	179,045

[1] For CSU, the above data exclude the non-campus programs of CalState Teach and International Studies, which for Fall 2010 had enrollments of 679 and 554 students, respectively.

Source: California State University

Table 3 below sets forth full time equivalent student enrollment ("FTES") data for CSU graduate and undergraduate students for academic years 2006-07 to 2010-11. FTES is a measurement of enrollment derived by dividing total student credit hours for a term by fifteen both for graduate and undergraduate students, and is used for budgeting and accounting for actual educational activity.

TABLE 3
CALIFORNIA STATE UNIVERSITY
FULL TIME EQUIVALENT STUDENTS
Academic Year 2006-07 through 2010-11[2]

2006-07	2007-08	2008-09	2009-10	2010-11[2]
334,388	348,110	353,094	339,231	338,246

[1] Academic year FTES; excludes summer term FTES. FTES data reflected in Appendix C-1 — "AUDITED FINANCIAL STATEMENTS OF THE CALIFORNIA STATE UNIVERSITY AS OF JUNE 30, 2010" presents college year FTES, which includes summer term FTES, and is shown on a fiscal year basis.
[2] Excludes the non-campus programs of CalState Teach and International Studies, which for academic year 2010-11 had FTES enrollments of 433 and 554 students, respectively.

Source: California State University

Student Tuition Fees and Other Education Costs

Charges for attending CSU are set by the Board, or by the Chancellor or campus presidents under delegations from the Board. Students who are classified as California residents pay charges based upon whether they are full or part-time students and, to some degree, which campus they are attending. Based on provisions in the CSU Fee Policy (adopted in May 2010 by the Board), in January 2011, the "State University Fee," a fee that undergraduate, graduate, post-baccalaureate, credential and doctoral students pay to support basic instruction and other mandatory CSU costs, became known as the "Tuition Fee."

During the 2010-11 academic year, undergraduate part-time students (taking up to 6 units) paid a Tuition Fee of $2,514 and full-time undergraduate students (taking 6.1 units or more) paid a Tuition Fee of $4,335. The Tuition Fee revenues are not pledged as security for Systemwide Revenue Bonds issued pursuant to the Indenture. See "SECURITY FOR THE SERIES 2011A BONDS."

Table 4 sets forth the systemwide part-time/full-time CSU Tuition Fee for California resident undergraduate students for academic years 2006-07 to 2010-11 on a semester basis.

TABLE 4
CALIFORNIA STATE UNIVERSITY
TUITION FEE
FOR CALIFORNIA RESIDENT UNDERGRADUATES
2006-07 through 2010-11

	Tuition Fee Per Semester	
Academic Year	Part-time	Full time
2010-11	$2,514	$4,335
2009-10	2,334	4,026
2008-09	1,770	3,048
2007-08	1,608	2,772
2006-07	1,464	2,520

Source: California State University

For the 2010-11 academic year, graduate students paid a Tuition Fee of $3,099 (part-time) and $5,343 (full-time) on a semester basis.

To date, the Board has approved Tuition Fee rates for the 2011-12 academic year of $3,174 (part-time) and $5,472 (full time) for undergraduate students, and $3,906 (part-time) and $6,738 (full time) for graduate students. See "GENERAL CSU FINANCIAL INFORMATION – State Budget Act for Fiscal Year 2011-12."

In addition to the Tuition Fee, nonresident students also paid out-of-state tuition of $248 per quarter unit or $372 per semester unit in the 2010-11 academic year for a maximum academic year charge of $11,160. The Tuition Fee and the out-of-state tuition are set by the Board.

In addition to the Tuition Fees noted above, each campus has campus-based fees that it charges to each enrolled student for services or programs that are available to or provided for all students. These fees ranged from $491 to $2,251 per year for 2010-11. In academic year 2010-11, the Tuition Fee for California residents plus these campus-based fees averaged $5,285, ranging from a high of $6,577 at California Polytechnic State University, San Luis Obispo to a low of $4,826 at California Maritime Academy.

Other campus-based charges and fees may also be incurred by students, such as: application fees, graduation and diploma fees, transcript fees, Summer session and extension fees, dormitory fees, late registration fees, catalog fees, identification card fees, and miscellaneous fees for courses not fully funded out of operating expense (e.g., lab, field trips, art materials, instrument fees).

The total cost of attending CSU is based upon the student's academic program, where the student will live, the location of the campus the student will attend and other factors unique to each student. The amount charged by CSU remains low in comparison to other institutions of higher education, both inside and outside the State. CSU believes the attractive price of education it offers supports the strong demand for its services.

The Tuition Fees, out-of-state tuition and some of the other campus-based fees described above are not pledged to secure the Systemwide Revenue Bonds. See "SECURITY FOR THE SERIES 2011A BONDS."

Revenue Management and Investments

Charges for attending CSU are collected at the time of registration for each academic term and deposited into local university bank accounts. Campuses with facilities that were acquired through the issuance of the Board's revenue bonds also deposit revenues, including Gross Revenues, for those programs into local university bank accounts, which are swept daily for investment through CSU's investment program, and operating expenses are paid from local university bank accounts, with funds drawn from CSU's investment program.

CSU's investment portfolio consists primarily of investments in the State of California Surplus Money Investment Fund and CSU's investment program. See Appendix C-1 — "AUDITED FINANCIAL STATEMENTS OF THE CALIFORNIA STATE UNIVERSITY AS OF JUNE 30, 2010" at Note (3)(b). CSU's investment program is managed through contracts with two investment managers, each of whom provide investment management services for the program. Funds available for investment are invested by the investment managers through a bank custodian on behalf of the Board according to the permitted investments outlined in the Government Code of the State and CSU investment policy. The permitted investments consist primarily of highly rated, fixed-income securities, which could include variable rate instruments. Furthermore, the CSU investment policy states that the primary objective of the CSU investment program shall be the safeguarding of principal and the secondary objective shall be liquidity. Because of this emphasis on asset quality and liquidity, the CSU investment program has not had, nor expects to have, any material exposure in the value of its investments as a result of illiquidity or volatility in certain investment sectors of the financial markets. Funds held in CSU's investment program are subject to changes in market valuation. See Appendix C-2 — "AUDITED FINANCIAL STATEMENTS OF THE CALIFORNIA STATE UNIVERSITY SYSTEMWIDE REVENUE BOND PROGRAM FUND AS OF JUNE 30, 2010" at Note (2).

As bond trustee, the State Treasurer invests and disburses proceeds of the Board's revenue bond program during the construction phase of projects constructed by CSU, according to the permitted investments outlined in the Government Code of the State. CSU receives interest on a quarterly basis from the State Controller's Office on amounts invested by the State Treasurer.

Student Admissions

Table 5 below sets forth application and enrollment data for freshmen, undergraduate transfers, graduates and other students for the academic years indicated for CSU.

TABLE 5
CALIFORNIA STATE UNIVERSITY
UNDERGRADUATE AND GRADUATE ADMISSIONS

Fall Term	Applications Received[1]	Applications Accepted[1]	Percent Accepted	Accepted Enrolled	Percent of Accepted Enrolled
2006					
First Time Freshmen	357,953	206,288	58%	50,144	24%
Undergrad Transfers	133,691	84,618	63%	42,151	50%
Graduates	59,595	35,783	60%	22,356	62%
Other	6,741	6,584	98%	5,534	84%
Total	557,980	333,273	60%	120,185	36%
2007					
First Time Freshmen	392,246	231,926	59%	53,744	23%
Undergrad Transfers	134,979	87,078	65%	43,414	50%
Graduates	66,343	39,736	60%	24,117	61%
Other	7,555	7,379	98%	6,596	89%
Total	601,123	366,119	61%	127,871	35%
2008					
First Time Freshmen	424,017	226,578	53%	53,944	24%
Undergrad Transfers	131,704	76,866	58%	38,514	50%
Graduates	67,445	38,336	57%	23,084	60%
Other	8,214	7,132	87%	6,365	89%
Total	631,380	348,912	55%	121,907	35%
2009					
First Time Freshmen	390,585	214,107	55%	52,678	25%
Undergrad Transfers	149,696	78,821	53%	40,624	52%
Graduates	70,781	36,561	52%	21,734	59%
Other	3,839	3,607	94%	2,815	78%
Total	614,901	333,096	54%	117,851	35%
2010					
First Time Freshmen	419,219	196,109	47%	49,477	25%
Undergrad Transfers	202,611	85,892	42%	42,599	50%
Graduates	73,280	34,419	47%	21,215	61%
Other	5,628	2,689	48%	2,106	78%
Total	700,738	319,109	46%	115,397	36%

(1) Includes duplicated applications received and accepted.

Source: California State University

CSU AND RELATED ENTITY INDEBTEDNESS

CSU has outstanding various revenue bonds and other obligations, as listed below. These special obligations are secured by and payable from revenues of the facilities financed, investment income, student charges and rental payments.

In addition to the debt the Board issues directly, there are several other sources of capital that historically have been available to CSU. From time to time, voter-approved general obligation bonds are issued by the State (and repaid from taxes and other funds of the State) and used to pay capital costs of new academic and other facilities of CSU. Another significant source is the issuance of the State Public Works Board Lease Revenue Bonds, debt service on which the State Legislature appropriates annually in a line-item budget appropriation. The Board expects that the State will continue to issue such bonds from time to time. There are also 93 different auxiliary organizations that provide certain essential services to individual campuses. Approximately one-tenth of these auxiliary organizations have issued their own debt generally secured by project revenue to finance projects for CSU's campuses. CSU is not obligated to pay debt service on any such bonds. The following table lists the outstanding public indebtedness of CSU and related entities as of August 15, 2011.

TABLE 6
CALIFORNIA STATE UNIVERSITY
OBLIGATIONS ISSUED AND OUTSTANDING
as of August 15, 2011

Revenue Bonds and Bond Anticipation Notes Issued by the Board		Amount Outstanding
Systemwide Revenue Bonds		
Housing System Revenue Bonds		$ 8,098,000
Systemwide Revenue Bonds, Series 2002A through 2010B		3,373,520,000
Total Systemwide Revenue Bonds[1]		$3,381,618,000
Bond Anticipation Notes (BANs) [2]		94,637,000
Total Revenue Bonds and BANs		$3,476,255,000
Other Obligations [3]		
Auxiliary Organization Bonds [4]		$ 101,975,000
State Public Works Board Lease Revenue [5]		804,605,000
Commercial Paper Equipment Financing		50,003,000
Other Capital Lease Obligations [6]		83,686,810
	Total:	$4,516,524,810

[1] Does not reflect defeasance of $201,850,000 of Systemwide Revenue Bonds with proceeds of the Series 2011A Bonds; see "REFUNDING PLAN" and Appendix H.
[2] Issued in conjunction with a commercial paper program issued by the California State University Institute, an auxiliary organization of CSU, and secured by a Subordinate Lien on Gross Revenues. See the following discussion under the subheading "Commercial Paper."
[3] These Other Obligations are not secured by a pledge of Gross Revenues. Does not reflect defeasance of $7,325,000 of outstanding auxiliary organization bonds with proceeds of the Series 2011A Bonds. See "REFUNDING PLAN" and Appendix H.
[4] For information on CSU auxiliary organizations, see "GOVERNANCE AND ADMINISTRATION—Campus Administration" and "SYSTEMWIDE REVENUE BOND PROGRAMS—Auxiliary Organizations Programs and Other Entities."
[5] Debt that is coordinated with and supported by specific appropriations from the State Legislature through annual line-item appropriations.
[6] Preliminary; as of June 30, 2011.

Source: California State University

Commercial Paper

The Board utilizes a commercial paper ("CP") program for various financing activities through the CSU Institute, an auxiliary organization of CSU (the "Institute"). To minimize debt service costs during construction periods, the Board may initially finance capital improvements with proceeds of commercial paper notes issued by the Institute and which are secured by bond anticipation notes issued by the Board. Such short-term debt is generally refinanced with long-term fixed rate Systemwide Revenue Bonds when capacity in the commercial paper program is required for other projects or during periods of low interest rates. In a few cases, financing for certain projects may remain in commercial paper and be fully amortized over short to medium term periods from project revenues. The Board also utilizes commercial paper issued by the Institute to finance certain equipment and software needs of CSU as an alternative to other capital lease and installment sale financing resources. CSU enters into installment purchase obligations and makes installment payments over terms consistent with the useful life of the financed equipment or software (typically 5-7 years). These installment payments are applied to repay the commercial paper.

Currently the CP program is secured by a letter-of-credit and liquidity facility of $200 million issued by State Street Bank and JPMorgan Chase Bank, N.A., both of whom have provided at least a portion of the CP program's credit/liquidity facilities since the program's inception in 2001. The Letter of Credit has a termination date of June 4, 2012. The CP program is currently authorized up to $500 million; however, the Institute expects to operate the CP program at no more than $200 million through the term of the Letter of Credit. The Board and the Institute further expect to continue the CP program for the foreseeable future.

As of August 15, 2011, CP was outstanding for the following purposes:

BANs (Expected to be Refunded from Series 2011A Bonds)	$ 71,056,000
BANs (Expected to Remain in CP)	23,581,000
Equipment	50,003,000
Total	$144,640,000

Authorized But Unissued Debt

As of the date of the Official Statement, the Board has authorized approximately $31.4 million aggregate principal amount of Systemwide Revenue Bonds for projects (not including the Series 2011A Bonds). The Board may issue a portion or all of these additional Systemwide Revenue Bonds as well as other additional bonds for other new money projects or refunding purposes. The Board expects to authorize the issuance of additional Systemwide Revenue Bonds from time to time in the future. There is no limit on the amount of Systemwide Revenue Bonds that the Board may authorize.

Capital Improvement Program

The Board has a capital improvement program that it approves annually in the Fall for its State and Non-State funded facilities. Additionally, the program is amended and approved throughout the year by the Board to reflect the needs and priorities of the campuses. Campus administration works closely with the Chancellor's Office to identify projects, justify the project demand and related budgets. The Board anticipates that it will use future borrowings to fund its capital improvement program.

SYSTEMWIDE REVENUE BOND PROGRAMS

Debt Management Program

Under the CSU Policy on Financing Activities, adopted by the Board in March 2002, responsibility for the management of CSU debt obligations continues to be centralized in the CSU Chancellor's Office, with oversight and ultimate approval provided by the Board. Debt is planned pursuant to annual funding requirements in accordance with the capital improvements program. Issuance of debt requires approval of the Board.

Under existing statutes, the Board is authorized to issue revenue bonds to finance housing, parking, health centers, student body centers and other special projects related to the educational mission of CSU, including continuing education. In March 2002, the Board approved a new long-term debt issuance program of systemwide revenue bonds that together with the existing housing system bonds issued under a bond resolution adopted by the Board during 1968 constitute the "Systemwide Revenue Bonds." In April 2002, CSU sold its first series of Systemwide Revenue Bonds under the new program. The Series 2011A Bonds are the fifteenth series of Systemwide Revenue Bonds. The Systemwide Revenue Bonds replaced the previous practice of single project or program revenue bonds. As the security for the Systemwide Revenue Bonds, the Board has pledged student housing fees, student union fees, parking fees, health center facility fees and fees from the continuing education program as well as payments from various auxiliary organizations and special purpose governmental entities. Under the Board's March 2002 financing policy, the Board will use Systemwide Revenue Bonds to finance other projects that previously may have been financed by auxiliary organizations. The Board has limited the possible use of non-Systemwide Revenue Bond financing for campus revenue-based projects (whether on-campus or off-campus), with the effect of restricting the designation of Excluded Facilities by the Board. Pursuant to the Board's financing policy, the Chancellor has established minimum debt service coverage and other requirements for the Systemwide Revenue Bond program. The Board has no outstanding Indebtedness secured by a Senior Lien and has covenanted in the Indenture not to issue any Indebtedness secured by a Senior Lien.

The following is a brief description of the programs that generate the current Gross Revenues. The Board may from time to time designate additional revenue sources as Gross Revenues. Generally, campuses deposit the revenues generated by these programs to the CSU investment program, periodically setting aside appropriate amounts for debt service, and otherwise directly managing the expenditure of such funds in accordance with campus budgets.

Housing Program

Twenty-two of the 23 campuses comprising the CSU System operate housing facilities under the State University Revenue Bond Act of 1947. The responsibility for fiscal management, budgeting and operations with respect to these facilities is given to each respective campus, with the Chancellor's Office retaining overall responsibility for financing activities of the Housing Program and ensuring continuing compliance with bond-related requirements and covenants.

There is a peer review of all proposed new housing projects. A standing committee (chaired by a campus president with membership of two campus vice presidents and four campus housing officers representing student housing and faculty/staff housing programs) has the charge to evaluate proposed housing projects and to provide advice to the Chancellor and the respective campus president on the merits of the project. The scope of the committee review includes both programmatic and financial feasibility.

Rates and Charges

The responsibility for the financial viability of the Housing Program on each CSU campus is delegated by the Board to each respective campus president, each of whom has the flexibility and the responsibility to increase housing rental rates and charges as needed.

Table 7 below sets forth average room rates charged for the past five academic years. In academic year 2010-11, average room rates range from a high of $8,180 at the Channel Islands campus to a low of $3,457 at the Bakersfield campus. Substantially all of the housing rental rates and charges constitute Gross Revenues for the Systemwide Revenue Bonds.

TABLE 7
CALIFORNIA STATE UNIVERSITY
HOUSING SYSTEM AVERAGE ROOM RATES
2006-07 through 2010-11

Academic Year	Average Room Rate[1]
2010-11	$5,782
2009-10	5,665
2008-09	5,314
2007-08	5,019
2006-07	4,748

[1] Represents average annual cost of double occupancy for residence halls. The average annual cost of double occupancy for apartments is reflected if residence halls are not available.

Source: California State University

Capacity and Occupancy

In the Fall 2010, the design capacity for the student housing facilities was 45,264 spaces, which was approximately 11% of the Fall 2010 enrollment for CSU. The average Fall 2010 occupancy rate was 94%. Additionally, there are 898 apartment units at San Francisco State University. Currently, there are various housing projects that have been funded either by commercial paper or prior Systemwide Revenue Bonds. Upon the completion of these projects, it is anticipated that the student housing facilities will have a total of 46,314 spaces. Details related to operational capacity and occupancy by campus for the prior fiscal year is set forth in "APPENDIX C-2 — AUDITED FINANCIAL STATEMENTS OF THE CALIFORNIA STATE UNIVERSITY SYSTEMWIDE REVENUE BOND PROGRAM FUND AS OF JUNE 30, 2010" at Schedule 1.

Student Union Program

The Education Code of the State provides that students enrolled at an individual campus of CSU may vote to authorize the Board to impose student body center fees (also termed student union fees), if two-thirds of those voting approve this levy. Under statutory terms such fees may be used for the purpose of financing, operating, and maintaining student union or student body center facilities. As of Fall 2010, students of 22 campuses in the CSU System had voted in favor of imposing student union fees.

Rates and Charges

The student union annual fees range from $44 to $714 per student and are collected at 22 of the 23 campuses of the CSU System.

Operations and Maintenance

As a matter of practice, with the recommendation of the campus president, the Board contracts with auxiliary organization not-for-profit corporations for most campuses to operate and maintain student unions. See the information in this section under the subheading "Auxiliary Organizations Program and Other Entities."

Parking Program

The parking program provides parking facilities to all CSU campuses as authorized under the provisions of the California Education Code. The program is self-supporting and derives its revenues from parking fees paid by students, faculty, staff and visitors.

Consistent with CSU objectives to increase accountability at the campus level, management of all operations of the parking program is decentralized to each CSU campus. Campus spending of the parking fee revenue is for the acquisition, construction, operation, and maintenance of campus parking facilities.

Parking Utilization

Because of the very large number of commuters to the CSU campuses each day, the demand for parking spaces on the campuses continues to be much higher than the number of spaces available. Since parking availability may be limited during peak hours, students are encouraged to utilize alternative transportation options when traveling to campuses and when choosing their housing. As of June 30, 2010, there were approximately 159,409 parking spaces comprising the parking projects designated under the Indenture.

Rates and Charges

Establishment of parking rates is delegated by the Board to the Chancellor, who further delegates the authority to each respective campus president. Fees for employees and faculty, except the management group employees, however, are subject to certain collective bargaining negotiations. All parking revenues constitute Gross Revenues for the Systemwide Revenue Bonds.

Health Center Facilities Program

Prior to 1996, the health center facility fee was a uniform fee set at $6 per academic year and charged at all CSU campuses. In 1996, the Chancellor was delegated authority to establish health center facility fees at a specific campus level. At that time, the $6 health center facility fee was re-established by the Chancellor for all campuses previously having the systemwide fee in place. Each campus president has the authority and responsibility to adjust this fee after consultation with the campus community. In accordance with the CSU System policy, the campus president is responsible to set this fee to provide for the repayment of any debt incurred in accordance with applicable CSU System debt management policies. As of 2010-11, the $6 health center facility fee remains in place at 13 campuses, one campus does not have a health center facility fee, and the rest of the campuses have health center facility fees ranging from $9 to $86. The health center facility fee is included in Gross Revenues of the Systemwide Revenue Bond program and campuses may also charge a separate Health Services fee, which is used to operate the campus student health programs and is not part of Gross Revenues.

Extended and Continuing Education

Since the inception of the CSU System in 1961, CSU has operated Extended and Continuing Education programs as a way to provide educational opportunities that extend beyond both the physical and programmatic boundaries of a traditional college education. The programs, implemented at each of the 23 campuses, are designed to address the unique needs of individuals in pursuing their educational goals, especially those students who otherwise may not be able to complete their goal through a regular university environment. CSU offers a variety of Extended and Continuing programs including credit degree and certificate programs, off-campus and online programs, professional development, corporate training and programs for international students. Each campus offers educational programs that meet the needs of their local region as well as a global audience. The State University Dean for Extended and Continuing Education provides leadership and guidance to the campus Extended and Continuing Education units.

The Extended and Continuing Education Program fees are pledged as a part of Gross Revenues and are not pledged to secure any indebtedness other than the Systemwide Revenue Bonds outstanding under the Indenture.

Rates and Charges

Extended and Continuing Education programs are supported entirely by course fees or user fees charged to the respective students or enrollees. The programs and course offerings are developed on a self-supporting basis so that the fees charged cover the full cost of developing and presenting the course offerings. Fees range in amount depending upon various factors, such as the nature of the course and the materials used. Generally, fees range between $150 to $1,000 per unit. The state does not provide direct support for these programs through the budget allocation process, and Extended and Continuing Education must reimburse the state for use of any state-supported facilities or services.

Auxiliary Organizations Program and Other Entities

As described previously under the caption "GOVERNANCE AND ADMINISTRATION — Campus Administration," the Board has a longstanding program utilizing auxiliary organizations to support a broad range of functions for CSU. In some cases, auxiliary organizations may become involved in the financing of campus facilities, such as student and faculty/staff housing, bookstores, food services facilities, academic facilities and event centers, as well as off-campus facilities serving the needs of the campus. Some of these facilities are financed with auxiliary debt obligations that are not part of the Systemwide Revenue Bond program. In other cases, these facilities are financed or refinanced by the Board with Systemwide Revenue Bonds using either a lease or loan structure. In the lease structure, the financed facility is leased from the Board, as lessor, to an auxiliary organization or governmental unit, as lessee. Under the terms of the lease, the lessee agrees to operate the facility and to make certain rental payments to the Board, which constitute Gross Revenues under the Indenture. In the loan structure, facilities are financed or refinanced by a loan of Systemwide Revenue Bond proceeds from the Board to the auxiliary organization pursuant to a loan agreement. Under the terms of the loan agreement, in return for the loan from the Board, the auxiliary organization agrees to acquire, construct and/or maintain the facility and to repay the loan to the Board, which repayments will constitute Gross Revenues under the Indenture. At the time the lease or loan agreement is entered into, certain auxiliary organizations may have outstanding debt and the obligation to make rental payments or loan repayments to the Board may be on a parity with, or junior and subordinate to, such debt of the auxiliary organization. Upon the issuance of the Series 2011A Bonds, there will be 15 auxiliary organizations with leases or loan agreements with the Board for facilities financed or refinanced with Systemwide Revenue Bonds with aggregate annual payments for all such leases and loan agreements of approximately $25,000,000 in fiscal year 2011-12. To date, each such auxiliary organization with facilities financed or refinanced with Systemwide Revenue Bonds has made each of its periodic loan repayments or lease rental payments in accordance with its respective loan agreement or lease with the Board.

In addition, certain auxiliary organizations, their debt and revenues may be designated by the Board pursuant to the Indenture as Designated Auxiliary Organizations, Designated Auxiliary Revenues and Designated

Auxiliary Debt, respectively, and once so designated, such revenues and debt will be included in the rate covenant and additional borrowing test under the Indenture. See “SECURITY FOR THE SERIES 2011A BONDS—Rate Covenant” and “—Parity Lien Indebtedness.” There are currently 15 auxiliary organizations that are Designated Auxiliary Organizations with Designated Auxiliary Revenues and Designated Auxiliary Debt, the same 15 auxiliary organizations that make loan or lease payments that have been designated as Gross Revenues by the Board.

Additionally, from time to time, certain facilities serving CSU are owned, operated or financed with the participation of special purpose governmental entities. In the past, the lease structure described above has been used by the Board and such governmental entities to finance these facilities with Systemwide Revenue Bonds. There are currently two governmental units with leases with the Board for such facilities, namely, the California State University Headquarters Building Authority and the California State University Channel Islands Site Authority, with aggregate annual rental payments for all such leases of approximately $12.8 million in fiscal year 2010-11.

FINANCIAL INFORMATION RELATED TO SYSTEMWIDE REVENUES

Table 8 on the following page sets forth for the five fiscal years ended June 30, 2006 through June 30, 2010 the Gross Revenues received and expenditures made with respect to the Projects from which Gross Revenues were produced during these fiscal years and certain other revenues (some of which are Gross Revenues) and expenditures relating to the Systemwide Revenue Bond program. Gross Revenues include revenues from the housing, student union, parking, health center and continuing education programs discussed above and revenues from certain auxiliary organizations. Under the Systemwide Revenue Bond Indenture, the Board is authorized to designate certain revenues of auxiliary organizations and other CSU-related governmental entities as Gross Revenues. Table 8 includes all of the revenues (some of which are Gross Revenues), expenditures and debt service for the 15 auxiliary organizations making loan or lease payments that have been designated as Gross Revenues by the Board as of June 30, 2010, starting with the fiscal year in which each such designation occurred.

TABLE 8
CALIFORNIA STATE UNIVERSITY
HISTORICAL GROSS REVENUES AND EXPENDITURES[1]
(Fiscal Years Ended June 30)[2]

	2006	2007	2008	2009	2010
Total Gross Revenues [2]					
Housing System	$176,738,405	$199,968,407	$231,633,480	$239,780,749	$274,820,796
Student Unions [3]	83,352,569	98,691,445	111,597,611	116,262,622	124,181,772
Parking [4]	77,081,859	81,100,688	85,756,515	87,731,985	87,977,965
Health Centers [3]	5,221,326	6,109,427	7,155,316	7,583,375	7,254,578
Continuing Education	135,217,078	141,576,217	157,318,335	172,414,922	204,873,559
Other[5]	--	--	--	--	1,440,381
Auxiliary [1]	187,242,261	235,494,608	343,245,807	414,443,016	471,297,363
Related Governmental Units[6]	625,903	8,642,984	9,173,198	12,011,771	12,606,218
Total Gross Revenues	$665,479,401	$771,583,776	$945,880,262	$1,050,228,440	$1,184,452,632
Debt Service					
Senior[7]	$ 5,815,015	$ 5,602,154	--	--	--
Auxiliary – Other[8]	7,176,209	6,229,676	$ 9,440,296	$ 11,217,398	$ 11,466,503
Systemwide Revenue Bonds[9]	80,892,730	97,327,374	123,333,027	139,817,637	169,102,086
Total Debt Service	$93,883,954	$109,159,204	$132,773,323	$151,035,035	$180,568,589
Operating Expenditures[10][12]					
Housing System	$112,664,824	$109,195,507	$140,557,981	$163,421,315	$176,332,367
Student Union [11]	44,745,749	47,746,580	54,950,823	54,530,405	63,226,403
Parking	47,312,116	43,496,663	48,994,324	55,495,237	51,791,220
Health Centers [11]	1,831,309	3,452,879	3,500,704	5,573,552	3,973,419
Continuing Education	129,061,921	132,809,409	140,935,145	157,339,013	167,657,113
Other[5]	--	--	--	--	353,120
Auxiliary [1]	163,883,079	196,394,686	295,185,018	373,930,210	399,384,888
Related Governmental Units[6]	not applicable	not applicable	not applicable	not applicable	not applicable
Total Operating Expenditures	$499,498,998	$533,095,724	$684,123,995	$810,289,732	$862,718,530

[1] Revenues and Expenditures shown in each fiscal year are for those auxiliary organizations that during that fiscal year have financed facilities with Systemwide Revenue Bonds through a lease or loan and exclude research grant and contract activity and restricted gifts. The number of these auxiliary organizations has increased from 8 in FY 2006 to 15 in FY 2010. Gross Revenues pledged under the Indenture are a smaller amount derived from payments under certain leases or loan agreements with the Board.
[2] Unaudited figures stated on a cash basis, which may differ from the audited figures included in Appendices C-1 and C-2. Gross Revenues include interest income.
[3] Gross Revenues shown here are derived solely from certain mandatory student fees, which do not include revenues derived from operations of student unions or student health centers, as these revenues are not Gross Revenues pledged under the Indenture.
[4] Excludes fines and forfeitures collected separately from parking fees.
[5] Includes the Stanislaus Recreation Center project, a newly established program at the campus.
[6] Includes revenues derived from leases with California State University, Channel Islands Site Authority and the Headquarters Building Authority, which are used solely to pay debt service on Systemwide Revenue Bonds; operating expenditures are not paid from Gross Revenues.
[7] By November 1, 2007, the portions of the student union debt secured by a Senior Lien were refunded by the Systemwide Revenue Bond program or matured.
[8] Since June 30, 2004, certain auxiliary organizations have participated in financing and refinancing facilities through the Systemwide Revenue Bond program. Debt service noted includes outstanding auxiliary organization debt that is not part of the Systemwide Revenue Bond program.
[9] Debt service shown excludes interest that has been funded from bond proceeds.
[10] Operating Expenditures also include extraordinary maintenance and repair projects, which are generally paid from existing program fund balances. For example, in fiscal year ended June 30, 2010, extraordinary maintenance and repair projects of $14 million were paid from existing program fund balances.
[11] Operating Expenditures shown here are only such expenditures that are paid from certain mandatory student fees shown under Total Gross Revenues.
[12] GASB Statement No. 45, which requires the accrual of costs related to other postemployment benefits were included in operating expenses in the cumulative amount of $39,863,562 for fiscal year ended June 30, 2010.

Table 9 sets forth the scheduled debt service payable from Gross Revenues on a fiscal year basis, commencing with the fiscal year ending June 30, 2011. The Board may issue additional indebtedness secured on a parity by Gross Revenues under the terms of the Indenture. There is no limit on the maximum principal amount of Systemwide Revenue Bonds that may be issued under the Indenture.

TABLE 9
CALIFORNIA STATE UNIVERSITY
DEBT SERVICE PAYABLE FROM GROSS REVENUES
(Upon the Issuance of the Series 2011A Bonds)

	Previous Systemwide Revenue Bonds[1]				
Fiscal Year Ending June 30	Including Refunded Bond Debt Service	Refunded Bond Debt Service	Excluding Refunded Bond Debt Service	2011A Bonds	Total Systemwide Revenue Bonds[1]
2011	$226,515,317	-	$226,515,317	$ 0	$226,515,317
2012	235,189,056	$ 10,025,564	225,163,493	11,965,781	237,129,274
2013	244,046,705	10,025,564	234,021,141	21,055,169	255,076,310
2014	247,182,735	21,670,279	225,512,457	35,364,969	260,877,425
2015	247,459,724	21,523,120	225,936,604	35,915,869	261,852,473
2016	245,585,973	21,486,564	224,099,409	35,927,544	260,026,953
2017	247,614,688	21,501,038	226,113,649	35,929,644	262,043,293
2018	247,509,390	21,515,706	225,993,684	35,920,394	261,914,078
2019	247,587,527	21,475,142	226,112,384	35,935,644	262,048,028
2020	245,667,391	21,484,331	224,183,060	35,918,394	260,101,454
2021	243,578,311	21,477,444	222,100,867	35,929,019	258,029,886
2022	243,183,814	21,476,963	221,706,851	35,696,069	257,402,920
2023	238,801,417	21,447,681	217,353,736	35,627,894	252,981,630
2024	234,773,466	21,246,975	213,526,491	35,633,169	249,159,660
2025	233,077,865	21,117,207	211,960,658	35,607,794	247,568,452
2026	228,092,240	8,187,836	219,904,404	22,754,044	242,658,448
2027	224,889,561	8,174,239	216,715,322	22,746,869	239,462,191
2028	222,063,870	-	222,063,870	14,985,569	237,049,439
2029	221,341,582	-	221,341,582	14,998,950	236,340,532
2030	219,889,057	-	219,889,057	14,995,344	234,884,401
2031	217,029,702	-	217,029,702	14,995,344	232,025,046
2032	209,905,096	-	209,905,096	14,991,415	224,896,511
2033	181,989,855	-	181,989,855	14,995,500	196,985,355
2034	171,153,913	-	171,153,913	14,984,125	186,138,038
2035	165,057,786	-	165,057,786	14,989,000	180,046,786
2036	150,916,750	-	150,916,750	14,993,500	165,910,250
2037	106,825,379	-	106,825,379	14,986,625	121,812,004
2038	106,508,938	-	106,508,938	14,738,500	121,247,438
2039	89,145,022	-	89,145,022	14,011,500	103,156,522
2040	57,246,068	-	57,246,068	14,009,125	71,255,193
2041	45,112,656	-	45,112,656	14,012,125	59,124,781
2042	17,017,105	-	17,017,105	14,009,000	31,026,105
2043	4,492,113	-	4,492,113	12,341,000	16,833,113
2044	4,492,275	-	4,492,275	-	4,492,275
2045	4,493,888	-	4,493,888	-	4,493,888
TOTALS[2]	$6,275,436,231	$293,835,652	$5,981,600,579	$740,964,884	$6,722,565,463

[1] Includes interest funded from bond proceeds and thus differs from the information reflected in Table 8. Does not include any deduction for the federal subsidy equal to 35% of the interest cost associated with the Series 2010B Build America Bonds. Total Systemwide Revenue Bonds column excludes debt service associated with the $201,850,000 aggregate principal amount of Systemwide Revenue Bonds that will be defeased with proceeds of the Series 2011A Bonds. See "REFUNDING PLAN."
[2] Totals may not add due to rounding

Financial Statements Related to Gross Revenues

The most recent audited financial statements of the California State University Systemwide Revenue Bond Program Fund as of June 30, 2010, are attached to this Official Statement as Appendix C-2.

GENERAL CSU FINANCIAL INFORMATION

Budgeting Process

Each October the Board approves a budget request and sends it to the State Department of Finance for the coming fiscal year as input for development of the Governor's Budget. The Board's proposed budget identifies a base funding level built on prior year costs for full-time equivalent student enrollment targets, mandatory cost increases, and cost changes for changes in programs. Capital budget funds for instructional and instructional administrative facilities are legislatively appropriated by project, except that funds for minor capital projects are appropriated as a lump sum. The Board annually approves capital project plans for self-supporting programs, including those of the Systemwide Revenue Bond program, in a rolling five-year capital outlay Non-State funded plan, which is sent to the State for information.

Governor's Budget/Budget Act

The Governor's Budget, with input from CSU and other State agencies, is usually developed and presented to the State Legislature each January and then revised in early May. The Governor's Budget is usually debated during legislative hearings each Spring and in June the State Legislature is required by California law to send its own recommended budget back to the Governor. At that point, the Governor may delete, but not add, funded items. A two-thirds vote by the State Legislature can override the Governor's veto of funds. Following the Governor's action, if any, on the State Legislature's recommended budget, it becomes final as the "State Budget Act."

Negotiations with the State and Legislative Budget Hearings

Throughout the year, CSU staff engages in discussion of issues and priorities with staff in the State Department of Finance, the Legislative Analyst's Office, and with Legislative committee staff. Usually in February, the Legislative Analyst publishes an analysis of, and recommendations for legislative action on, the Governor's Budget. This analysis is the principal agenda for the legislative hearings, including hearings on the budget recommended for CSU by the Governor. Differences between the two houses are resolved in a conference committee, after which the budget is returned to the Governor for the action noted above.

Allocations to Campuses

Campuses are informed by the Chancellor's Office of the Governor's budget decisions and allocations are identified for planning purposes. Final allocations are usually made by the Chancellor's Office promptly after the State Budget Act is signed.

State Budget Acts for Recent Fiscal Years

After providing funding increases to CSU in Fiscal Years 2005-06 through 2007-08, the State has reduced its support of CSU in more recent fiscal years. In Fiscal Year 2008-09, based upon the revised State Budget Act, the net reduction in State funding to CSU was $97.6 million, reducing the level of State appropriations support for the CSU to approximately $2.9 billion. Additionally, $716.5 million in State appropriations were removed prior to the end of the fiscal year with the expectation that federal stimulus funds would address the reduction. CSU received the $716.5 million in federal stimulus funds to mitigate the State funding reduction, a portion of which was received late in Fiscal Year 2008-09 and the balance of which was received early in Fiscal Year 2009-10.

The revised State Budget Act for Fiscal Year 2009-10 reduced CSU appropriations to approximately $2.4 billion, an 18% reduction from the Fiscal Year 2008-09 enacted budget level. To mitigate the impact of these State reductions, CSU increased student Tuition Fee rates by 32% and nonresident tuition rates by 10% in Fiscal Year 2009-10, which yielded $257 million in new tuition fee revenue after discounting for financial aid, and implemented cost reductions measures, such as employee furloughs, which reduced operating expenses by approximately $273 million. In conjunction with these actions, CSU also reduced its base resident student enrollment target for Fiscal Year 2010-11 by roughly 25,000 FTES to approximately 310,000 FTES.

The revised State Budget Act for Fiscal Year 2010-11 restored $305 million of cuts made in Fiscal Year 2009-10. The Fiscal Year 2010-11 State Budget Act also provided for $61 million in funding for enrollment growth. The result was an overall increase in the State appropriations support for CSU in Fiscal Year 2010-11 to approximately $2.7 billion.

State Budget Act for Fiscal Year 2011-12

The State Budget Act for Fiscal Year 2011-12, approved by the Governor on June 30, 2011, reduced CSU appropriations by $650 million, or 24% below the Fiscal Year 2010-11 enacted budget level. To mitigate the impact of these State reductions, CSU plans to rely upon: (1) increased Tuition Fee rates, including a 10% increase approved by the Board in November 2010 and an additional 12% increase approved by the Board in July 2011, both effective for Fiscal Year 2011-12, which together will yield approximately $265 million in new Tuition Fee revenue after discounting for financial aid; (2) a reduction in its base resident student enrollment target for Fiscal Year 2011-12 by roughly 10,000 FTES to approximately 332,000 FTES; and (3) systemwide expense reduction measures of approximately $292 million.

In addition, the State Budget Act for Fiscal Year 2011-12 assumes that $4 billion in higher State revenues will be generated prior to the end of the fiscal year. In the event that State revenues for the fiscal year fall short of the $4 billion projection by more than $1 billion (as determined by the Department of Finance in December 2011), CSU's Fiscal Year 2011-12 appropriations could be reduced by an additional $100 million. CSU cannot predict whether the State will realize its tax revenue assumptions, but CSU believes that it can mitigate a mid-year reduction in State appropriations in a manner that will not have a material adverse impact on Gross Revenues.

Additional information concerning State budget matters may be found on the website of the State of California Department of Finance at http://www.dof.ca.gov.

CSU Financial Statements

The most recent audited financial statements of CSU are attached to this Official Statement. See Appendix C-1 — "AUDITED FINANCIAL STATEMENTS OF CALIFORNIA STATE UNIVERSITY AS OF JUNE 30, 2010." The audited financial statements of CSU are included as general background concerning the CSU System. Owners of the Series 2011A Bonds may rely solely on Gross Revenues specifically pledged for repayment of principal and interest on the Series 2011A Bonds. See Appendix C-2 — "AUDITED FINANCIAL STATEMENTS OF THE CALIFORNIA STATE UNIVERSITY SYSTEMWIDE REVENUE BOND PROGRAM FUND AS OF JUNE 30, 2010." No other assets or revenues of CSU are pledged to the repayment of the Series 2011A Bonds. See "SECURITY FOR THE SERIES 2011A BONDS."

CSU Grants, Contracts and Fundraising Activity

Table 10 below sets forth the grant and contract proceeds received by CSU and fundraising activity of CSU for fiscal years ended June 30, 2006 to 2010. Amounts shown are not included as part of the Gross Revenues and generally are restricted to specified uses.

TABLE 10
CALIFORNIA STATE UNIVERSITY
GRANTS, CONTRACTS AND FUNDRAISING ACTIVITY[1]
2005-06 through 2009-10

Sources	2005-06	2006-07	2007-08	2008-09	2009-10
Federal grants and contracts	$ 693,146,000	$ 717,078,000	$ 743,099,000	$ 826,551,000	$ 1,033,575,000
State grants and contracts	309,315,000	342,770,000	364,698,000	357,740,000	398,623,000
Private gifts, grants and contracts	311,911,000	295,948,000	277,896,000	288,011,000	220,235,000
Total	$1,314,372,000	$1,335,796,000	$1,385,693,000	$1,472,302,000	$ 1,652,433,000

[1] Includes Auxiliary Organizations.

Source: California State University

CSU Endowment Assets

As of June 30, 2010, the market value of the endowment assets of CSU and its related foundations was approximately $846 million, an increase from approximately $717 million as of June 30, 2009. The market value of the endowment assets of CSU and its related foundations as of June 30, 2008, June 30, 2007, and June 30, 2006 were approximately $854 million, $874 million, and $746 million, respectively. Changes in the market value of the endowment assets of CSU and its related foundations over the last five fiscal years have been primarily a result of movements in the financial markets. Because CSU does not rely significantly upon endowment funds to meet its operating needs, changes in the market value of CSU endowment assets are not expected to have a material impact on CSU operations. Furthermore, because endowment funds are not part of the Gross Revenues, changes in the market value of CSU endowment assets are not expected to have a material adverse effect on the Board's ability to pay the principal of, premium, if any, and interest on the Series 2011A Bonds when due.

OTHER MATTERS

Insurance

CSU elected to: commercially insure property with deductibles; self-insure its general liability and errors & omissions liability; and self-insure its workers' compensation exposures. CSU's vehicle liability is self-insured by the State's vehicle liability self-insurance program. As a State agency, CSU, the Office of the Chancellor, the Board, and its system of campuses are included in these insurance and self-insured programs.

The office of Risk Management in the Chancellor's Office administers the property, general liability and workers' compensation programs. The State Office of Risk and Insurance Management administers the motor vehicle liability program.

The current coverage limits for CSU's insurance programs are as follows:

Property: $1,000,000,000 per occurrence (excluding earthquake), deductibles ranging from $100,000 to $1,000,000.

General Liability: $200,000,000 per occurrence, Self Insured Retention ranging from $35,000 to $900,000.

Workers' Compensation: Statutory benefits and \$5 million for Employers Liability, with a \$2.5 million self insured retention.

Under this form of insurance, the State and its employees (as defined in Section 810.2 of the Government Code) are insured for any tort liability that may develop through carrying out official activities, including State official operations on Non-State owned property.

Audits and Compliance Reviews

At all times, including the date of this Official Statement, there are audits and compliance reviews that arise in the normal course of CSU's activities. Such audits and compliance reviews may relate to any activity at CSU, and may be conducted by persons within or outside CSU, including but not limited to the CSU Office of the University Auditor, the California Bureau of State Audits and a variety of other federal and state governmental agencies. CSU is not aware of any pending audit or review concerning matters that are likely to have a material adverse effect on the Board's ability to pay the principal of, premium, if any, and interest on the Series 2011A Bonds when due.

Seismicity

Buildings designed for CSU adhere to the latest seismic requirements as detailed in Title 24 of the California Code of Regulations. CSU maintains a standing body of seismic experts collectively known as the Seismic Review Board to advise on earthquake related matters relative to its systemwide capital program. Each project is seismically peer reviewed by a member of this board as an additional measure beyond building code review that also occurs for each project. Seismic peer review is an objective technical review by an independent, knowledgeable reviewer experienced in the structural design, analysis and performance issues involved. The purpose of the seismic review is to assure project quality and provide a measure of additional assurance regarding the performance and safety of the completed project.

CSU does not currently purchase commercial policies of insurance for damage caused by earthquakes.

Labor Relations

There are approximately 47,000 CSU employees that are both non-represented and represented employees. Exclusive bargaining unit representatives include: The California Federation of the Union of American Physicians and Dentists (UAPD), California State University Employees' Union (CSUEU), California Faculty Association (CFA), Academic Professionals of California, Local 1002 (APC), State Employees' Trades Council (SETC), Statewide University Police Association (SUPA), International Union of Operating Engineers, Local 39, AFL-CIO (IUOE), and the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America, AFL-CIO and its Local Union 4123 (UAW). The UAPD has an agreement with CSU covering the terms and conditions of employment for its members, the Physicians unit, that expired on June 30, 2011. Employees in the Health Care Support, Operations & Support Services, Clerical/Administrative Support Services, and Technical & Support Services units are represented by the CSUEU, which negotiated a contract with CSU that expired on June 30, 2011. CSUEU also represents Child Care Workers at SFSU (contract expires on May 31, 2012) and the English Language Program Instructors in Extended Education, Not-for-credit at Los Angeles (contract expires on December 31, 2012). CFA, exclusive representative for the Faculty unit, and CSU entered into an agreement, which expired on June 30, 2010 (with extension on specific provisions). The parties are currently engaging in factfinding in accordance with the impasse procedures, and are concurrently negotiating the successor contract. No salary increases have been negotiated for the other unions. The contract between APC, exclusive representative for employees in the Academic Support unit, and CSU, expired on June 30, 2011. The SETC, which represents employees in the Skilled Crafts unit, has an agreement with CSU that expires on September 30, 2011. The SUPA, exclusive representative for employees in the Public Safety unit, has an agreement with CSU that expired on June 30, 2011. The IUOE represents trades-works at the California Maritime Academy and has an agreement with CSU that will remain in effect until June 30, 2012. The contract between the UAW, the exclusive representative for academic student employees, and CSU, expires on September 30, 2013. In addition to CFA, CSU is currently engaging in bargaining for successor agreements with UAPD, CSUEU, APC, SETC, and SUPA. Expired contracts remain in effect pending the outcome of successor contract negotiations.

Retirement System

All full-time employees of CSU participate in a pension plan administered by the Board of Administration of the Public Employees Retirement System (PERS) of the State. Individuals employed half-time or more also participate in the pension plan if they are employed for more than six months. PERS is a statewide retirement system governed and operated pursuant to Part 3 (commencing with Section 20000), Division 5, Title 2 of the California Government Code.

Payments to PERS and social security (OASDI) are funded from employee and CSU contributions. Rates charged to CSU for PERS are based upon periodic actuarial studies and actions of the PERS Board. Rates charged to CSU for OASDI are established by federal regulations. The total employer contribution from all funds (i.e., General Fund, CSU Lottery Education Fund, Continuing Education Revenue Fund, and Dormitory Revenue Fund--Housing and Parking) totaled approximately $377,648,000 for PERS and $166,419,000 for OASDI and Medicare for the fiscal year ended June 30, 2010. Based upon current unaudited information of CSU, contributions (all funds) for the fiscal year ended June 30, 2011 are expected to be approximately $431,407,000 for PERS and $192,759,000 for OASDI and Medicare. See Appendix C-1 — "AUDITED FINANCIAL STATEMENTS OF CALIFORNIA STATE UNIVERSITY AS OF JUNE 30, 2010" at Note (12).

Additional information concerning PERS may be found on its website at http://www.calpers.ca.gov.

The State provides post-retirement health care benefits to eligible CSU retirees, and the employer share of the cost of those benefits is shared between the State and CSU. CSU also provides post-retirement dental benefits to eligible employees, and the cost of those benefits is borne by CSU on a pay-as-you-go basis. See Appendix C-1 — "AUDITED FINANCIAL STATEMENTS OF CALIFORNIA STATE UNIVERSITY AS OF JUNE 30, 2010" at Note (12) and Appendix C-2 — "AUDITED FINANCIAL STATEMENTS OF THE CALIFORNIA STATE UNIVERSITY SYSTEMWIDE REVENUE BOND PROGRAM FUND AS OF JUNE 30, 2010" at Note (8).

APPENDIX B

INFORMATION REGARDING THE CAMPUSES OF THE CALIFORNIA STATE UNIVERSITY

California State University, Bakersfield

California State University, Bakersfield was created in 1965 and in September 1970 became the nineteenth campus of the California State University system. The campus consists of four academic schools: Arts and Humanities; Business and Public Administration; Natural Sciences, Mathematics and Engineering; Social Sciences and Education.

California State University, Channel Islands

California State University Channel Islands opened its doors in Fall 2002. The campus currently offers 22 undergraduate degree programs, seven graduate degree programs, and teaching credential programs.

California State University, Chico

California State University, Chico began in 1887 as the northern branch of the California State Normal School (a network of two-year preparatory schools for teachers). Since then it has progressed from an independent normal to a state teachers college in 1921; a state college in 1935; a five-year liberal arts institution in 1949; and finally into California State University, Chico in 1972. The campus is composed of seven colleges: Agriculture; Behavioral and Social Sciences; Business; Communication and Education; Engineering, Computer Science, and Construction Management; Humanities and Fine Arts; and Natural Sciences. The campus also has a School of Graduate, International, and Sponsored Programs.

California State University, Dominguez Hills

Established by the State Legislature in 1960, the California State University, Dominguez Hills opened its doors as the California State College at Palos Verdes in 1965. The following year, the college moved to the City of Carson on land that was formerly a part of the historic Rancho San Pedro, the oldest Spanish land grant in the Los Angeles area. The campus is organized into five colleges: Arts and Humanities; Business Administration and Public Policy; Extended and International Education; Natural and Behavioral Sciences; and Professional Studies.

California State University, East Bay

California State University, East Bay was established by the State Legislature in 1957 and opened its doors to its first students in 1959 as the State College for Alameda County. The campus moved to its Hayward site in 1963, becoming California State College at Hayward. The campus received university status in 1972 and was renamed California State University, Hayward. In 2005, it was renamed California State University, East Bay. The campus is organized into four academic colleges: Letters, Arts, and Social Sciences; Business and Economics; Education and Allied Studies; and Science.

California State University, Fresno

Established in 1911, California State University, Fresno is located in the heart of the State, which makes it convenient to all major points in California. The campus consists of six colleges—Agricultural Sciences and Technology; Arts and Humanities; Engineering; Health and Human Services; Sciences and Mathematics; and Social Sciences—and two schools—Business; and Education and Human Development.

California State University, Fullerton

California State University, Fullerton was established by legislation enacted in 1957. The campus is located in north Orange County and has eight colleges: Arts; Communications; Education; Engineering and Computer Science; Health and Human Development; Humanities and Social Sciences; Natural Sciences and Mathematics; and the Mihaylo College of Business and Economics.

Humboldt State University

Humboldt State University was established in 1913 as a normal school and became Humboldt Teacher's College in 1921. In 1935, the campus name was changed to Humboldt State College and in 1974 it became Humboldt State University. The campus comprises three colleges: Arts, Humanities, and Social Sciences; Natural Resources and Sciences; and Professional Studies.

California State University, Long Beach

California State University, Long Beach first began instruction in September 1949. In 1951, the campus moved to its present site donated to the State by the City of Long Beach. The campus is organized into seven colleges: Arts; Business Administration; Education; Engineering; Health and Human Services; Liberal Arts; and Natural Sciences and Mathematics.

California State University, Los Angeles

Los Angeles State College was founded by an act of the State Legislature in July 1947. In 1955, the campus broke ground on its current site and officially became California State University, Los Angeles in 1972. CSU Los Angeles is organized into six colleges: Arts and Letters; Business and Economics; Education; Engineering, Computer Science, and Technology; Health and Human Services; and Natural and Social Sciences.

California Maritime Academy

Established by the State legislature in 1929 as the California Nautical School, the California Maritime Academy became an independent state institution of higher education in 1972. While continuing its role in the preparation of students for the maritime industry, it joined CSU as a campus in 1995. Maritime offers six majors leading to Bachelor of Science degrees in Business Administration; Facilities Engineering Technology; Marine Engineering Technology; Marine Transportation; and Mechanical Engineering; and a Bachelor of Arts degree in Global Studies and Maritime Affairs.

California State University, Monterey Bay

In 1995, California State University, Monterey Bay admitted its first students on a redevelopment of the former military base, Fort Ord. The campus offers 15 broad, interdisciplinary undergraduate degree programs that incorporate nearly 100 traditional majors, as well as six master's degree programs and teaching credential programs.

California State University, Northridge

Created in 1956 as the San Fernando Valley Campus of Los Angeles State College of Applied Arts and Sciences, the campus separated from its parent institution on July 1, 1958, as San Fernando Valley State College. By action of the State Legislature, the Governor, and the Board of Trustees, the campus became California State University, Northridge, in 1972. It is composed of nine colleges: Arts, Media, and Communication; Business and Economics; Education; Engineering and Computer Science; Extended Learning; Health and Human Development; Humanities; Science and Mathematics; and Social and Behavioral Sciences.

California State Polytechnic University, Pomona

California State Polytechnic University, Pomona opened in 1938 as the Voorhis Unit of the California Polytechnic School. The campus was located on the 150-acre site of the former Voorhis School for Boys in San Dimas, which was donated by the Charles B. Voorhis family to the State of California. In l949, cereal magnate W.K. Kellogg deeded 813 acres of land located three miles south of the Voorhis campus to the State of California. In 1956, the campus community moved to the Kellogg Ranch campus. In 1966, Cal Poly Pomona separated from the San Luis Obispo campus to become California's sixteenth state college. University status was granted in 1972. Cal Poly Pomona comprises eight colleges and schools: Agriculture; Business Administration; Engineering; Environmental Design; Letters, Arts, and Social Sciences; Science; Education and Integrative Studies; and Hospitality Management.

California State University, Sacramento

California State University, Sacramento was founded in 1947 and, shortly thereafter, moved to the southwest bank of the American River, to better serve its region and be close to the State Capitol. By 1962, 30 new structures had been built and occupied. The campus is organized into seven colleges: Arts and Letters; Natural Sciences and Mathematics; Social Sciences and Interdisciplinary Studies; Business Administration; Education; Engineering and Computer Science; and Health and Human Services.

California State University, San Bernardino

In 1960, the State Legislature authorized the establishment of the State College for San Bernardino and Riverside counties. The San Bernardino campus opened in 1965. The campus is composed of five colleges: Arts and Letters; Business and Public Administration; Education; Natural Sciences; and Social and Behavioral Sciences.

San Diego State University

Established in 1897 as a normal school, San Diego State University was temporarily quartered in downtown San Diego while its campus site was under construction north of Balboa Park. The normal school was reorganized as a four-year state teachers college in 1921 and moved to its present site ten years later. In 1935, the name was changed to San Diego State College. University status was achieved in 1972, and the campus was renamed San Diego State University in 1974. The campus is composed of seven academic colleges: Arts and Letters; Business Administration; Education; Engineering; Health and Human Services; Professional Studies and Fine Arts; and Sciences.

San Francisco State University

Founded in 1899 as San Francisco State Normal School and renamed San Francisco State Teachers College in 1921, the campus was granted full university status in 1972, and the name San Francisco State University was authorized in 1974. The campus has six colleges: Business; Education; Ethnic Studies; Health and Human Services; Arts and Humanities; and Science and Engineering.

San José State University

Founded in 1857, San José State is the oldest public institution of higher education on the West Coast. San José State began as Minns' Evening Normal School in San Francisco in 1857 and became a state school — the California Normal School —by the State Legislature in 1862. In 1921, San José State Normal School became San José State Teachers College, and after several changes to the name, the present name San José State University was adopted through legislation in 1974. The campus is comprised of seven colleges: Applied Sciences and Arts; Business; Education; Engineering; Humanities and the Arts; Science; and Social Sciences.

California Polytechnic State University, San Luis Obispo

California Polytechnic State University, San Luis Obispo was established in 1901 by the State Legislature as a school at San Luis Obispo mandated to provide practical instruction in many technical fields. The campus is comprised of seven colleges: Agriculture, Food and Environmental Sciences; Architecture and Environmental Design; Business; Education; Engineering; Liberal Arts; and Science and Mathematics.

California State University, San Marcos

California State University, San Marcos was established in 1989 as the twentieth campus of the California State University system. The campus is composed of four three colleges: Business Administration; Sciences and Mathematics; Humanities, Arts, Behavioral and Social Sciences; and Education, Health and Human Services.

Sonoma State University

Sonoma State University, established by the State Legislature in 1960, first opened in 1961 in temporary facilities located in Rohnert Park. The move to its permanent campus site took place in 1966. The campus is organized into six schools: Arts and Humanities; Business and Economics; Education; Extended Education; Science and Technology; and Social Sciences.

California State University, Stanislaus

California State University, Stanislaus was established by the State Legislature in 1957 and first offered classes in September of 1960 in temporary quarters at the Stanislaus County Fairgrounds in Turlock. The campus moved to its permanent site in Turlock in 1965. The campus is organized into six colleges: Arts; Business Administration; Education; Human and Health Sciences; Humanities and Social Sciences, and Natural Sciences.

APPENDIX C-1

AUDITED FINANCIAL STATEMENTS

OF THE CALIFORNIA STATE UNIVERSITY

AS OF JUNE 30, 2010

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CALIFORNIA STATE UNIVERSITY

Financial Statements

June 30, 2010

(With Independent Auditors’ Report Thereon)

CALIFORNIA STATE UNIVERSITY

Table of Contents

KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report

The Board of Trustees
California State University:

We have audited the accompanying financial statements of the California State University (the University), an agency of the State of California (the State), and its aggregate discretely presented component units as of and for the year ended June 30, 2010, which collectively comprise the University's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of 89 of the 92 aggregate discretely presented component units, which statements reflect total assets constituting 93% and total revenues constituting 99% of the aggregate discretely presented totals. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the 89 discretely presented component units, are based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 and the reports of other auditors provide a reasonable basis for our opinions.

As discussed in note 1 to the financial statements, the financial statements of the University are intended to present the financial position, and the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State that are attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2010, the changes in its financial position, or, where applicable, its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the California State University and of its aggregate discretely presented component units as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2010 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 16 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

Orange County, California
December 17, 2010

The following discussion and analysis provides an overview of the financial position and performance of the California State University as of and for the year ended June 30, 2010, including 23 campuses and the Chancellor's Office (together referred to as the University), and 92 recognized auxiliary organizations. The discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes, which follow this section. Separate financial statements are issued for each of the recognized auxiliary organizations and may be obtained from the individual campuses.

The financial statements of the University for the year ended June 30, 2010 have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. For reporting purposes, the University is considered a special-purpose government engaged in business-type activities.

Financial Statements

This discussion and analysis is intended to serve as an introduction to the University's financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. The financial statements are designed to provide readers with a broad overview of the University's finances from all sources of revenue, in a manner similar to the private sector. The University's recognized auxiliary organizations are presented in a separate column to enable the reader to distinguish between the University and these separate but related not-for-profit organizations.

The Statement of Net Assets is the University's balance sheet. It presents information on all of the University's assets and liabilities, with the difference between the two reported as net assets (equity). Assets and liabilities are generally reported at their book value, except investments, which are reported at their fair market value, on an accrual basis, as of the statement date, and classified between current and noncurrent. Over time, increases or decreases in net assets may serve as a useful indicator of the financial position of the University.

The University's net assets are classified into three categories:

- Invested in capital assets, net of related debt
- Restricted
- Unrestricted

Changes from one year to the next in total net assets as presented on the Statement of Net Assets are based on the activity presented on the Statement of Revenues, Expenses, and Changes in Net Assets.

The Statement of Revenues, Expenses, and Changes in Net Assets is the University's income statement. Revenues earned and expenses incurred during the year on an accrual basis are classified as either operating or nonoperating. This distinction results in operating deficits, as the GASB Statement No. 35 reporting model requires classification of state appropriations, a significant revenue stream to fund current operations, as nonoperating revenue.

The Statement of Cash Flows presents the changes in the University's cash and cash equivalents during the most recent fiscal year. This statement is prepared using the direct method of cash flows. The statement breaks out the sources and uses of the University's cash and cash equivalents into four categories:

- Operating activities
- Noncapital financing activities
- Capital and related financing activities
- Investing activities

The University's routine activities appear in the operating and noncapital financing categories. Capital and related financing sources include debt proceeds, state capital appropriations, capital grants and gifts, proceeds from sale of capital assets, principal and interest payments received on capital leases and notes receivable. Within the capital and related financing activities, uses of funds consist of acquisition of capital assets, debt repayments, issuance of notes receivable, and transfers to escrow agent. Sales and purchases of investments are part of investing activities.

The Statement of Cash Flows for the discretely presented auxiliary organizations is not included in the University's financial statements.

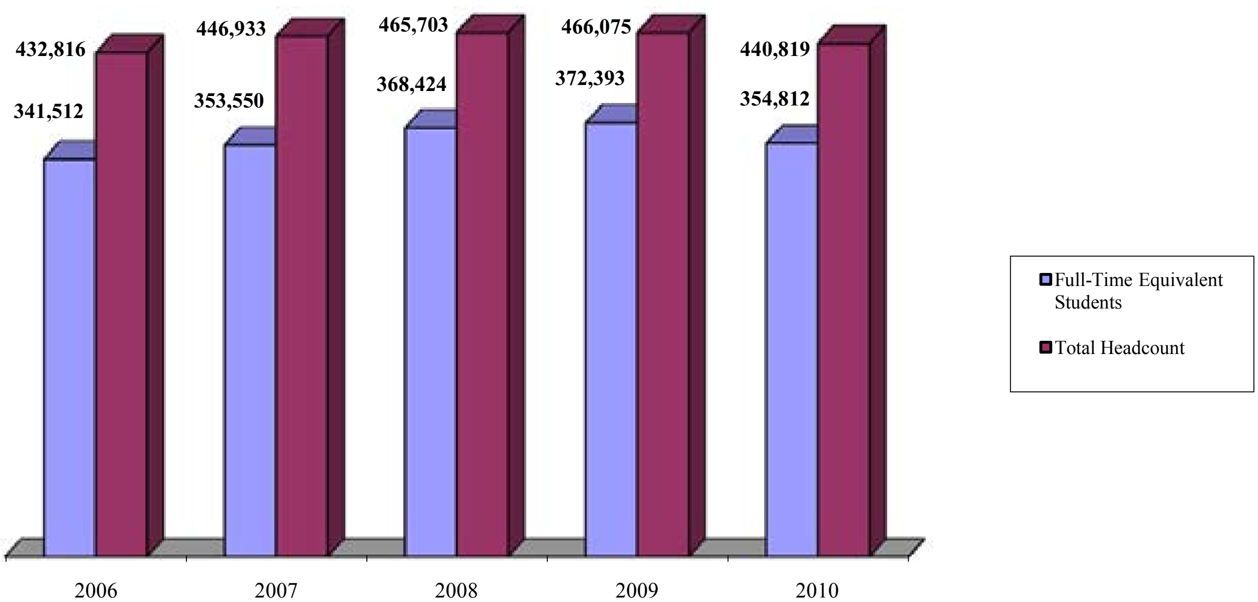
Financial Highlights

In year five of a six-year higher education financing compact agreement between the Governor of the State and the California State University, the Higher Education Compact (the Compact) funding commitments were not met due to the severe economic difficulty in the State. The University's original State noncapital appropriations budget was $2.90 billion for fiscal year 2010. It was reduced by $550 million to a funding level of $2.35 billion, which resulted in a net year-to-year increase of $196.1 million from $2.15 billion in fiscal year 2009. Fee revenues increased by $219.4 million due to approximately 30% increase in the systemwide mandatory student fee and 10% increase in the nonresident tuition fee, offset by a decrease in overall enrollment.

Headcount enrollment decreased from 466,075 in fiscal year 2009 to 440,819 in fiscal year 2010, as reflected in the following chart. At the same time, Full-Time Equivalent Students (FTE) decreased from 372,393 in 2009 to 354,812 in 2010.

The following chart displays the University's historical enrollment data by fiscal year:

Enrollment



Financial Analysis

The following sections provide additional details on the University's financial position and activities for fiscal years 2010 and 2009 and a look ahead at economic conditions that are expected to affect the University in the future:

I. Condensed Schedule of Net Assets

II. Condensed Schedule of Revenues, Expenses, and Changes in Net Assets

I. Condensed Schedule of Net Assets

June 30, 2010 and 2009

(In thousands)

	University		Auxiliary organizations	
	2010	**2009**	**2010**	**2009**
Current assets	$ 2,285,109	2,159,568	889,080	926,647
Capital assets, net	7,465,993	6,958,932	839,034	874,560
Other noncurrent assets	2,016,320	2,234,903	1,448,912	1,317,467
Total assets	11,767,422	11,353,403	3,177,026	3,118,674
Current liabilities	1,018,981	1,792,705	325,060	346,206
Noncurrent liabilities	4,844,802	4,165,137	1,133,212	1,131,036
Total liabilities	5,863,783	5,957,842	1,458,272	1,477,242
Net assets:				
Invested in capital assets, net of related debt	3,827,971	3,831,878	176,612	220,793
Restricted:				
Nonexpendable	22,667	23,351	712,401	680,792
Expendable	591,378	867,981	540,099	519,955
Unrestricted	1,461,623	672,351	289,642	219,892
Total net assets	$ 5,903,639	5,395,561	1,718,754	1,641,432

Current and Other Noncurrent Assets

Current and other noncurrent assets are assets that are used to meet the University's current and noncurrent obligations. These assets consist of cash and cash equivalents, restricted cash and cash equivalents, investments, accounts receivable, notes receivable, leases receivable, student loans receivable, pledges receivable, prepaid expenses, and other assets totaling $4.3 billion and $4.4 billion at June 30, 2010 and 2009, respectively. The net decrease of $93.0 million in current and other noncurrent assets is mainly attributable to a decrease of $93.0 million in cash and investments. The decrease in cash and investments is mainly attributable to the overall use of bond proceeds from the Systemwide Revenue Bonds.

Capital Assets

The University's capital assets, net of accumulated depreciation, as of June 30, 2010 and 2009, comprise the following:

Capital Assets

June 30, 2010 and 2009

(At historical cost, net of accumulated depreciation)

(In thousands)

		2010	2009
Land and land improvements	$	242,746	230,815
Buildings and building improvements		5,251,237	4,813,114
Infrastructure		558,906	546,976
Improvements other than buildings		133,241	109,133
Equipment		177,692	177,180
Library books and materials		47,965	52,214
Works of art and historical treasures		24,373	23,608
Intangible assets		59,117	62,240
Construction work in progress		970,716	943,652
Total	$	7,465,993	6,958,932

Major capital asset additions during 2010 include the following projects:

- Completion of the $65 million Chico Wildcat Activity Center
- Completion of the $59 million Sonoma Housing Phase II, Tuscany Village
- Completion of the $57 million Sonoma Music/Faculty Office/Green Music Center
- Completion of the $55 million Sacramento Student Housing Phase I
- Completion of the $51 million Northridge Science I Replacement
- Completion of the $47 million East Bay Pioneer Heights Student Housing Phase III
- Completion of the $44 million Humboldt Forbes PE Complex Renovation Phase II
- Construction in progress on the $143 million Fullerton Student Housing Phase 3 and 4
- Construction in progress on the $117 million San Francisco J. Paul Leonard Library/Sutro Library
- Construction in progress on the $112 million Long Beach Peterson Hall 3 Replacement Building
- Construction in progress on the $100 million Northridge Performing Arts Center
- Construction in progress on the $80 million Pomona Student Housing Phase II

(Continued)

- Construction in progress on the $71 million Sacramento Recreation/Wellness Center
- Construction in progress on the $71 million San Luis Obispo Recreation Center Expansion
- Construction in progress on the $70 million Northridge Student Recreation Center
- Construction in progress on the $66 million Long Beach Student Recreation and Wellness Center
- Construction in progress on the $64 million Dominguez Hills Education Resource Center Addition
- Construction in progress on the $54 million Fresno Campus Pointe Multi-Housing
- Construction in progress on the $53 million Chico Student Housing Phase I Expansion
- Construction in progress on the $51 million Los Angeles Science Replacement Building Wing B
- Construction in progress on the $48 million Humboldt College Creek Apartments
- Construction in progress on the $44 million Fullerton Energy Infrastructure Improvements
- Construction in progress on the $43 million East Bay Student Services Replacement Building

Due to the State's budget crisis and its difficulty with issuing bonds in the financial market, the State suspended funding for most State-funded capital projects, including General Obligation and Lease Revenue Bond financed projects, and froze disbursements on these projects starting in December 2008. The State later lifted the suspension of the funding for the General Obligation bond projects in April 2009. In October 2009, the State was able to resume bond sales for the General Obligation and Lease Revenue Bonds to support near term construction finance needs for new and previously approved projects through the Federal Build America Bonds program under the American Recovery and Reinvestment Act (ARRA). All previously suspended projects have been restarted.

Current and Noncurrent Liabilities

Current liabilities (liabilities due within one year) and noncurrent liabilities (liabilities due in more than one year) include accounts payable, accrued salaries and benefits payable, accrued compensated absences, deferred revenue, grants refundable, capitalized lease obligations, long-term debt obligations, self-insurance claims liability, depository accounts, other postemployment benefit obligations, and other liabilities. Current liabilities for the University decreased by $773.7 million mainly due to the payment in 2010 of a one time $715.5 million accounts payable from prior year associated with the refund of state noncapital appropriation to the State based on the revised State budget. Moreover, accrued salaries and benefits payable decreased by $29.2 million due to furloughs and layoffs. Noncurrent liabilities for the University increased by $679.7 million in 2010. The major contributing factors to the increase were the issuance of $352.1 million of Systemwide Revenue Bonds Series 2010A and 2010B, and new capital lease obligations of $331.4 million with the State Public Works Board (SPWB). Moreover, other postemployment benefits (OPEB) liabilities increased by $34.5 million in 2010. These increases were offset by paydowns in debt and capitalized lease obligations.

Long-Term Debt

As of June 30, 2010 and 2009, the University's outstanding long-term debt obligations totaled $3.6 billion and $3.3 billion, respectively, and are summarized as follows (in thousands):

		2010	2009
Systemwide Revenue Bonds	$	3,436,168	3,130,488
Bond Anticipation Notes		18,045	41,410
Other		90,725	99,274
Total		3,544,938	3,271,172
Unamortized bond premium/discount		49,014	45,028
Unamortized loss on refundings		(13,806)	(14,798)
Total long-term debt		3,580,146	3,301,402
Less current portion		(65,259)	(84,147)
Long-term debt, net of current portion	$	3,514,887	3,217,255

The University's total long-term debt obligations (net of repayments) increased by $278.7 million in 2010, mainly due to the issuance of Systemwide Revenue Bonds Series 2010A and 2010B. The proceeds were used to fund the construction of new campus facilities and related site development, refund commercial paper used for construction of new campus facilities, and also refund auxiliary organization revenue bonds.

The table above does not include the University's capitalized lease obligations. Capitalized lease obligations for the University increased by $312.6 million in 2010, consisting of new capital lease obligations of $331.4 million with the SPWB, offset by current year repayments.

In addition, the State General Obligation Bond program has provided capital funding for various projects of the University. The debt related to these projects is not allocated to the University by the State and thus is not recorded in the University's financial statements. Total General Obligation Bond debt carried by the State related to the University projects is approximately $2.8 billion and $2.4 billion at June 30, 2010 and 2009, respectively.

No fundamental changes occurred in the revenues and expenditures of the revenue bond programs during fiscal year 2010. Repayment of specific programmatic revenue bonds is legally limited to the sources of revenue from operations of the projects including specific mandatory fees pledged to the revenue bond programs. For the Systemwide Revenue Bonds, revenues pledged generally include student housing fees, parking fees, student union fees, health center facilities fees, and continuing education fees, as well as other revenues designated by the Board of Trustees for inclusion in the Systemwide Revenue Bonds program. Moody's Investors Service currently provides an intrinsic rating of Aa2, with a stable outlook, for the Systemwide Revenue Bonds. Standard & Poor's Rating Service currently provides an intrinsic rating of A+, with a stable outlook, for the Systemwide Revenue Bonds. With the exception of certain maturities of Series 2005C, Series 2007A, Series 2008A, and Series 2009A, and all maturities of Series 2010A and 2010B, all Systemwide Revenue Bonds are insured. Since the middle of fiscal year 2008, some providers of insurance for Systemwide Revenue Bonds have been downgraded to ratings below Aaa/AAA. Those bonds that are uninsured bear the intrinsic ratings of the Systemwide Revenue Bonds, which are Aa2 from the Moody's Investors Service and A+ from the Standard & Poor's Rating Service.

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the University's financial position. As of June 30, 2010 and 2009, assets exceeded liabilities by $5.9 billion and $5.4 billion, respectively, for the University.

The net asset category "Invested in capital assets, net of related debt" represents the University's capital assets, net of accumulated depreciation, and also net of outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. The University uses these capital assets in its day-to-day operations. This category is the largest portion of the University's net assets. In the current year, there was no significant change in the University's invested in capital assets, net of related debt.

The restricted net asset category consists of two subcategories: "Restricted nonexpendable" and "Restricted expendable." The restricted nonexpendable net assets are made up of the permanent endowment funds. Generally speaking, the University's foundations, which are recognized auxiliary organizations, hold the significant majority of the University-related endowments. In the current year, there was no significant change in the University's restricted nonexpendable net assets. Restricted expendable net assets represent resources that are subject to external restrictions on how they may be used. Such restrictions are primarily related to scholarships, capital projects, loans, and debt service funds. In current year, the University experienced a net decrease of $276.6 million in restricted expendable net assets mainly due to spending down of existing capital appropriations and not receiving new capital appropriations.

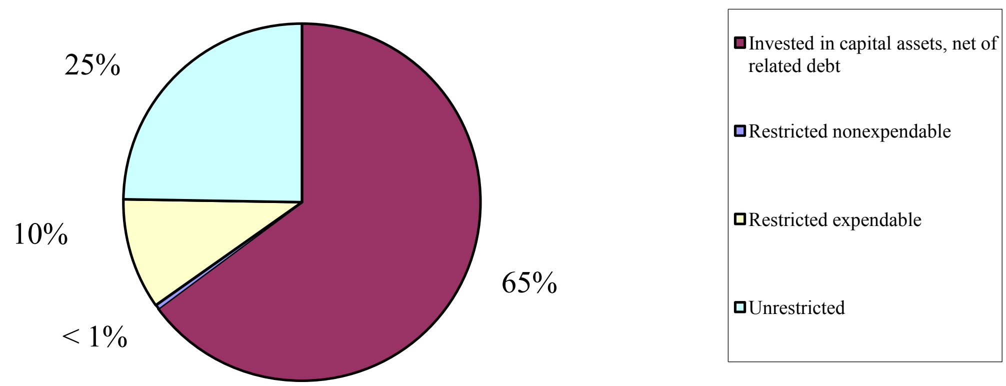
The "unrestricted" net asset category represents all other net resources available to the University for general and educational obligations. This category of net assets for the University increased by $789 million from $672 million as of June 30, 2009 to $1.46 billion as of June 30, 2010, which consists of $1.1 billion designated resources and $359 million undesignated resources. Approximately $342 million of the undesignated resources are in the operating fund. This surplus has been reinvested in the University to provide some margin and provide a prudent reserve for contingencies. Such contingencies may include the uncertain direction of future state appropriations, as well as the effects of an uncertain economic environment.

Within the unrestricted net asset category, the designated resources come from fee collections and other activities that are designated for very specific purposes and are not to be repurposed and spent for other activities. For example, students pay some fees and campus activities generate fees, which are to be used for specific designated purposes. The University also has certain resources that represent amounts set aside to support the Systemwide Revenue Bonds.

(Continued)

Of the $1.1 billion in designated net assets, approximately 53% was designated for supporting enterprise activities (i.e. Continuing Education, Housing, Parking, Student Union), 20% was designated for campus-based projects or programs, and 14% was designated for special capital projects. The remaining 13% was designated for supporting activities related to education, financial aid, and future liability claims.

University Net Assets
June 30, 2010



Total Net Assets: $5,903,639,000

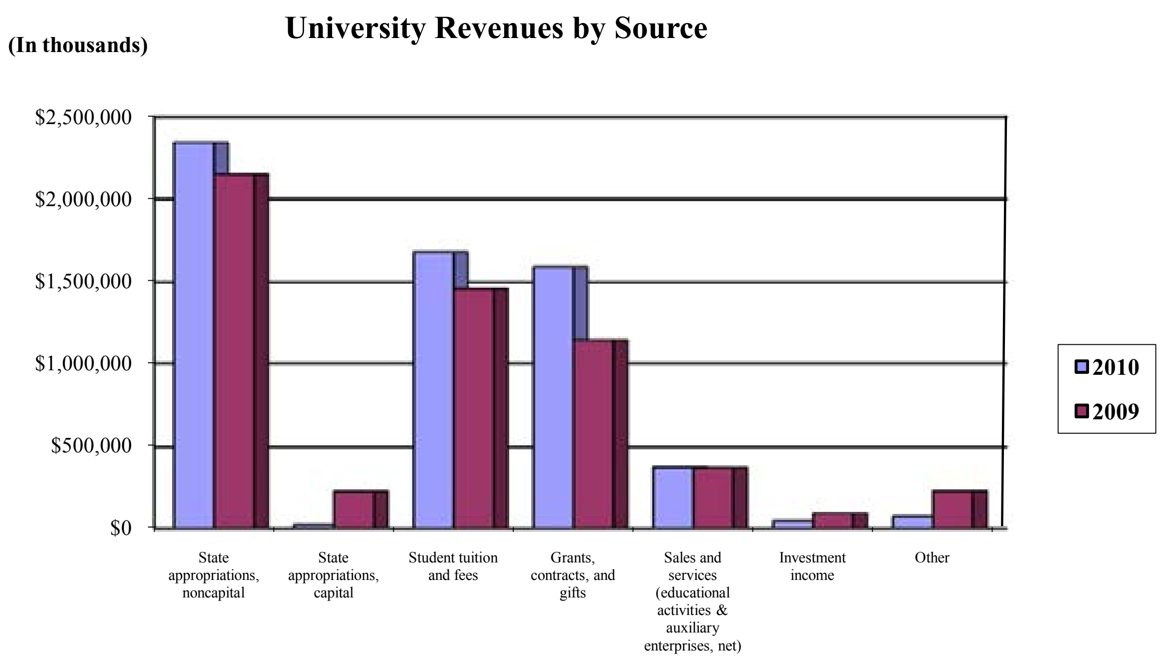
Overall, the University's net assets increased by $508.1 million in the current fiscal year.

II. Condensed Schedule of Revenues, Expenses, and Changes in Net Assets

	University		Auxiliary organizations	
	2010	**2009**	**2010**	**2009**
Operating revenues:				
Student tuition and fees, net	$ 1,679,551	1,460,136	130,374	130,501
Grants and contracts, noncapital	98,234	97,295	502,372	493,551
Sales and services of educational activities	26,987	33,972	31,511	32,069
Sales and services of auxiliary enterprises, net	346,632	335,922	472,500	494,043
Other operating revenues	144,137	156,826	117,534	109,542
Total operating revenues	2,295,541	2,084,151	1,254,291	1,259,706
Operating expenses	5,451,719	5,718,713	1,392,317	1,396,277
Operating loss	(3,156,178)	(3,634,562)	(138,026)	(136,571)
Nonoperating revenues, net:				
State appropriations, noncapital	2,349,388	2,153,251	—	—
Federal financial aid grants, noncapital	644,575	470,528	—	—
State financial aid grants, noncapital	262,777	210,587	—	—
Nongovernmental and other financial aid grants, noncapital	12,739	8,032	—	—
Other federal nonoperating grants, noncapital	448,984	268,500	—	—
Gifts, noncapital	42,817	50,414	89,587	137,956
Investment income (loss), net	46,196	91,936	60,057	(49,758)
Endowment income (loss), net	75	516	71,776	(109,971)
Interest expenses	(177,409)	(139,243)	(34,217)	(32,788)
Other nonoperating revenues (expenses)	(71,103)	70,427	(14,747)	(43,622)
Net nonoperating revenues (expenses)	3,559,039	3,184,948	172,456	(98,183)
Income (loss) before other revenues and expenses	402,861	(449,614)	34,430	(234,754)
State appropriations, capital	22,747	224,543	—	—
Grants and gifts, capital	82,618	40,839	13,389	15,600
Additions (reductions) to permanent endowments	(148)	—	48,062	34,863
Change in net assets	508,078	(184,232)	95,881	(184,291)
Net assets – beginning of year, as previously reported	5,395,561	5,579,793	1,641,432	1,825,723
Restatements	—	—	(18,559)	—
Net assets – beginning of year, as restated	5,395,561	5,579,793	1,622,873	1,825,723
Net assets – end of year	$ 5,903,639	5,395,561	1,718,754	1,641,432

Revenues (Operating and Nonoperating)

The following chart displays the components of the University's revenues for fiscal years 2010 and 2009:



University Revenues (Operating and Nonoperating)

Years ended June 30, 2010 and 2009

(In thousands)

		2010	Percentage of total		2009	Percentage of total
State appropriations, noncapital	$	2,349,388	38.3%	$	2,153,251	38.0%
State appropriations, capital		22,747	0.4		224,543	4.0
Student tuition and fees, net		1,679,551	27.4		1,460,136	25.7
Grants, contracts, and gifts		1,592,596	25.9		1,146,195	20.2
Sales and services (educational activities and auxiliary enterprises, net)		373,619	6.1		369,894	6.5
Investment income, net		46,271	0.7		92,452	1.6
Other		73,034	1.2		227,253	4.0
Total revenues (operating and nonoperating)	$	6,137,206	100.0%	$	5,673,724	100.0%

(Continued)

The largest component of revenues continues to be state appropriations, which accounted for 38.7% of the University's revenues in fiscal year 2010. State appropriations are received for both noncapital and capital purposes. Noncapital appropriations increased by $196.1 million, or 9.1%, from 2009, although it was still significantly below the funding levels prior to 2009. Capital appropriations decreased by $201.8 million, or 89.9%, which resulted from less capital appropriations and the deallocations of the state capital appropriations.

Student tuition and fees increased by $219.4 million, or 15.0%, from fiscal year 2009 mainly due to an increase in student fees.

A significant portion of the University's contracts and grants revenue is managed through its auxiliary organizations. Of the total reporting entity's contracts and grants revenue ($2.0 billion), 25.5% is managed by these related organizations. Contracts and grants revenue for the total reporting entity has increased $421.2 million or 27.2% in fiscal year 2010 mainly due to an increase in federal funding under the ARRA and an increase in federal and state financial aid grants awarded.

Total gift income for the University and the auxiliary organizations (which includes operating and capital gifts, as well as additions to permanent endowments) reached $192.1 million, or 2.5% of the reporting entity's total revenues in the current year. It decreased $46.5 million from $238.6 million, or 3.4% of the reporting entity's total revenues, in fiscal year 2009 mainly due to a decrease in noncapital gift donations. Gifts are used to support a variety of projects, including capital improvements, scholarships, and endowments for various academic and research programs.

Auxiliary enterprise operations such as student housing may be run by the University or by auxiliary organizations depending on the campus, whereas student unions are run by auxiliary organizations. Sales and services of auxiliary enterprises for the University are reported at $346.6 million, an increase of $10.7 million, or 3.2%, from fiscal year 2009, which is attributable to an increase in student housing rates and parking fees, coupled with new housing structures and additional bed spaces. Sales and services of auxiliary enterprises for the auxiliary organizations reached $472.5 million, a decrease of $21.5 million, or 4.4%, from fiscal year 2009, primarily due to the decline in revenues from bookstore and dining services.

Total investment and endowment income for the University decreased by $46.2 million, or 50.0%, to $46.3 million for the current year from $92.5 million for the prior year. The University's investment portfolio consists primarily of investments held in the State of California Surplus Money Investment Fund (SMIF) and the California State University Investment Pool. The decrease in income for the University was mainly due to lower interest rates and the University's strategy of keeping shorter maturities of invested securities. Total investment and endowment income for the auxiliary organizations increased by $291.6 million from a loss in prior year. The increase in income for the auxiliary organizations was primarily due to an overall improvement in the financial markets in current year from prior year.

Other revenues consist of operating and nonoperating activities. The University's total other revenues decreased by $154.2 million, from $227.3 million in 2009 to $73.0 million in 2010. Other operating revenues decreased by $12.7 million to $144.1 million mainly due to an overall decrease in faculty release time and other cost recoveries from the auxiliary organizations compared to prior year. Other nonoperating expenses were $71.1 million, a decrease of $141.5 million from revenues of $70.4 million, mainly due to a $116.0 million adjustment in state capital appropriations related to the issuance of capitalized leases with the SPWB, and the remaining was mainly due to sales of fixed assets and other adjustments from prior year.

Operating Expenses

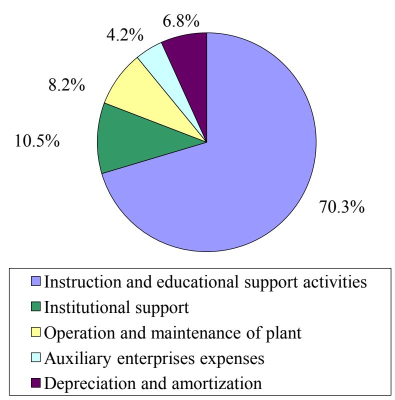
Approximately 35% of the University's total operating expenses in fiscal year 2010 directly support the primary function of the University, which is instruction. These direct expenses include only faculty and instructional support staff salaries, benefits, and their direct expenses. When the mission-critical educational support activities of student services, academic support, grants and scholarships, public service, and research are added to direct classroom instruction, total instruction and educational support activities account for approximately 70% of the total operating expenses of the University as shown below:

University Operating Expenses

Year ended June 30, 2010

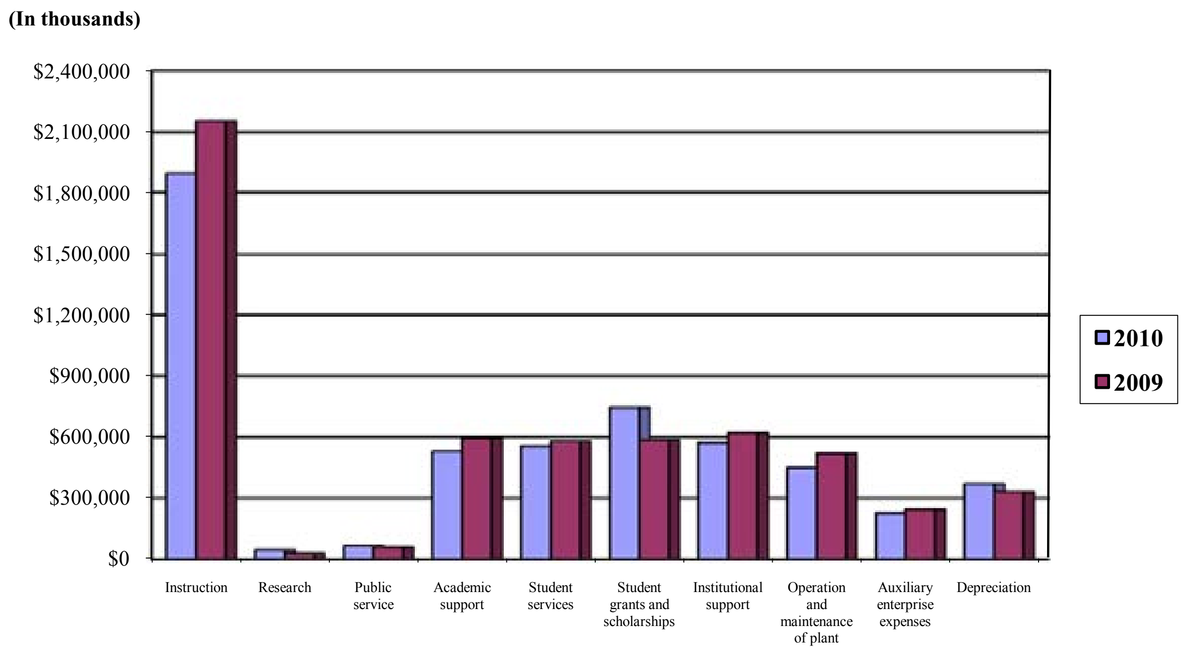
(In thousands)

Instruction	$ 1,896,014	34.8%
Research	44,969	0.8
Public service	64,951	1.2
Academic support	528,906	9.7
Student services	556,824	10.2
Student grants and scholarships	744,026	13.6
Total instruction and educational support activities	3,835,690	70.3
Institutional support	571,733	10.5
Operation and maintenance of plant	448,159	8.2
Auxiliary enterprises expenses	226,391	4.2
Depreciation and amortization	369,746	6.8
Total operating expenses	$ 5,451,719	100.0%



Total operating expenses for the University decreased by $267 million in the current year. The decrease was mainly a result of furloughs, layoffs, and overall cost savings in various functional categories. The decrease was offset by $159.5 million increase in student grants and scholarships expenses, $34.5 million increase in OPEB expenses allocated from the State, and $36.6 million increase in depreciation and amortization expenses. The chart on the following page displays the University's operating expenses by program for fiscal years 2010 and 2009.

University Operating Expenses by Program



Future Economic Factors

The Compact, which was reached on May 11, 2004, proposes to fund 2.5% annual enrollment growth through fiscal year 2011. The Compact, which took effect in fiscal year 2006, calls for increases in funding for the California State University for each year through 2011. The upcoming fiscal year represents the sixth year of a six year higher education financing compact agreement between the Governor of the State and the University. In fiscal year 2010, the Compact commitments were not funded by the State.

The University's state noncapital appropriations budget enacted for fiscal year 2011 approved by the legislative process is $2.62 billion. This increase of $270 million over the fiscal year 2010 funding level of $2.35 billion marks the first partial restoration of state funding since 2007. However, it is still below the fiscal year 2008 funding level of $2.97 billion. Moreover, the University will receive $106.6 million of ARRA funds in fiscal year 2011. In addition, an increase in student fees in fiscal year 2011 is expected to generate $88.8 million during fiscal year 2011 in new revenue net of financial aid.

CALIFORNIA STATE UNIVERSITY

Statement of Net Assets

June 30, 2010

Assets	University	Discretely presented component units Auxiliary organizations	Total
Current assets:			
Cash and cash equivalents	$ 11,893,000	186,201,000	198,094,000
Short-term investments	2,034,904,000	398,170,000	2,433,074,000
Accounts receivable, net	181,087,000	215,327,000	396,414,000
Leases receivable, current portion	4,631,000	985,000	5,616,000
Notes receivable, current portion	3,646,000	1,022,000	4,668,000
Pledges receivable, net	31,000	39,022,000	39,053,000
Prepaid expenses and other assets	48,917,000	48,353,000	97,270,000
Total current assets	2,285,109,000	889,080,000	3,174,189,000
Noncurrent assets:			
Restricted cash and cash equivalents	882,000	89,990,000	90,872,000
Accounts receivable, net	636,142,000	87,406,000	723,548,000
Leases receivable, net of current portion	393,497,000	74,392,000	467,889,000
Notes receivable, net of current portion	210,394,000	37,969,000	248,363,000
Student loans receivable, net	100,034,000	534,000	100,568,000
Pledges receivable, net	120,000	88,468,000	88,588,000
Endowment investments	22,851,000	780,214,000	803,065,000
Other long-term investments	588,677,000	256,422,000	845,099,000
Capital assets, net	7,465,993,000	839,034,000	8,305,027,000
Other assets	63,723,000	33,517,000	97,240,000
Total noncurrent assets	9,482,313,000	2,287,946,000	11,770,259,000
Total assets	11,767,422,000	3,177,026,000	14,944,448,000
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	240,201,000	70,013,000	310,214,000
Accrued salaries and benefits payable	237,864,000	24,023,000	261,887,000
Accrued compensated absences, current portion	104,396,000	14,346,000	118,742,000
Deferred revenue	221,980,000	59,196,000	281,176,000
Capitalized lease obligations, current portion	54,313,000	4,201,000	58,514,000
Long-term debt obligations, current portion	65,259,000	53,136,000	118,395,000
Self-insurance claims liability, current portion	14,032,000	15,000	14,047,000
Depository accounts, current portion	9,123,000	8,237,000	17,360,000
Other liabilities	71,813,000	91,893,000	163,706,000
Total current liabilities	1,018,981,000	325,060,000	1,344,041,000
Noncurrent liabilities:			
Accrued compensated absences, net of current portion	115,215,000	2,641,000	117,856,000
Deferred revenue	12,413,000	12,626,000	25,039,000
Grants refundable	100,643,000	2,943,000	103,586,000
Capitalized lease obligations, net of current portion	921,965,000	368,064,000	1,290,029,000
Long-term debt obligations, net of current portion	3,514,887,000	520,947,000	4,035,834,000
Self-insurance claims liability, net of current portion	73,277,000	2,814,000	76,091,000
Depository accounts	8,197,000	42,584,000	50,781,000
Other postemployment benefits obligation	90,057,000	122,182,000	212,239,000
Other liabilities	8,148,000	58,411,000	66,559,000
Total noncurrent liabilities	4,844,802,000	1,133,212,000	5,978,014,000
Total liabilities	5,863,783,000	1,458,272,000	7,322,055,000
Net assets:			
Invested in capital assets, net of related debt	3,827,971,000	176,612,000	4,004,583,000
Restricted for:			
Nonexpendable – endowments	22,667,000	712,401,000	735,068,000
Expendable:			
Scholarships and fellowships	18,135,000	102,895,000	121,030,000
Research	—	11,981,000	11,981,000
Loans	13,315,000	1,721,000	15,036,000
Capital projects	511,557,000	44,948,000	556,505,000
Debt service	41,197,000	33,649,000	74,846,000
Other	7,174,000	344,905,000	352,079,000
Unrestricted	1,461,623,000	289,642,000	1,751,265,000
Total net assets	$ 5,903,639,000	1,718,754,000	7,622,393,000

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2010

	University	Discretely presented component units: Auxiliary organizations	Eliminations	Total
Revenues:				
Operating revenues:				
Student tuition and fees (net of scholarship allowances of $660,326,000)	$ 1,679,551,000	130,374,000	(5,749,000)	1,804,176,000
Grants and contracts, noncapital:				
Federal	63,053,000	326,467,000	(520,000)	389,000,000
State	19,900,000	98,155,000	(2,491,000)	115,564,000
Local	7,983,000	12,660,000	(361,000)	20,282,000
Nongovernmental	7,298,000	65,090,000	(378,000)	72,010,000
Sales and services of educational activities	26,987,000	31,511,000	—	58,498,000
Sales and services of auxiliary enterprises (net of scholarship allowances of $32,761,000)	346,632,000	472,500,000	(10,629,000)	808,503,000
Other operating revenues	144,137,000	117,534,000	(969,000)	260,702,000
Total operating revenues	2,295,541,000	1,254,291,000	(21,097,000)	3,528,735,000
Expenses:				
Operating expenses:				
Instruction	1,896,014,000	156,231,000	(330,000)	2,051,915,000
Research	44,969,000	195,220,000	(274,000)	239,915,000
Public service	64,951,000	159,153,000	(2,172,000)	221,932,000
Academic support	528,906,000	53,223,000	(2,175,000)	579,954,000
Student services	556,824,000	120,848,000	(11,653,000)	666,019,000
Institutional support	571,733,000	133,471,000	(47,808,000)	657,396,000
Operation and maintenance of plant	448,159,000	20,722,000	—	468,881,000
Student grants and scholarships	744,026,000	70,015,000	(18,571,000)	795,470,000
Auxiliary enterprise expenses	226,391,000	436,534,000	(8,306,000)	654,619,000
Depreciation and amortization	369,746,000	46,900,000	—	416,646,000
Total operating expenses	5,451,719,000	1,392,317,000	(91,289,000)	6,752,747,000
Operating loss	(3,156,178,000)	(138,026,000)	70,192,000	(3,224,012,000)
Nonoperating revenues (expenses):				
State appropriations, noncapital	2,349,388,000	—	—	2,349,388,000
Federal financial aid grants, noncapital	644,575,000	—	—	644,575,000
State financial aid grants, noncapital	262,777,000	—	—	262,777,000
Nongovernmental and other financial aid grants, noncapital	12,739,000	—	(9,155,000)	3,584,000
Other federal nonoperating grants, noncapital	448,984,000	—	—	448,984,000
Gifts, noncapital	42,817,000	89,587,000	(23,646,000)	108,758,000
Investment income net	46,196,000	60,057,000	—	106,253,000
Endowment income	75,000	71,776,000	—	71,851,000
Interest expense	(177,409,000)	(34,217,000)	—	(211,626,000)
Other nonoperating revenues (expenses)	(71,103,000)	(14,747,000)	23,181,000	(62,669,000)
Net nonoperating revenues	3,559,039,000	172,456,000	(9,620,000)	3,721,875,000
Income before other revenues and expenses	402,861,000	34,430,000	60,572,000	497,863,000
State appropriations, capital	22,747,000	—	—	22,747,000
Grants and gifts, capital	82,618,000	13,389,000	(60,124,000)	35,883,000
Additions (reduction) to permanent endowments	(148,000)	48,062,000	(448,000)	47,466,000
Increase in net assets	508,078,000	95,881,000	—	603,959,000
Net assets:				
Net assets at beginning of year, as previously reported	5,395,561,000	1,641,432,000	—	7,036,993,000
Restatements	—	(18,559,000)	—	(18,559,000)
Net assets at beginning of year, as restated	5,395,561,000	1,622,873,000	—	7,018,434,000
Net assets at end of year	$ 5,903,639,000	1,718,754,000	—	7,622,393,000

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2010

	University
Cash flows from operating activities:	
Student tuition and fees	$ 1,701,173,000
Federal grants and contracts	60,184,000
State grants and contracts	19,808,000
Local grants and contracts	8,311,000
Nongovernmental grants and contracts	6,670,000
Payments to suppliers	(862,763,000)
Payments to employees	(3,455,168,000)
Payments to students	(757,053,000)
Collections of student loans	8,409,000
Sales and services of auxiliary enterprises	336,113,000
Sales and services of educational activities	24,527,000
Other receipts	101,850,000
Net cash used in operating activities	(2,807,939,000)
Cash flows from noncapital financing activities:	
State appropriations	1,705,254,000
Federal financial aid grants	641,277,000
State financial aid grants	250,762,000
Nongovernmental and other financial aid grants	12,797,000
Other federal nonoperating grants	448,984,000
Gifts and grants received for other than capital purposes	41,116,000
Federal loan program receipts	1,076,303,000
Federal loan program disbursements	(1,076,592,000)
Monies received on behalf of others	81,389,000
Monies disbursed on behalf of others	(91,311,000)
Other noncapital financing activities	52,311,000
Net cash provided by noncapital financing activities	3,142,290,000
Cash flows from capital and related financing activities:	
Proceeds from capital debt	311,529,000
State appropriations	328,327,000
Capital grants and gifts	38,436,000
Proceeds from sale of capital assets	513,000
Acquisition of capital assets	(683,356,000)
Issuance of notes receivable	(28,024,000)
Transfers to escrow agent	(56,009,000)
Principal paid on capital debt and leases	(194,416,000)
Interest paid on capital debt and leases	(191,878,000)
Principal payments received on capital leases receivable	4,171,000
Interest payments received on capital leases receivable	13,973,000
Principal payments received on notes receivable	1,100,000
Interest payments received on notes receivable	4,637,000
Net cash used in capital and related financing activities	(450,997,000)
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	7,728,559,000
Purchases of investments	(7,635,204,000)
Investment income proceeds	26,154,000
Net cash provided by investing activities	119,509,000
Net increase in cash and cash equivalents	2,863,000
Cash and cash equivalents at beginning of year	9,912,000
Cash and cash equivalents at end of year	$ 12,775,000
Summary of cash and cash equivalents at end of year:	
Cash and cash equivalents	$ 11,893,000
Restricted cash and cash equivalents	882,000
Total cash and cash equivalents at end of year	$ 12,775,000

(Continued)

CALIFORNIA STATE UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2010

	University
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (3,156,178,000)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	369,746,000
Change in assets and liabilities:	
Accounts receivable, net	(11,225,000)
Student loans receivable, net	2,606,000
Pledges receivable, net	30,000
Prepaid expenses and other assets	(77,000)
Accounts payable	(81,180,000)
Accrued salaries and benefits	(29,235,000)
Accrued compensated absences	21,075,000
Deferred revenue	21,020,000
Self-insurance claims liability	16,561,000
Depository accounts	(555,000)
Other postemployment benefits obligation	33,012,000
Other liabilities	6,461,000
Net cash used in operating activities	$ (2,807,939,000)
Supplemental schedule of noncash transactions:	
Contributed capital assets	$ 47,008,000
Acquisition of capital assets through capital lease	40,852,000
Acquisition of capital assets through long-term debt obligation (other than capital lease)	109,728,000
Change in accrued capital assets purchases	16,787,000
Other miscellaneous noncash transactions related to capital asset adjustments	2,320,000
Other miscellaneous noncash transactions with auxiliary organizations	6,040,000
Gifts in kind	1,261,000
Amortization of bond premium and discount	3,228,000
Amortization of loss on refundings	1,250,000
Other miscellaneous noncash transactions related to acquisition of capital assets	2,314,000

See accompanying notes to financial statements.

(1) Organization

California State University (the University) was established under the State of California Education Code as a public university to offer undergraduate and graduate instruction for professional and occupational goals emphasizing a broad liberal arts education. As an agency of the State of California (the State), the University is also included in the State's financial statements. Responsibility for the University is vested in the Trustees of California State University (the Trustees) who, in turn, appoint the Chancellor, the chief executive officer of the University, and the University Presidents, the chief executive officers of the respective campuses. In addition to the Office of the Chancellor, the following 23 campuses comprise the California State University at June 30, 2010:

- California State University, Bakersfield
- California State University, Channel Islands
- California State University, Chico
- California State University, Dominguez Hills
- California State University, East Bay
- California State University, Fresno
- California State University, Fullerton
- Humboldt State University
- California State University, Long Beach
- California State University, Los Angeles
- California Maritime Academy
- California State University, Monterey Bay
- California State University, Northridge
- California State Polytechnic University, Pomona
- California State University, Sacramento
- California State University, San Bernardino
- San Diego State University
- San Francisco State University
- San Jose State University
- California Polytechnic State University, San Luis Obispo
- California State University, San Marcos
- Sonoma State University
- California State University, Stanislaus

The University provides instruction for baccalaureate, masters', doctorate, and certificate programs, and operates various auxiliary enterprises, such as student housing and parking facilities. In addition, the University administers a variety of financial aid programs that are funded primarily through state and federal programs.

(2) Summary of Significant Accounting Policies

(a) Financial Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, the accompanying financial statements present the statement of net assets, statement of revenues, expenses, and changes in net assets, and statement of cash flows of the 23 campuses and the Office of the Chancellor of the California State University.

In addition, the accompanying financial statements include the accounts of the 92 University-related recognized auxiliary organizations. These organizations are legally separate entities that provide services primarily to the University and its students. Such organizations include foundations, associated students, student unions, food service entities, bookstores, and similar organizations. Foundations, whose net assets comprise approximately 81% of the discretely presented component unit totals, carry out a variety of campus-related activities. Such activities consist primarily of administering grants from governmental and private agencies for research, as well as soliciting and accepting donations, gifts, and bequests for University-related use. Separate financial statements are issued for each of the recognized auxiliary organizations and may be obtained from the individual campuses.

The recognized auxiliary organizations are as follows:

- California State University, Bakersfield, Foundation
- Associated Students, Inc., California State University, Bakersfield
- California State University, Bakersfield Student Union
- California State University, Bakersfield, Auxiliary for Sponsored Programs Administration
- California State University Institute
- California State University Foundation
- California State University, Channel Islands Foundation
- Associated Students of California State University, Channel Islands, Inc.
- CSUCI Financing Authority
- California State University, Channel Islands Site Authority
- California State University Channel Islands University Glen Corporation
- The CSU, Chico Research Foundation

- The University Foundation, California State University, Chico
- Associated Students of California State University, Chico
- California State University Dominguez Hills Foundation
- Associated Students, Inc., California State University, Dominguez Hills
- The Donald P. and Katherine B. Loker University Student Union, Inc., California State University, Dominguez Hills
- California State University, East Bay Foundation, Inc.
- Associated Students, Inc. of California State University, East Bay
- Cal State East Bay Educational Foundation, Inc.
- California State University, Fresno Foundation
- Associated Students, California State University, Fresno
- California State University, Fresno Association, Inc.
- The Agricultural Foundation of California State University, Fresno
- California State University, Fresno Athletic Corporation
- The Bulldog Foundation (Fresno)
- Fresno State Programs for Children, Inc.
- Cal State Fullerton Philanthropic Foundation
- Associated Students, California State University, Fullerton, Inc.
- Titan Student Union Associated Students California State University, Fullerton, Inc.
- CSU Fullerton Housing Authority
- CSU Fullerton Auxiliary Services Corporation
- Humboldt State University Sponsored Programs Foundation
- Associated Students of Humboldt State University
- Humboldt State University Center Board of Directors
- Humboldt State University Advancement Foundation
- California State University, Long Beach Foundation
- Associated Students, Inc., California State University, Long Beach
- Forty-Niner Shops, Inc. (Long Beach)
- Cal State L.A. University Auxiliary Services, Inc.
- California State University, Los Angeles Foundation

- Associated Students of California State University, Los Angeles, Inc.
- University – Student Union Board, California State University, Los Angeles
- California Maritime Academy Foundation, Inc.
- Associated Students of the California Maritime Academy
- University Corporation at Monterey Bay
- California State University, Northridge Foundation
- Associated Students, Inc., California State University, Northridge
- University Student Union, Inc., California State University, Northridge
- North Campus – University Park Development Corporation (Northridge)
- The University Corporation (Northridge)
- Cal Poly Pomona Foundation, Inc.
- Associated Students, Inc., California State Polytechnic University, Pomona
- Cal Poly Pomona University Educational Trust
- The University Foundation at Sacramento State
- University Enterprises, Inc. (Sacramento)
- University Enterprises Development Group (Sacramento)
- Associated Students of California State University, Sacramento
- University Union Operation of California State University, Sacramento
- Capital Public Radio, Inc. (Sacramento)
- Santos Manuel Student Union of California State University, San Bernardino
- The Foundation for California State University, San Bernardino
- Associated Students, Incorporated, California State University, San Bernardino
- San Diego State University Research Foundation
- The Campanile Foundation (San Diego)
- Associated Students of San Diego State University
- Aztec Shops, Ltd. (San Diego)
- The University Corporation, San Francisco State
- Associated Students of San Francisco State University
- San Francisco State University Student Center

(Continued)

- Franciscan Shops (Operating as SFSU Bookstore)
- San Francisco State University Foundation
- Associated Students of San Jose State University
- The Student Union of San Jose State University
- The Tower Foundation (San Jose)
- San Jose State University Research Foundation
- Spartan Shops, Inc. (San Jose)
- California Polytechnic State University Foundation (San Luis Obispo)
- Cal Poly Housing Corporation (San Luis Obispo)
- Cal Poly Corporation (San Luis Obispo)
- Associated Students, Inc., California Polytechnic State University, San Luis Obispo
- University Auxiliary and Research Services Corporation (San Marcos)
- Associated Students, Inc. of California State University, San Marcos
- San Marcos University Corporation
- Sonoma State University Academic Foundation, Inc.
- Associated Students, Incorporated of Sonoma State University
- Sonoma Student Union Corporation
- Sonoma State Enterprises, Inc.
- California State University, Stanislaus Foundation
- Associated Students Incorporated of California State University, Stanislaus
- University Student Union of California State University, Stanislaus
- California State University, Stanislaus Auxiliary and Business Services

The auxiliary organizations are presented in the accompanying financial statements as discretely presented component units of the University due to the nature and significance of their relationship with the University. The relationships are such that exclusion of these organizations from the reporting entity would render the financial statements incomplete, primarily due to their close affiliation with the University. The auxiliary organizations are discretely presented to allow the financial statement users to distinguish between the University and the auxiliary organizations. None of the auxiliary organizations are considered individually significant to the total discretely presented auxiliary organizations.

All significant interentity transactions have been eliminated.

The accompanying financial statements also include the California State University Risk Management Authority (CSURMA); Stockton Center Site Authority; and California State Student Association, which are included as blended component units. These entities primarily provide services to the University in the areas of risk management, asset management, and debt financing. The University is financially accountable for these organizations.

(b) Basis of Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

As a public institution, the University is considered a special-purpose government under the provisions of GASB Statement No. 35. The University records revenue in part from fees and other charges for services to external users and, accordingly, has chosen to present financial statements using the reporting model for special-purpose governments engaged in business-type activities. This model allows all financial information for the University to be reported in a single column in each of the financial statements, accompanied by aggregated financial information for the auxiliary organizations. The effect of internal activity between funds or groups of funds has been eliminated from these financial statements.

(c) Auxiliary Organizations Restatements

The beginning net assets of the auxiliary organizations have been restated due to the correction of errors and the change in accounting methods. A summary of the restatements to net assets at the beginning of the year related to the auxiliary organizations is as follows:

Net assets as of June 30, 2009, as previously reported	$ 1,641,432,000
Adjustments for capital assets due to a change in accounting policy for art collections	(21,386,000)
Adjustments for depository and other liabilities due to the correction of a donation	(621,000)
Adjustments to record donations from a third party for a building project	7,044,000
Adjustments for receivables due to the correction of a donation	(3,565,000)
Adjustments for overstatement of endowment investments	(31,000)
Net assets at beginning of year, as restated	$ 1,622,873,000

(d) Election of Applicable FASB Statements

The University follows standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to November 30, 1989, unless those standards conflict with or contradict guidance of the GASB. The University also has the option of following subsequent private-sector guidance subject to the same limitation. The University has elected not to adopt the pronouncements issued by the FASB after November 30, 1989.

(e) Classification of Current and Noncurrent Assets (Other Than Investments) and Liabilities

The University considers assets to be current that can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the statement of net assets date. Liabilities that reasonably can be expected, as part of normal University business operations, to be liquidated within 12 months of the statement of net assets date are considered to be current. All other assets and liabilities are considered noncurrent. For classification of current and noncurrent investments, refer to note 2(g).

(f) Cash Equivalents and Statement of Cash Flows

The University considers highly liquid investments with an original maturity date of three months or less to be cash equivalents. The University considers amounts included in the California State University Investment Pool to be investments. The statement of cash flows does not include the cash flows of the discretely presented auxiliary organizations.

(g) Investments

Investments are reflected at fair value using quoted market prices. Realized and unrealized gains and losses are included in the accompanying statement of revenues, expenses, and changes in net assets as investment income, net.

Investments that are used for current operations are classified as short-term investments. Investments that are restricted for withdrawal or use for other than current operations, designated or restricted for the acquisition or construction of noncurrent assets, designated or restricted for the liquidation of the noncurrent portion of long-term debt, and restricted as to the liquidity of the investments are classified as other long-term investments.

(h) Capital Assets

Capital assets are stated at cost or estimated historical cost if purchased, or, if donated, at estimated fair value at date of donation. Capital assets, including infrastructure and intangible assets, with an original value of $5,000 or more and with a useful life of one year or more, are capitalized. Such cost includes, where applicable, interest capitalized as part of the cost of constructed capital assets. Title to all University assets, whether purchased, constructed, or donated, is held by the State. Although title is not with the University for land and buildings, the University has exclusive use of these assets and is responsible for the maintenance of these assets and thus has recorded the cost of these assets on the accompanying financial statements. Capital assets, with the exception of land and land improvements, works of art and historical treasures, construction work in progress, and certain intangible assets, are depreciated or amortized on a straight-line basis over their estimated useful lives, which range from 3 to 45 years. Library books, unless considered rare collections, are capitalized and depreciated over a 10-year period. Periodicals and subscriptions are expensed as purchased. Works of art and historical treasures are valued at cost, if purchased, or the fair market value at the date of donation, if contributed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

(Continued)

Depreciation and amortization expense is shown separately in the statement of revenues, expenses, and changes in net assets rather than being allocated among other categories of operating expenses.

(i) Deferred Revenue

Deferred revenue consists primarily of fees collected in advance for summer and fall terms and continuing education programs.

(j) Compensated Absences

Compensated absences are recognized when the right to receive the compensation is earned by the employees. Vacation is accrued on a monthly basis. The University uses an employee's current pay rate as of July 1st of the current year to calculate the liability for accrued compensated absences. The University employees pay rates are based on length of service and job classifications.

(k) Grants Refundable

The University periodically receives contributions from the federal government in support of its operation of the Federal Perkins and Nursing Loan programs, both Title IV Loan programs. The federal government has the ability to terminate its support of these programs at any time and to request the University to return those contributions that it has made on a cumulative basis. Accordingly, the federal contributions received and retained by the University at year-end are considered liabilities of the University and are reflected as such in the accompanying statement of net assets.

(l) Net Assets

The University's net assets are classified into the following net asset categories:

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- **Restricted:**
  - ***Nonexpendable:*** Net assets subject to externally imposed conditions that the University retains in perpetuity. Net assets in this category consist of endowments held by the University or its related auxiliaries.
  - ***Expendable:*** Net assets subject to externally imposed conditions that can be fulfilled by the actions of the University or by the passage of time.
- **Unrestricted:** All other categories of net assets. In addition, unrestricted net assets may have legislative or bond indenture requirements associated with their use or may be designated for use by management of the University. These requirements limit the area of operations for which expenditures of net assets may be made and require that unrestricted net assets be designated to support future operations in these areas. University housing programs are a primary example of operations that have unrestricted net assets with designated uses.

(m) Classification of Revenues and Expenses

The University considers operating revenues and expenses in the statement of revenues, expenses, and changes in net assets to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly to the University's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. Certain other transactions are reported as nonoperating revenues and expenses in accordance with GASB Statement No. 35. These nonoperating activities include the University's capital and noncapital appropriations from the State, financial aid and federal American Recovery and Reinvestment Act (ARRA) grants, net investment income, noncapital gifts, interest expense, and capital grants and gifts.

The State appropriates funds to the University on an annual basis. The appropriations are, in turn, allocated among the campuses by the Office of the Chancellor. Appropriations are recognized as revenue when authorization is received and are reported as either noncapital appropriations when used to support general operations or capital appropriations when used for capital projects.

In fiscal year 2010, the State received federal education grants that were passed on to school districts and the state's universities to restore state appropriations. The Governor had filed an application with the federal government to receive California's share of the Education Stabilization Fund that was created as part of the federal stimulus bill under the ARRA. The federal education grants have been appropriated to the University by the State and reported separately under the caption of other federal nonoperating grants, noncapital in nonoperating revenues and expenses in the accompanying statement of revenues, expenses, and changes in net assets.

Student tuition and fee revenue, and sales and services of auxiliary enterprises, including revenues from student housing programs, are presented net of scholarships and fellowships applied to student accounts. Certain other scholarship amounts are paid directly to, or refunded to, the student and are reflected as expenses.

(n) Internal Services Activities

Certain institutional internal service providers offer goods and services to University departments, as well as to their external customers. These include activities such as copy centers, postal services, and telecommunications. All internal service activities to University departments have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the internal service sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

(o) Income Taxes

The University is an agency of the State and is treated as a governmental entity for tax purposes. As such, the University is generally not subject to federal or state income taxes. However, the University remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as net income from any unrelated trade or business. If there is a net income, such provision, in the opinion of management, is not material to the financial statements taken as a whole.

(p) New Accounting Pronouncements

On July 1, 2009, the University adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. To provide governments with better accounting guidance and consistency, GASB Statement No. 51 requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets, and through the establishment of new authoritative guidance that addresses issues specific to these intangible assets given their nature. This Statement also fosters greater comparability and results in a more faithful representation of the service capacity of intangible assets – and therefore the financial position of governments – and of the periodic cost associated with the usage of such service capacity in governmental financial statements. The retroactive reporting of these intangible assets did not have a material impact on the University's financial statements.

On July 1, 2009, the University adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement requires governments to measure derivative instruments not specifically excluded by its scope provisions, at fair value in their economic resources measurement focus financial statements, and to provide disclosures of the government's derivative instrument activity and the information necessary to assess the government's objectives for derivative instruments, their significant terms, and the risks associated with the derivative instruments. The adoption of the statement did not have a material impact on the University's financial statements.

(q) Eliminations

All significant nonexchange transactions between the University and the discretely presented auxiliary organizations have been eliminated from the total column and are separately presented in the eliminations column in the accompanying statement of revenues, expenses, and changes in net assets.

(r) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the accompanying financial statements. Actual results could differ from those estimates.

(3) Cash, Cash Equivalents, and Investments

The University's cash, cash equivalents, and investments as of June 30, 2010 are classified in the accompanying statement of net assets as follows:

Cash and cash equivalents	$	11,893,000
Restricted cash and cash equivalents		882,000
Total cash and cash equivalents		12,775,000
Short-term investments		2,034,904,000
Endowment investments		22,851,000
Other long-term investments		588,677,000
Total investments		2,646,432,000
Total cash, cash equivalents, and investments	$	2,659,207,000

(a) Cash and Cash Equivalents

At June 30, 2010, cash and cash equivalents consisted of demand deposits held at the State Treasury and commercial banks, and petty cash. Total cash and cash equivalents of $12,775,000 had a corresponding carrying balance with the State Treasury and commercial banks of $15,768,000 at June 30, 2010. The difference was primarily related to deposits in transit and outstanding checks.

Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that the University will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The California Government Code and Education Code do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the provision that a financial institution must secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. This risk is mitigated in that the University's deposits are maintained at financial institutions that are fully insured or collateralized as required by state law.

(b) Investments

At June 30, 2010, the University's investment portfolio consists primarily of investments in the State of California Surplus Money Investment Fund (SMIF) and the California State University Investment Pool. For the California State University Investment Pool, separate accounting is maintained as to the amounts allocable to the various funds and programs.

Investment Policy

State law and regulations require that surplus monies of the University must be invested. The primary objective of the University's investment policy is to safeguard the principal. The secondary objective is to meet the liquidity needs of the University. The third objective is to return an acceptable yield. The University's investment policy authorizes funds held in local trust accounts under Education Code Sections 89721 and 89724 to be invested in any of the securities authorized by Government Code Section 16430 and Education Code Section 89724, subject to certain limitations. In general, the University's investment policy permits investments in obligations of the federal and California state governments, certificates of deposit, high grade corporate and fixed income securities, and certain other investment instruments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the University manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or nearing maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The University monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Weighted average maturity is based on the stated maturity date, assuming that the callable investments will not be called. The weighted average maturity of the University's investment portfolio for each investment type as of June 30, 2010 is presented in the table in the following page.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The following table presents the fair value, weighted average maturity, and actual rating by investment type of the University's allocated share of the California State University Investment Pool and the SMIF as of June 30, 2010:

Investment type	Fair value	Weighted average maturity (in years)	Rating as of year-end: AAA	AA	A	BBB	BB	B	CCC	CC	Not rated
Money market	$ 11,314,000	—	$ 11,314,000	—	—	—	—	—	—	—	—
Repurchase agreements	270,229,000	—	—	—	270,229,000	—	—	—	—	—	—
Certificates of deposit	170,652,000	0.05	—	—	170,652,000	—	—	—	—	—	—
Commercial paper	310,552,000	0.07	—	—	310,552,000	—	—	—	—	—	—
U.S. agency securities	942,988,000	0.20	116,152,000	—	797,228,000	—	—	—	—	—	29,608,000
State of California Local Agency Investment Fund	15,000	0.56	—	—	—	—	—	—	—	—	15,000
State of California Surplus Money Investment Fund	492,246,000	0.56	—	—	—	—	—	—	—	—	492,246,000
Corporate and fixed income securities	355,177,000	1.75	253,186,000	43,523,000	41,104,000	13,850,000	566,000	216,000	2,261,000	273,000	198,000
U.S. Treasury securities	56,585,000	4.70	—	—	—	—	—	—	—	—	56,585,000
Municipal securities	1,132,000	5.14	—	—	558,000	574,000	—	—	—	—	—
Mortgage-backed securities	35,542,000	14.14	33,080,000	2,462,000	—	—	—	—	—	—	—
Total	$ 2,646,432,000		$ 413,732,000	45,985,000	1,590,323,000	14,424,000	566,000	216,000	2,261,000	273,000	578,652,000

Concentration of Credit Risk

The University's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2010, the following investments (excluding U.S. Treasury securities, mutual funds, and external investment pools) represented 5% or more of the University's investment portfolio: Freddie Mac notes ($337,825,000 or 12.8%), Federal Home Loan Bank bonds and notes ($302,798,000 or 11.4%) and Fannie Mae notes ($291,506,000 or 11.0%).

Risk and Uncertainties

The University may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets.

The University, through the California State University Investment Pool invests in securities with contractual cash flows, such as asset-backed securities and mortgage-backed securities. The value, liquidity, and related income of these securities are sensitive to changes in economic conditions, including real estate values, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

Auxiliary Organizations Investments

Investments of the discretely presented auxiliary organizations at fair value consisted of the following at June 30, 2010:

	Current	Noncurrent	Total
State of California Local Agency Investment Fund	$ 189,757,000	14,516,000	204,273,000
U.S. Bank SWIFT pool	26,144,000	—	26,144,000
Common Fund	3,493,000	65,828,000	69,321,000
Debt securities	1,262,000	74,612,000	75,874,000
Equity securities	27,090,000	190,822,000	217,912,000
Fixed income securities	22,823,000	146,191,000	169,014,000
Real estate	—	20,867,000	20,867,000
Certificates of deposit	50,321,000	23,379,000	73,700,000
Notes receivable	—	5,957,000	5,957,000
Money market funds	16,142,000	58,035,000	74,177,000
Mutual funds	45,092,000	336,506,000	381,598,000
Partnership interests	—	14,780,000	14,780,000
Alternative investments	—	29,747,000	29,747,000
Other	16,046,000	55,396,000	71,442,000
Total	$ 398,170,000	1,036,636,000	1,434,806,000

For additional information regarding the investments of the individual discretely presented auxiliary organizations, refer to their separately issued financial statements.

Approximately $7.3 million of the investments reported by the University in the statement of net assets at June 30, 2010 is invested under contractual agreements on behalf of the auxiliary organizations of the University.

(4) Accounts Receivable

Accounts receivable of the University at June 30, 2010 consisted of the following:

	Current	Noncurrent	Total
State appropriations	$ 4,641,000	623,736,000	628,377,000
Auxiliary organizations	57,532,000	7,099,000	64,631,000
Student accounts	50,340,000	34,000	50,374,000
Government grants and contracts	46,304,000	224,000	46,528,000
Other	44,350,000	5,745,000	50,095,000
	203,167,000	636,838,000	840,005,000
Less allowance for doubtful accounts	(22,080,000)	(696,000)	(22,776,000)
Total	$ 181,087,000	636,142,000	817,229,000

(5) Leases Receivable

The University has entered into capital lease agreements with certain auxiliary organizations to lease existing and newly constructed facilities to the auxiliary organizations. Lease payments are due twice a year on May 1 and November 1.

Under the lease agreements, lease payments are due to the University as follows:

Fiscal year ending:	
2011	$ 23,863,000
2012	24,269,000
2013	27,854,000
2014	29,169,000
2015	29,111,000
2016 – 2020	201,013,000
2021 – 2025	123,631,000
2026 – 2030	115,898,000
2031 – 2035	78,812,000
2036 – 2040	28,955,000
2041 – 2045	22,465,000
Total minimum lease payments to be received	705,040,000
Less amounts representing interest	(306,912,000)
Present value of future minimum lease payments to be received	398,128,000
Less current portion	(4,631,000)
Long-term lease receivable, net of current portion	$ 393,497,000

(6) Notes Receivable

The University has entered into note agreements with certain auxiliary organizations to finance existing and newly constructed facilities for the auxiliary organizations. Note payments are due twice a year, on May 1 and November 1.

Under the note agreements, note payments are due to the University as follows:

Fiscal year ending:	
2011	$ 13,379,000
2012	13,848,000
2013	14,022,000
2014	21,500,000
2015	14,254,000
2016 – 2020	83,855,000
2021 – 2025	68,772,000
2026 – 2030	64,660,000
2031 – 2035	47,671,000
2036 – 2040	22,648,000
Total minimum note payments to be received	364,609,000
Less amounts representing interest	(150,569,000)
Present value of future minimum note payments to be received	214,040,000
Less current portion	(3,646,000)
Long-term notes receivable, net of current portion	$ 210,394,000

(7) Capital Assets

Capital assets activity for the year ended June 30, 2010 consisted of the following:

	Beginning balance	Additions	Retirements	Transfers	Ending balance
Nondepreciable / nonamortizable capital assets:					
Land and land improvements	$ 230,815,000	10,129,000	—	1,802,000	242,746,000
Works of art and historical treasures	23,608,000	790,000	(25,000)	—	24,373,000
Construction work in progress	943,652,000	696,901,000	(3,584,000)	(666,253,000)	970,716,000
Intangible assets	—	2,533,000	—	—	2,533,000
Total nondepreciable / nonamortizable capital assets	1,198,075,000	710,353,000	(3,609,000)	(664,451,000)	1,240,368,000
Depreciable / amortizable capital assets:					
Buildings and building improvements	7,997,683,000	94,732,000	(2,412,000)	586,383,000	8,676,386,000
Improvements other than buildings	413,502,000	9,146,000	(1,515,000)	31,789,000	452,922,000
Infrastructure	792,619,000	13,276,000	(41,000)	29,252,000	835,106,000
Personal property:					
Equipment	625,986,000	45,459,000	(36,981,000)	5,132,000	639,596,000
Library books and materials	370,563,000	6,407,000	(1,507,000)	—	375,463,000
Intangible assets	283,453,000	9,375,000	(5,588,000)	11,895,000	299,135,000
Total depreciable / amortizable capital assets	10,483,806,000	178,395,000	(48,044,000)	664,451,000	11,278,608,000
Total cost	11,681,881,000	888,748,000	(51,653,000)	—	12,518,976,000
Less accumulated depreciation / amortization:					
Buildings and building improvements	(3,184,569,000)	(242,376,000)	1,796,000	—	(3,425,149,000)
Improvements other than buildings	(304,369,000)	(16,696,000)	1,384,000	—	(319,681,000)
Infrastructure	(245,643,000)	(30,597,000)	40,000	—	(276,200,000)
Personal property:					
Equipment	(448,806,000)	(44,147,000)	31,049,000	—	(461,904,000)
Library books and materials	(318,349,000)	(10,560,000)	1,411,000	—	(327,498,000)
Intangible assets	(221,213,000)	(25,370,000)	4,032,000	—	(242,551,000)
Total accumulated depreciation / amortization	(4,722,949,000)	(369,746,000)	39,712,000	—	(5,052,983,000)
Net capital assets	$ 6,958,932,000	519,002,000	(11,941,000)	—	7,465,993,000

Capital assets activity of the discretely presented auxiliary organizations of the University for the year ended June 30, 2010 consisted of the following:

	Beginning balance	Additions	Retirements	Transfers	Ending balance
Nondepreciable / nonamortizable capital assets:					
Land and land improvements	$ 81,544,000	16,659,000	(4,207,000)	(266,000)	93,730,000
Works of art and historical treasures	5,316,000	1,000	—	—	5,317,000
Construction work in progress	45,593,000	22,608,000	(11,612,000)	(38,094,000)	18,495,000
Intangible assets	—	5,083,000	—	—	5,083,000
Total nondepreciable / nonamortizable capital assets	132,453,000	44,351,000	(15,819,000)	(38,360,000)	122,625,000
Depreciable / amortizable capital assets:					
Buildings and building improvements	736,820,000	37,478,000	(72,493,000)	25,037,000	726,842,000
Improvements other than buildings	100,266,000	4,434,000	(2,338,000)	8,747,000	111,109,000
Infrastructure	63,173,000	24,000	—	222,000	63,419,000
Personal property:					
Equipment	187,597,000	10,533,000	(9,662,000)	4,292,000	192,760,000
Intangible assets	10,260,000	31,000	(2,684,000)	62,000	7,669,000
Total depreciable / amortizable capital assets	1,098,116,000	52,500,000	(87,177,000)	38,360,000	1,101,799,000
Total cost	1,230,569,000	96,851,000	(102,996,000)	—	1,224,424,000
Less accumulated depreciation / amortization:					
Buildings and building improvements	(167,808,000)	(25,154,000)	8,977,000	—	(183,985,000)
Improvements other than buildings	(44,348,000)	(5,031,000)	2,573,000	—	(46,806,000)
Infrastructure	(7,532,000)	(1,581,000)	—	—	(9,113,000)
Personal property:					
Equipment	(134,031,000)	(14,772,000)	7,637,000	—	(141,166,000)
Intangible assets	(2,290,000)	(2,142,000)	112,000	—	(4,320,000)
Total accumulated depreciation / amortization	(356,009,000)	(48,680,000)	19,299,000	—	(385,390,000)
Net capital assets	$ 874,560,000	48,171,000	(83,697,000)	—	839,034,000

For additional information regarding the capital assets of the individual discretely presented auxiliary organizations of the University, refer to their separately issued financial statements.

(8) Lease Obligations

The University is obligated under various capital and operating leases and installment purchase agreements for the acquisition of equipment and facility rentals. A substantial amount of the capital leases is a result of the University's participation with the State in the State Public Works Board (SPWB) Lease Revenue Bond program. The University has participated in this program since 1986 in connection with the construction of campus facilities and related equipment. Current California law permits SPWB to authorize the sale of bonds to construct certain state facilities if there is a revenue stream that can be pledged to repay the obligations. The process is described in brief as follows:

- The University and the State of California Department of Finance agree to the construction of one or more facilities to be funded by SPWB bonds. The projects are approved as part of the University's capital outlay budget.
- The SPWB approves the sale of bonds for the project(s) and the University agrees to execute certain legal documents in connection with the financing, including a site lease to the SPWB, a construction agreement to construct the facility for the SPWB, and a facility lease to lease the completed facility from the SPWB for annual rental payments.
- Prior to the execution of the facility lease, the University receives a short-term loan from the State of California Pooled Money Investment Board to provide working capital for initial phases of the construction and in some cases the construction.
- Generally, during the construction phase of the project, the bonds are sold by the SPWB, the construction loan is repaid, and site leases and facility leases are executed requiring semiannual lease payments, beginning upon completion of the facilities, by the Trustees that are used to pay principal and interest on the bonds.
- As part of the annual budget process, the State of California Department of Finance augments the University's operating budget to provide additional funds for the required lease payments.

The University also enters into capital leases with financial institutions and via commercial paper issued by the California State University Institute.

Overall capital leases consist primarily of leases of campus facilities, but also include certain computer, energy efficiency, and telecommunications equipment. Total assets related to capital leases have a carrying value of $642,159,000 at June 30, 2010. The leases bear interest at rates ranging from 1.0% to 9.1% and have terms expiring in various years through 2041.

Operating leases consist primarily of leases for the use of real property. The University's operating leases expire in various fiscal years through 2099. The leases can be canceled if the State does not provide adequate funding. Some of these leases are with related auxiliary organizations for the rental of office space used in the operations of the University. Total operating lease expenditures for the year ended June 30, 2010 were $28,509,000 of which $15,758,000 was paid to related auxiliary organizations.

Future minimum lease payments under capital and operating leases having remaining terms in excess of one year as of June 30, 2010 are as follows:

	Capital leases	Operating leases
Year ending June 30:		
2011	$ 104,322,000	22,681,000
2012	104,685,000	18,702,000
2013	103,431,000	15,115,000
2014	108,557,000	12,332,000
2015	105,974,000	7,613,000
2016 – 2020	412,533,000	31,885,000
2021 – 2025	244,611,000	8,958,000
2026 – 2030	211,172,000	687,000
2031 – 2035	178,489,000	396,000
2036 – 2040	11,937,000	362,000
2041 – 2045	2,387,000	362,000
2046 – 2050	—	362,000
2051 – 2055	—	96,000
2056 – 2060	—	30,000
2061 – 2065	—	30,000
2066 – 2070	—	30,000
2071 – 2075	—	30,000
2076 – 2080	—	30,000
2081 – 2085	—	30,000
2086 – 2090	—	30,000
2091 – 2095	—	30,000
2096 – 2099	—	21,000
Total minimum lease payments	1,588,098,000	$ 119,812,000
Less amount representing interest	(615,277,000)	
Present value of future minimum lease payments	972,821,000	
Unamortized premium	5,121,000	
Unamortized loss on refundings	(1,664,000)	
Total capital lease obligation	976,278,000	
Less current portion	(54,313,000)	
Capital lease obligation, net of current portion	$ 921,965,000	

(9) Long-Term Debt Obligations

(a) General Obligation Bond Program

The General Obligation Bond program of the State has provided capital outlay funds for the three segments of California Higher Education through voter-approved bonds. Each of the approved bond programs provides a pool of available funds, which is allocated on a project-by-project basis among the University, the University of California, and the Community Colleges. Financing provided to the University through State of California General Obligation Bonds is not allocated to the University by the State. This debt remains the obligation of the State and is funded by state tax revenues. Accordingly, such debt is not reflected in the accompanying financial statements. Total General Obligation Bond debt carried by the State related to the University projects is approximately $2,751,972,000 as of June 30, 2010.

(b) Revenue Bond Programs

The Revenue Bond Act of 1947 provides the Trustees with the ability to issue revenue bonds to fund specific self-supporting programs. The statute has enabled the Trustees to finance student housing, student unions, parking facilities, health facilities, continuing education facilities, and designated auxiliary organization facilities.

The housing program provides on-campus housing primarily for students. Housing is a self-supporting program deriving its revenues from fees collected for the use of the residence facilities and from interest income. Funds are used for current operating expenses, maintenance and repair, improvements to facilities, and interest and principal payments on outstanding bonds. Available balances after payment of all operating expenses and required charges remain available for future program expenses and capital needs.

The student union program provides facilities and programs aimed at creating and enhancing learning experiences outside the classroom by promoting interaction among students, faculty, and staff. The student union program is self-supporting and derives its revenues primarily from student fees and from interest income. Funds are used for maintenance and repair, improvements to facilities, and interest and principal payments on outstanding bonds. After payment of all authorized charges, the balances of these funds are available and can be transferred to a campus auxiliary organization that would have a contract with the University to operate the facility. The operating entity may derive additional revenue from facility subrental, recreational and commercial activities, and interest income.

The parking program provides parking facilities. The parking program is self-supporting and derives its revenues primarily from student fees and from interest income. Funds are used for construction, repair and maintenance, and principal and interest payments on outstanding bonds. Available balances after payment of all operating expenses and required charges remain available for future program expenses and capital needs.

The health facilities program provides facilities on campus in which to provide health services to students. The health facilities program derives its revenues primarily from student fees and from interest income. Funds are used for current operating expenses, maintenance and repair, improvements to facilities, and interest and principal payments on outstanding bonds. Available balances after payment of all operating expenses and required charges remain available for future program expenses and capital needs.

The continuing education program provides nonstate-supported courses to students. The continuing education program is self-supporting and derives its revenues primarily from student fees and from interest income. Funds are used for current operating expenses, maintenance and repair, improvements to facilities, and interest and principal payments on outstanding bonds. Available balances after payment of all operating expenses and required charges remain available for future program expenses and capital needs.

Designated auxiliary organization programs provide for certain additional facilities on campuses for the benefit of students and staff. Funds received by the University from designated auxiliary organizations are used to pay principal and interest payments on outstanding bonds. Available balances after payment of all operating expenses and required charges remain available for future program expenses and capital needs.

The Systemwide Revenue Bond program, formerly the Housing Revenue Bond program, was approved by the Board of Trustees in fiscal year 2003. This program provides funding for various construction projects, including student residence and dining halls facilities, continuing education buildings, student unions, parking facilities, health facilities, and auxiliary organization facilities at designated campuses within the system as specified by the individual bond documents. It is designed to provide lower cost debt and greater flexibility to finance revenue bond projects at the University. Rather than relying on specific pledged revenues to support specific debt obligations, this program pools several sources of revenue as the pledge for the revenue-producing projects. The University's total outstanding balance of revenue bond indebtedness under the Systemwide Revenue Bond program was $3,436,168,000 at June 30, 2010.

The University has pledged future continuing education, healthcare facilities, housing, parking, and student union revenues plus designated auxiliary revenues, net of maintenance and operation expenses before extraordinary items (net income available for debt service), to repay $3,621,493,000 in Systemwide Revenue Bonds issued through fiscal year 2010. The bonds are payable solely from continuing education, healthcare facilities, housing, parking, student union, and designated auxiliary net income available for debt service and are payable through fiscal year 2045. The Systemwide Revenue Bond indenture requires net income available for debt service to be at least equal to aggregate debt service for all bond indebtedness each fiscal year. The total debt service remaining to be paid on the bonds for the University is $6,275,454,000. In fiscal year 2010, total debt service paid and net income available for debt service, which excluded the designated auxiliary net income, for the University were $201,371,000 and $249,822,000, respectively.

(c) Bond Anticipation Notes

The Trustees have authorized the issuance of Revenue Bond Anticipation Notes (BANs) to provide short-term financing to the University System for certain projects. The BANs are purchased by the California State University Institute, an auxiliary organization of the System, with proceeds from the commercial paper issued by the Institute. The BANs are generally issued for periods of up to three years in anticipation of issuing permanent revenue bonds at a future date. State law was amended in 2008 to allow BAN maturities to extend beyond three-years and the maturity date for the issuance of BANs to be determined by the Trustees. In current year, the Trustees authorized three projects for financing with maturities beyond three years and they will remain in BANs until the debt is retired. BAN interest is variable and changes based upon the cost of the California State University Institute's commercial paper program. The maximum and minimum weighted average interest rates for the year ended June 30, 2010 were 0.34% and 0.23%, respectively. Amounts outstanding under the BANs totaled $18,045,000 at June 30, 2010. The not-to-exceed amounts related to the outstanding amounts totaled $23,450,000 of which $1,285,000 has not been issued and $4,120,000 has been issued and paid back.

Long-term debt obligations of the University as of June 30, 2010 consisted of the following:

Description	Interest rate percentage	Final maturity date	Original issue amount	Amount outstanding
Systemwide Revenue Bonds, Housing Series J – Y	3.00	2013/14 – 2021/22	$ 21,693,000	8,858,000
Systemwide Revenue Bonds, Series 2002A	4.10 – 5.50	2012/13 – 2033/34	174,750,000	150,215,000
Systemwide Revenue Bonds, Series 2003A	3.10 – 5.38	2033/34 – 2035/36	320,040,000	308,410,000
Systemwide Revenue Bonds, Series 2004A	2.50 – 5.25	2018/19 – 2034/35	158,010,000	135,185,000
Systemwide Revenue Bonds, Series 2005A	3.20 – 5.00	2013/14 – 2037/38	667,105,000	625,810,000
Systemwide Revenue Bonds, Series 2005B	5.00	2015/16 – 2021/22	134,805,000	97,770,000
Systemwide Revenue Bonds, Series 2005C	3.25 – 5.25	2017/18 – 2038/39	540,900,000	519,950,000
Systemwide Revenue Bonds, Series 2007A	4.00 – 5.00	2024/25 – 2044/45	254,770,000	251,250,000
Systemwide Revenue Bonds, Series 2007B	5.27 – 5.55	2027/28 – 2037/38	13,165,000	12,630,000
Systemwide Revenue Bonds, Series 2007C	5.00	2020/21 – 2028/29	63,275,000	59,540,000

Description	Interest rate percentage	Final maturity date	Original issue amount	Amount outstanding
Systemwide Revenue Bonds, Series 2007D	4.00 – 5.00	2037/38	$ 80,360,000	77,855,000
Systemwide Revenue Bonds, Series 2008A	3.50 – 5.00	2022/23 – 2039/40	375,160,000	371,235,000
Systemwide Revenue Bonds, Series 2009A	2.50 – 6.00	2015/16 – 2040/41	465,365,000	465,365,000
Systemwide Revenue Bonds, Series 2010A	1.00 – 5.00	2019/20 – 2031/32	146,950,000	146,950,000
Systemwide Revenue Bonds, Series 2010B	5.45 – 6.48	2035/36 – 2041/42	205,145,000	205,145,000
			3,621,493,000	3,436,168,000
Bond Anticipation Notes (note 9(c))	Variable	2018/19 – 2019/20	22,165,000	18,045,000
Other	Variable	Various	121,918,000	90,725,000
Total			$ 3,765,576,000	3,544,938,000
Unamortized bond premium/discount				49,014,000
Unamortized loss on refundings				(13,806,000)
Total long-term debt				3,580,146,000
Less current portion				(65,259,000)
Long-term debt, net of current portion				$ 3,514,887,000

Long-term debt principal and interest are payable and mature in the following fiscal years:

	Principal	Interest
2011	$ 65,259,000	175,668,000
2012	78,108,000	171,630,000
2013	88,930,000	168,391,000
2014	89,978,000	164,539,000
2015	97,525,000	160,213,000
2016 – 2020	563,768,000	726,605,000
2021 – 2025	627,231,000	579,767,000
2026 – 2030	703,684,000	413,278,000
2031 – 2035	719,585,000	224,806,000
2036 – 2040	439,980,000	70,208,000
2041 – 2045	70,890,000	4,826,000
	$ 3,544,938,000	2,859,931,000

Long-term debt obligations of the individual discretely presented auxiliary organizations have been issued to purchase or construct facilities for University-related uses. For additional information regarding long-term debt obligations of the individual discretely presented auxiliary organizations, refer to their separately issued financial statements.

(10) Advanced Refundings

Prior Years Refundings

In prior years, the University defeased certain Systemwide Revenue Bonds (Series 2003A) by placing the proceeds from the issuance of the Systemwide Revenue Bonds Series 2005C refunding bonds in an irrevocable trust with the State Treasurer to provide for all future debt service payments on the refunded bonds. The proceeds from the refunding bonds were used to purchase U.S. government securities that were placed in the State University Trust Fund. The investments and fixed earnings from the investments are considered sufficient to fully service the defeased debt until the debt is called or matured. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. The amount of prior years' defeased bonds outstanding as of June 30, 2010 totaled $7,795,000.

(11) Long-Term Liabilities Activity

Long-term liabilities activity of the University for the year ended June 30, 2010 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Current portion
Accrued compensated absences	$ 198,535,000	136,188,000	(115,112,000)	219,611,000	104,396,000
Self-insurance claims liability (note 13)	70,748,000	43,097,000	(26,536,000)	87,309,000	14,032,000
Capitalized lease obligations (note 8)	663,690,000	373,825,000	(61,237,000)	976,278,000	54,313,000
Long-term debt obligations (note 9):					
Systemwide Revenue Bonds	3,130,488,000	352,095,000	(46,415,000)	3,436,168,000	54,550,000
Bond Anticipation Notes	41,410,000	70,244,000	(93,609,000)	18,045,000	464,000
Other	99,274,000	2,396,000	(10,945,000)	90,725,000	10,245,000
	3,271,172,000	424,735,000	(150,969,000)	3,544,938,000	65,259,000
Unamortized bond premium (discount)	45,028,000	6,406,000	(2,420,000)	49,014,000	—
Unamortized loss on refundings	(14,798,000)	(28,000)	1,020,000	(13,806,000)	—
Total long-term debt obligations	3,301,402,000	431,113,000	(152,369,000)	3,580,146,000	65,259,000
Total long-term liabilities	$ 4,234,375,000	984,223,000	(355,254,000)	4,863,344,000	238,000,000

Long-term liabilities activity of the individual discretely presented auxiliary organizations of the University for the year ended June 30, 2010 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Current portion
Accrued compensated absences	$ 16,980,000	14,112,000	(14,105,000)	16,987,000	14,346,000
Self-insurance claims liability	15,000	2,814,000	—	2,829,000	15,000
Capitalized lease obligations	374,965,000	1,490,000	(4,190,000)	372,265,000	4,201,000
Long-term debt obligations:					
Revenue bonds	299,533,000	86,050,000	(63,368,000)	322,215,000	7,342,000
Other bonds	1,275,000	25,670,000	(26,580,000)	365,000	180,000
Commercial paper	125,708,000	908,207,000	(939,644,000)	94,271,000	13,908,000
Other	177,782,000	7,938,000	(29,160,000)	156,560,000	31,706,000
	604,298,000	1,027,865,000	(1,058,752,000)	573,411,000	53,136,000
Unamortized bond premium (discount)	1,483,000	4,396,000	(69,000)	5,810,000	—
Unamortized loss on refundings	(5,375,000)	—	237,000	(5,138,000)	—
Total long-term debt obligations	600,406,000	1,032,261,000	(1,058,584,000)	574,083,000	53,136,000
Total long-term liabilities	$ 992,366,000	1,050,677,000	(1,076,879,000)	966,164,000	71,698,000

For additional information regarding the long-term liabilities of the individual discretely presented auxiliary organizations of the University, refer to their separately issued financial statements.

(12) Pension Plan and Postretirement Benefits

(a) Pension Plan

Plan Description

The University, as an agency of the State, contributes to the CalPERS. The State's plan with CalPERS is an agent multiple-employer defined benefit pension plan and CalPERS functions as an investment and administrative agent for its members. For the University, the plan acts as a cost-sharing multiple-employer defined benefit pension plan, which provides a defined benefit pension and postretirement program for substantially all eligible University employees. The plan also provides survivor, death, and disability benefits. Eligible employees are covered by the Public Employees' Medical and Hospital Care Act (PEMHCA) for medical benefits.

CalPERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the California Public Employees' Retirement System Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

University personnel are required to contribute 5% of their annual earnings in excess of $513 per month to CalPERS. The University is required to contribute at an actuarially determined rate; the current rate is approximately 19.9% of annual covered payroll. The contribution requirements of the plan members are established and may be amended by CalPERS. There is no contractual maximum contribution required for the University by CalPERS.

The University's contributions to CalPERS for the most recent three fiscal years were equal to the required contributions and were as follows:

2008	$ 392,557,000
2009	400,106,000
2010	369,417,000

(b) Postretirement Healthcare Plan

The GASB has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, Relating to Other Postemployment Benefits* (OPEB), which is effective July 1, 2007. Under this statement, public employers sponsoring and subsidizing retiree healthcare benefit programs will need to recognize the cost of such benefits on an accrual basis.

Plan Description

The State provides retiree healthcare benefits to statewide employees, including the University employees, through the programs administered by the CalPERS. The State's substantive plan represents a substantive single-employer defined benefit OPEB Plan, which includes medical and prescription drug benefits (collectively, healthcare benefits) to the retired University employees. The University provides dental benefits to eligible University's retirees. Eligible retirees receive healthcare and dental benefits upon retirement at age 50 with 5 years of service credit.

For healthcare benefits, CalPERS offers Preferred Provider Organizations (PPOs), Health Maintenance Organizations (HMOs), and Exclusive Provider Organizations (EPOs) (limited to members in certain California counties); for dental benefits, a Dental Maintenance Organization (DMO) and dental indemnity plans to the University's retirees. Health plans offered, covered benefits, monthly rates, and copayments are determined by the CalPERS Board, which reviews health plan contracts annually.

The contribution requirements of retirees and the State are established and may be amended by the State legislature. For healthcare benefits, the State makes a contribution toward the retiree's monthly health premiums, with the retirees covering the difference between the State's contribution and the actual healthcare premium amount. The State contribution is normally established through collective bargaining agreements. No retiree contribution is required for dental benefits.

(Continued)

Funding Policy

For healthcare benefits, responsibility for funding the cost of the employer share of premiums is apportioned between the State and the University based on "billable" and "nonbillable" accounts. Billable accounts have special revenue sources such as fees, licenses, penalties, assessments, and interest, which offset the costs incurred by a State department during the year. The University reimburses the State for retiree's health benefit costs allocated to billable accounts but not for costs allocated to nonbillable accounts. The University is responsible for funding the costs of the billable accounts on a pay-as-you-go basis as part of the statewide general administrative costs charged to the University.

The State is responsible for funding the cost of the employer share of healthcare premiums of retirees for all nonbillable accounts.

The University is responsible for funding the cost of dental benefits for all University retirees. The University makes payments directly to Delta Dental for the retiree's monthly dental premiums. The University is funding these benefits on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the total annual required contribution (ARC) for the University's allocated portion of the postretirement healthcare plan, the amount contributed to the plan by the University, and changes in the University's net OPEB obligation (NOO) for the fiscal year ended 2010:

Annual required contribution (ARC):		
Billable accounts	$	23,393,000
Nonbillable accounts (dental only)		33,935,000
Total ARC		57,328,000
Contributions:		
Billable accounts		(8,534,000)
Nonbillable accounts (dental only)		(14,315,000)
Total contributions		(22,849,000)
Increase in net OPEB obligation (NOO)	$	34,479,000
NOO – beginning of year	$	55,578,000
NOO – end of year:		
Billable accounts		44,650,000
Nonbillable accounts (dental only)		45,407,000
Total NOO	$	90,057,000
Percentage of annual OPEB cost contributed during the year ended June 30, 2010		40%

Actuarial Methods and Assumptions and Plan Funding Information

As an agency of the State, the University was included in the State's OPEB actuarial study. The analysis of the statewide ARC by accounts is performed by the State Controller's Office (SCO) and a portion related to billable accounts is allocated to the University. Since the ARC allocated by the SCO does not provide a breakdown of the ARC for health and dental benefits separately, the ARC for the nonbillable accounts, which related only to dental benefits, was estimated based on dental contributions as a percentage of the total OPEB contributions.

Projections of benefits for financial statement reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the State and the plan members to that point. The actuarial methods and assumptions used are consistent with a long-term perspective. In the June 30, 2009 actuarial valuation, the individual entry age normal cost method was used. The actuarial assumptions included a 4.50% investment rate of return and an annual State healthcare cost trend rate of actual increases for 2010 and 9.00% in 2011, initially, reduced to an ultimate rate of 4.50% after seven years. Both rates included a 3.00% annual inflation assumption. Annual wage inflation is assumed to be 3.25%. The unfunded actuarial accrued liabilities are being amortized as a level percentage of projected payroll on an open basis over a 30-year period.

Funding progress information specifically related to the University's portion of the statewide OPEB plan is not available. For more details about the actuarial methods and assumptions used by the State as well as the statewide plans' funding progress and status, refer to the State of California's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended 2010.

(13) Self-Insurance Claims Liability

The University and certain auxiliary organizations have established a public entity risk pool, the CSURMA, a blended component unit of the University, to centrally manage workers' compensation, general liability, industrial and nonindustrial disability, unemployment insurance coverage, and other risk-related programs. The liability included in the accompanying financial statements reflects the estimated ultimate cost of settling claims related to events that have occurred on or before June 30, 2010. The liability includes estimated amount that will be required for future payments of claims that have been reported and claims related to events that have occurred but have not been reported. The liability is estimated through an actuarial calculation using individual case basis valuations and statistical analyses. Although considerable variability is inherent in such estimates, management believes that the liability is a reasonable estimate at June 30, 2010.

Changes in the self-insurance claims liability for the two years ended June 30, 2010 are as follows:

Liability at June 30, 2008	$ 103,997,000
Incurred claims and changes in estimates	17,019,000
Claim payments	(50,268,000)
Liability at June 30, 2009	70,748,000
Incurred claims and changes in estimates	43,097,000
Claim payments	(26,536,000)
Liability at June 30, 2010	87,309,000
Less current portion	(14,032,000)
Long-term liability at June 30, 2010, net of current portion	$ 73,277,000

For the year ended June 30, 2010, the CSURMA purchased excess insurance to protect the members from catastrophic losses. The CSURMA maintained excess public entity liability insurance coverage provided by Schools Excess Liability Fund (SELF), a joint powers authority, with coverage for individual claims above $5,000,000 and up to $45,000,000 per occurrence. The CSURMA purchased excess workers' compensation insurance provided by the National Union Fire Insurance Company of Pittsburgh, PA (AIG) to statutory limits in excess of the $2,500,000 self-insured retention. There have been no settlements in the most recent three fiscal years that have exceeded insurance limits. Although the CSURMA maintains excess policies with SELF, AIG, and other insurers, the ultimate responsibility for payment of claims resides with the CSURMA.

Prior to July 1, 2004, the CSURMA maintained excess workers' compensation insurance coverage provided by SELF. The CSURMA remains liable for assessments from SELF in settlement of claims incurred prior to July 1, 2004.

For the year ended June 30, 2010, the CSURMA entered into a reinsurance contract with Insurance Company of the State of Pennsylvania (Reinsurer). This transaction reinsured the University's workers' compensation claims liability for claims incurred during the fiscal year 2009 – 2010 up to $27,704,000. While sure losses are reinsured, the CSURMA will not be relieved of its primary obligations to the policyholder in this reinsurance transaction. The estimated amount that is recoverable from the Reinsurer and that reduces the liabilities as of June 30, 2010 for unpaid claims and claim adjustment expenses is $11,643,000. The CSURMA paid $18,469,000 of reinsurance premium for the fiscal year.

(14) Commitments and Contingencies

The State is a defendant in multiple lawsuits involving University matters not covered by the risk pool discussed in note 13. An accrual has been made for certain liabilities considered probable of assertion. Management of the University is of the opinion that the remaining liability, if any, arising from litigation will not have a material effect on the financial position of the University.

Federal grant programs are subject to review by the grantor agencies, which could result in requests for reimbursement to grantor agencies for disallowed expenditures. Management believes that it has adhered to the terms of its grants and that any disallowed expenditures resulting from such reviews would not have a material effect on the financial position of the University.

Authorized but unexpended expenditures for construction projects as of June 30, 2010 totaled $358,947,000. These expenditures will be funded primarily by State appropriations and bond proceeds.

As of June 30, 2010, in order to secure access to natural gas and electricity used for normal operation, the University participates in forward purchase contracts of natural gas and electricity operated by the Department of General Service (DGS) and Shell Energy North America (Shell), respectively. The University's obligation under these special purchase arrangements requires it to purchase an estimated total of $66,124,000 and $42,481,000 of natural gas and electricity at fixed prices through June 2017 and March 2014, respectively. The University estimates that the special purchase contracts in place represent approximately 44.7% and 13.4% of its total annual natural gas and electricity expenses, respectively.

(15) Classification of Operating Expenses

The University has elected to report operating expenses by functional classification in the statement of revenues, expenses, and changes in net assets, and to provide the natural classification of those expenses as an additional disclosure. For the year ended June 30, 2010, operating expenses by natural classification consisted of the following:

	Salaries	Benefits	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total
Functional classification:						
Instruction	$ 1,288,081,000	484,332,000	—	123,601,000	—	1,896,014,000
Research	20,055,000	5,966,000	—	18,948,000	—	44,969,000
Public service	30,255,000	9,423,000	—	25,273,000	—	64,951,000
Academic support	290,992,000	117,486,000	—	120,428,000	—	528,906,000
Student services	302,237,000	126,886,000	—	127,701,000	—	556,824,000
Institutional support	307,834,000	133,594,000	—	130,305,000	—	571,733,000
Operation and maintenance of plant	176,508,000	89,942,000	—	181,709,000	—	448,159,000
Student grants and scholarships	—	—	744,026,000	—	—	744,026,000
Auxiliary enterprise expenses	59,387,000	38,265,000	—	128,739,000	—	226,391,000
Depreciation and amortization	—	—	—	—	369,746,000	369,746,000
Total	$ 2,475,349,000	1,005,894,000	744,026,000	856,704,000	369,746,000	5,451,719,000

(16) Transactions with Related Entities

The University is an agency of the State and receives about 38.7% of total revenues through state appropriations. While its operating expenses are paid out of the State University Trust Fund through commercial banks as a result of the Revenue Management Program implemented in fiscal year 2008, payroll and capital outlay activities are processed through the Office of the California State Controller. State appropriations allocated to the University aggregated approximately $2.4 billion for the year ended June 30, 2010. State appropriations receivable aggregated $628,377,000 at June 30, 2010.

(17) Subsequent Events

Subsequent to June 30, 2010, the following BANs were issued:

- In July 2010, an $8.0 million BAN was authorized for the construction of Performing Arts Center at the Northridge campus. In September 2010, $7.0 million of commercial paper was issued, leaving an unused BAN amount of $1.0 million.
- In September 2010, a $74.3 million BAN was authorized for the expansion and renovation of the Student Union at the San Jose campus. In October 2010, $23.1 million of commercial paper was issued, leaving an unused BAN amount of $51.2 million.
- In September 2010, a $24.6 million BAN was authorized for the construction of Parking Structure 1 at the East Bay campus. Commercial paper has not been issued on this project.
- In November 2010, a $29.3 million BAN was authorized for the refinancing of the University Enterprises, Inc. – Folsom Hall Refinance Project at the Sacramento campus. In December 2010, $27.8 million of commercial paper was issued, leaving an unused BAN amount of $1.5 million.

APPENDIX C-2

AUDITED FINANCIAL STATEMENTS

OF THE CALIFORNIA STATE UNIVERSITY

SYSTEMWIDE REVENUE BOND PROGRAM FUND

AS OF JUNE 30, 2010

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CALIFORNIA STATE UNIVERSITY
SYSTEMWIDE REVENUE BOND PROGRAM FUND

Financial Statements and
Supplementary Information

June 30, 2010

(With Independent Auditors' Report Thereon)

CALIFORNIA STATE UNIVERSITY
SYSTEMWIDE REVENUE BOND PROGRAM FUND

Table of Contents

KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report

The Board of Trustees
California State University:

We have audited the accompanying financial statements of the California State University Systemwide Revenue Bond Program Fund as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the California State University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the California State University Systemwide Revenue Bond Program Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

The accompanying financial statements present only the financial position and the changes in financial position and cash flows of the California State University Systemwide Revenue Bond Program Fund and do not purport to, and do not, present fairly the financial position of the California State University as of June 30, 2010, and the changes in its financial position and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the California State University Systemwide Revenue Bond Program Fund as of June 30, 2010, and the changes in its financial position and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in note 5 to the financial statements, the cost of equipment, buildings, and improvements financed by the California State University Systemwide Revenue Bond Program Fund is not capitalized in this fund, as the constructed assets are not owned by the fund and are not pledged as security for the outstanding bonds, resulting in liabilities exceeding assets in the amount of $2,702,956,198 at June 30, 2010. Certain future revenues are pledged to the retirement of the outstanding bonds.

The California State University has not presented the management's discussion and analysis that U.S. generally accepted accounting principles require to supplement, although not required to be part of, the basic financial statements.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

KPMG LLP

December 9, 2010

CALIFORNIA STATE UNIVERSITY
SYSTEMWIDE REVENUE BOND PROGRAM FUND

Statement of Net Deficit

June 30, 2010

Assets:	
Current assets:	
Cash and cash equivalents	$ 731,174
Short-term investments	791,139,765
Accounts receivable, net of allowance for doubtful accounts of $4,049,843	27,556,033
Interest receivable	5,917,628
Due from Federal Government	1,081,258
Prepaid expenses	646,400
Total current assets	827,072,258
Noncurrent assets:	
Bond issuance costs, net	35,515,245
Other long-term investments	255,060,689
Total assets	1,117,648,192
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	52,796,888
Accrued compensated absences, current portion	4,052,722
Accrued salaries and benefits	14,069,059
Deferred revenue	99,473,609
Due to CSU Trust Fund	4,945,078
Due to CSU Operating Fund	3,527,136
Due to other CSU funds	1,700,422
Loans payable	694,671
Interest payable	29,975,517
Revenue bond anticipation notes payable, current portion	451,000
Revenue bonds payable, current portion	58,268,361
Deposits, current portion	3,757,175
Other current liabilities	11,058,781
Arbitrage rebate payable	1,023,895
Total current liabilities	285,794,314
Noncurrent liabilities:	
Loan payable to Affordable Student Housing, net of current portion	1,990,246
Accrued compensated absences, net of current portion	6,121,244
Deposits, net of current portion	397,403
Other postemployment benefits liability	39,863,562
Revenue bond anticipation notes payable, net of current portion	17,594,000
Revenue bonds payable, net of current portion	3,468,843,621
Total liabilities	3,820,604,390
Net assets (deficit):	
Restricted for:	
Building maintenance and repair	51,889,272
Capital projects	203,171,417
Unrestricted	(2,958,016,887)
Total net deficit	$ (2,702,956,198)

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY
SYSTEMWIDE REVENUE BOND PROGRAM FUND

Statement of Revenues, Expenses, and Changes in Net Deficit

Year ended June 30, 2010

Operating revenues:	
Residence and dining halls fees	$ 268,185,989
Continuing education fees	200,237,273
Student union fees	123,522,974
Parking fees	86,655,022
Health facility fees	7,063,461
Auxiliary lease revenue	6,545,000
Recreation center fees	1,439,504
Other operating revenues	19,579,025
Total operating revenues	713,228,248
Operating expenses:	
Salaries, wages, and staff benefits	203,084,749
Construction	405,017,961
Repair and replacement	26,508,933
Supplies and services	51,025,662
General and administrative	28,731,823
Utilities and communications	24,917,678
Contractual services	32,510,625
Printing	2,983,456
Travel	3,979,237
Equipment	2,034,684
Postage and freight	1,033,263
Information technology	7,550,430
Arbitrage rebate	(848,992)
Other operating costs	29,068,975
Interest on Affordable Student Housing Loan	137,855
Interest on Revenue Bond Anticipation Notes	172,502
Interest on bonds payable	153,715,031
Total operating expenses	971,623,872
Operating loss	(258,395,624)
Nonoperating revenues:	
Investment income, net	7,018,990
Other lease income	27,079,081
Total nonoperating revenues	34,098,071
Loss before transfers	(224,297,553)
Transfer to other funds, net	(138,466,535)
Increase in net deficit	(362,764,088)
Net deficit:	
Net deficit – beginning of year	(2,340,192,110)
Net deficit – end of year	$ (2,702,956,198)

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY
SYSTEMWIDE REVENUE BOND PROGRAM FUND

Statement of Cash Flows

Year ended June 30, 2010

Cash flows from operating activities:		
Residence and dining hall fees	$	262,454,491
Continuing education fees		238,971,568
Student union fees		123,750,198
Parking fees		85,631,248
Health facility fees		7,229,373
Auxiliary lease revenue		3,968,719
Recreation center fees		1,420,010
Other operating revenues		12,853,886
Salaries, wages, and benefits		(203,084,749)
Construction costs		(414,363,204)
Repair and replacement costs		(29,050,207)
Supplies and services		(51,025,662)
General and administrative costs		5,748,107
Utilities and communications		(24,917,678)
Contractual services		(32,510,625)
Printing		(2,983,456)
Travel		(3,979,237)
Equipment		(2,034,684)
Postage and freight		(1,033,263)
Information technology		(7,550,430)
Other operating costs		(27,532,938)
Interest paid		(152,570,492)
Net cash used in operating activities		(210,609,025)
Cash flows from noncapital financing activities:		
Deposits		(748,015)
Transfer to other CSU funds, net		(75,240,132)
Transfer to campus student unions		(63,226,403)
Net cash used in noncapital financing activities		(139,214,550)
Cash flows from capital and related financing activities:		
Proceeds from issuance of revenue bonds and revenue bond anticipation notes		435,749,764
Bond issuance costs paid		(3,109,764)
Retirement of indebtedness		(139,685,952)
Net cash provided by capital and related financing activities		292,954,048
Cash flows from investing activities:		
Proceeds from the sale and maturities of investments		3,078,906,314
Purchases of investments		(3,054,081,600)
Interest received		8,986,696
Lease interest received		23,102,774
Net cash provided by investing activities		56,914,184
Net increase in cash and cash equivalents		44,657
Cash and cash equivalents at beginning of year		686,517
Cash and cash equivalents at end of year	$	731,174
Noncash activity:		
Rollover interest from revenue bond anticipation notes	$	180,608

CALIFORNIA STATE UNIVERSITY
SYSTEMWIDE REVENUE BOND PROGRAM FUND

Statement of Cash Flows

Year ended June 30, 2010

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (258,395,624)
Amortization of bond issuance costs	1,244,729
Amortization of bond premium/discount	(3,286,007)
Noncash change in bond issuance costs	(5,643,881)
Changes in assets and liabilities:	
Accounts receivable	(7,410,879)
Due from/to Federal Government	(1,081,258)
Other assets	3,050
Prepaid expenses	(78,173)
Accounts payable and accrued liabilities	(7,527,480)
Accrued compensated absences	4,478,967
Accrued salaries and benefits	12,414,451
Deferred revenue	37,187,262
Due from/to CSU Trust Fund	(5,164,198)
Due from/to CSU Operating Fund	1,429,907
Due from/to other CSU funds	(2,205,588)
Interfund construction loans payable	(153,057)
Interest payable	2,037,211
Other liabilities	8,323,252
Arbitrage rebate payable	(848,992)
Other postemployment benefits liability	14,067,283
Total adjustments	47,786,599
Net cash used in operating activities	$ (210,609,025)

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Description of the Program

Beginning in May 1980, the California State University (the University) Board of Trustees, for the benefit of the California State University Housing System, issued bonds to finance the construction, repair, and maintenance of student housing facilities. The Systemwide Revenue Bond Program Fund (the Program), formerly the Housing Revenue Bond program, was approved by the Board of Trustees in April 2003 concurrent with the issuance of the Systemwide Revenue Bonds, Series 2003A. The Program provides funding for various construction projects, including student residence and dining halls facilities, continuing education buildings, student unions, parking facilities, health facilities, and auxiliary organization facilities at designated campuses within the system as specified by the individual bond documents. It is designed to provide lower cost debt and greater flexibility to finance revenue bond projects at campuses within the system. Rather than relying on specific pledged revenues to support specific debt obligations, the Program pools several sources of revenue as the pledge for the related revenue producing projects.

(b) Basis of Presentation

The accompanying financial statements of the Program include the Systemwide Revenue Bonds Series J to Y, the Systemwide Revenue Bonds Series 2002A, 2003A, 2004A, 2005A, 2005B, 2005C, 2007A, 2007B, 2007C, 2007D, 2008A, 2009A, 2010A, and 2010B (Systemwide), and the Revenue Bond Anticipation Notes. The financial statements also include the revenues and expenses of the activities pledged to repay these bonds, including student residence and dining halls, continuing education, student unions, parking, health facilities, and auxiliary organization leases. These statements have been prepared under the standards promulgated by the Governmental Accounting Standards Board (GASB) using the accrual basis of accounting and economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The financial statements required by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, include a statement of net deficit; a statement of revenues, expenses, and changes in net deficit; and a statement of cash flows. The Program is considered a special-purpose government under the provisions of GASB Statement No. 35. The Program records revenue primarily from fees collected from students and, accordingly, has chosen to present its financial statements using the reporting model for special-purpose governments engaged only in business-type activities. This model allows all financial information for the Program to be reported in a single column in each of the financial statements. In accordance with the business-type activities reporting model, the Program prepares its statement of cash flows using the direct method.

(c) Election of Applicable FASB Statements

The Program follows standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to November 30, 1989, unless those standards conflict with or contradict guidance of the GASB. The Program also has the option of following subsequent private-sector guidance subject to the same limitation. The Program has elected not to adopt the pronouncements issued by the FASB after November 30, 1989.

(d) Classification of Current and Noncurrent Assets and Liabilities

The Program considers assets to be current that can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the statement of net deficit date. Liabilities that reasonably can be expected, as part of the Program's normal business operations, to be liquidated within 12 months of the statement of net deficit date are considered to be current. All other assets and liabilities are considered to be noncurrent.

(e) Bond Issuance Costs

Bond issuance costs are capitalized and amortized on a straight-line basis over the life of the bonds.

(f) Deferred Revenue

Deferred revenue consists primarily of fees collected in advance for summer and fall terms of the programs.

(g) Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist primarily of amounts owed to third-party vendors for goods purchased and services performed in the construction and operations of the facilities of the pledged programs.

(h) Net Assets (Deficit)

The Program's net assets (deficit) are classified into the following net asset categories:

Restricted – Net assets subject to restriction based on the bond indenture document for requirements such as future maintenance and repair of the constructed facilities, and the capital projects for which the bond was issued.

Unrestricted – All other categories of net assets. In addition, unrestricted net assets may be designated for use by the Program or have legislative or bond indenture requirements associated with their use. These requirements limit the area of operations for which expenditures of net assets may be made and require that unrestricted net assets be designated to support future operations in these areas. The Program's net deficit is a result of the constructed asset costs recorded by the Program as construction expenses, whereas the asset is capitalized by the individual campus.

The Program has adopted a policy of utilizing restricted funds, when available, prior to unrestricted funds.

(Continued)

(i) ***Statement of Cash Flows***

The Program considers highly liquid investments with an original maturity date of three months or less to be cash equivalents.

(j) ***Revenue Sources***

Revenues pledged under the Program include student residence and dining halls fees, continuing education fees, student union fees, parking fees, health facility fees, and auxiliary organization lease revenues derived from the projects designated by the Trustees of the California State University for inclusion in the Program. These projects are located at all 23 campuses of the University and the Chancellor's Office.

The housing program provides on-campus housing primarily for students. Housing is a self-supporting program deriving its revenues from fees collected for the use of the residence facilities. Funds are used for current operating expenses, maintenance and repair, improvements to facilities, and interest and principal payments on outstanding bonds. Available balances after payment of all operating expenses and required charges remain available for future program expenses and capital needs.

The student union program provides facilities and programs aimed at creating and enhancing learning experiences outside the classroom by promoting interaction among students, faculty, and staff. The student union program is self-supporting and derives its revenues primarily from student fees and interest income. Funds are used for maintenance and repair, improvements to facilities, and interest and principal payments on outstanding bonds. After payment of all authorized charges, the balances of these funds are available for transfer to the campus auxiliary organization that has contracted with the University to operate the facility. The operating entity may derive additional revenue from facility subrental, recreational and commercial activities, and interest income. Student union fees, which are collected at 22 of the 23 campuses of the University, ranged from $44 to $696 per student for the year ended June 30, 2010.

The parking program provides parking facilities. The parking program is self-supporting and derives its revenues primarily from student fees and interest income. Funds are used for construction, repair and maintenance, and interest and principal payments on outstanding bonds. Available balances after payment of all operating expenses and required charges remain available for future program expenses and capital needs.

The health facilities program provides facilities on campus to provide health services to students. The health facilities program derives its revenues primarily from student fees and interest income. Funds are used for current operating expenses, maintenance and repair, improvements to facilities, and interest and principal payments on outstanding bonds. Available balances after payment of all operating expenses and required charges remain available for future program expenses and capital needs. Health facility fees are charged at 22 of the 23 campuses of the University, 14 of the campuses charged fees of $6, and at the remaining 8 campuses, fees ranged from $8 to $66 during the fiscal year ended June 30, 2010.

The continuing education program provides nonstate-supported courses to students. The continuing education program is self-supporting and derives its revenues primarily from student fees and interest income. Funds are used for current operating expenses, maintenance and repair, improvements to facilities, and interest and principal payments on outstanding bonds. Available balances after payment of all operating expenses and required charges remain available for future program expenses and capital needs.

The auxiliary organization program provides for certain additional facilities on campus for the benefit of students and staff. The auxiliary organization program derives its revenues primarily from lease income received by the campus from the auxiliary organization using the facility. Funds are used for current operating expenses, maintenance and repair, improvements to facilities, and interest and principal payments on outstanding bonds. Available balances after payment of all operating expenses and required charges remain available for future program expenses and capital needs.

The Systemwide Revenue Bonds are payable solely from continuing education, health facilities, housing, parking and student union, and designated auxiliary net income available for debt service. The Program has pledged continuing education, health facilities, housing, parking, and student union revenues plus designated auxiliary revenues, net of maintenance and operation expenses before extraordinary items (net income available for debt service), to repay $3,621,493,000 in System Revenue Bonds issued in 1980 through 1984 for old housing bonds and 2002 through 2010 for Systemwide Revenue Bonds. Proceeds from the bonds provided financing for the construction of the continuing education, health facilities, housing, parking, student union, and auxiliary projects. The bonds are payable solely from continuing education, health facilities, housing, parking and student union, and designated auxiliary net income available for debt service and are payable through 2044/2045. The Systemwide Revenue Bond indenture requires net income available for debt service to be at least equal to aggregate debt service for all indebtedness each fiscal year. The total debt service remaining to be paid on the bonds for the Program is $6,275,454,000. In fiscal year 2010, total debt service paid and net income available for debt service, which excluded the designated auxiliary net income, for the Program were $201,371,000 and $249,822,000, respectively.

(k) Classification of Revenues and Expenses

The Program considers operating revenues and expenses in the statement of revenues, expenses, and changes in net deficit to be those revenues and expenses that result from exchange transactions or other activities that are connected directly to the Program's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. Certain other transactions are reported as nonoperating revenues and expenses in accordance with GASB Statement No. 35. These nonoperating activities primarily include the Program's net investment income, other lease income, and transfers.

(l) Transfers to Other Funds, Net

The Program records transfers to other funds primarily to support the operations of the programs discussed in note 1(j).

(m) Fiscal Year, Principal, and Interest Payment Dates

The end of the fiscal year of the Program is specified in the bond resolutions as June 30. Interest ranging from 1.00% to 6.48% on the bonds is paid semiannually on May 1 and November 1. The principal payments are made on November 1 of each year with the final payment due November 1, 2045.

(n) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the accompanying financial statements. Actual results could differ from those estimates.

(o) Investments

Investments are reflected at fair value using quoted market prices. Realized and unrealized gains and losses are included in the accompanying statement of revenues, expenses, and changes in net deficit as investment income, net.

Investments that are used for current operations are classified as short-term investments. Investments that are restricted for withdrawal or use for other than current operations, designated or restricted for the acquisition or construction of noncurrent assets, designated or restricted for the liquidation of the noncurrent portion of long-term debt, and restricted as to the liquidity of the investments are classified as other long-term investments.

(2) Cash and Investments

The deposits of the Program that are maintained at financial institutions are fully insured or collateralized as required by state law. At June 30, 2010, the Program's cash balance consisted of demand deposits held at financial institutions, at the State Treasury, and petty cash. Cash balances had a carrying value of $731,174 at June 30, 2010.

At June 30, 2010, the Program's cash and investments are as follows:

Cash (deposits and petty cash)	$	650,034
Cash held in State Treasury		81,140
State of California Surplus Money Investment Fund (SMIF)		349,938,174
California State University Investment Pool		696,262,280
Total cash and investments	$	1,046,931,628

Investments

At June 30, 2010, the Program's investment portfolio consists primarily of investments in the State of California Surplus Money Investment Fund (SMIF) and the California State University Investment Pool, an internal investment pool. For the California State University Investment Pool, separate accounting is maintained as to the amounts allocable to the various funds and programs.

Investment Policy

State law and regulations require that surplus moneys of the Program must be invested. The primary objective of the Program's investment policy is to safeguard the principal. The secondary objective is to meet the liquidity needs of the Program. The third objective is to return an acceptable yield. The Program's investment policy authorizes funds held in local trust accounts under Education Code Sections 89721 and 89724 to be invested in any of the securities authorized by Government Code Section 16430 and Education Code Section 89724, including SMIF and the California State University Investment Pool subject to certain limitations. In general, the Program's investment policy permits investments in obligations of the federal and California state governments, certificates of deposit, high-grade corporate and fixed income securities, and certain other investment instruments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of any investment. Generally, the longer the maturity of any investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Program manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or nearing maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The Program monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Weighted average maturity is based on the stated maturity date, assuming that callable investments will not be called. The weighted average maturity of the Program's investment portfolio for each investment type as of June 30, 2010 is presented in the table on the following page.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The following table presents the fair value, weighted average maturity, and actual rating by investment type of the Program's investment portfolio as of June 30, 2010:

Investment type	Fair value	Weighted average maturity (in years)	AAA	Aa	A	BBB	Not rated
Money market	$ 1,604,774	—	$ 1,604,774	—	—	—	—
Repurchase agreements	92,351,922	0.003	—	—	92,351,922	—	—
Commercial paper	106,132,442	0.066	—	—	106,132,442	—	—
Certificates of deposit	58,321,057	0.052	—	—	58,321,057	—	—
U.S. agency securities	317,052,143	0.163	35,096,092	—	271,837,316	—	10,118,735
U.S. Treasury Securities	957,972	0.126	—	—	—	—	957,972
Corporate and fixed income securities	111,474,782	1.089	85,360,309	13,651,858	9,498,260	2,964,355	—
Mortgage-backed securities	8,367,188	8.740	7,525,880	841,308	—	—	—
State of California Surplus Money Investment Fund	349,938,174	0.560	—	—	—	—	349,938,174
Total	$ 1,046,200,454		$ 129,587,055	14,493,166	538,140,997	2,964,355	361,014,881

Concentration of Credit Risk

The Program's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2010, the following investments represented 5% or more of the Program's investment portfolio: Freddie Mac notes ($110,709,863 or 10.6%); Federal Home Loan Bank System ($103,482,561 or 9.9%); and Fannie Mae notes ($95,520,418 or 9.1%).

Risks and Uncertainties

The Program may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

The Program invests in securities with contractual cash flows such as asset-backed securities and mortgage-backed securities. The value, liquidity, and related income of these securities are sensitive to changes in economic conditions, including real estate values, delinquencies of defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

(3) Revenue Bonds Payable

Revenue bonds payable of the Program as of June 30, 2010 consist of the following:

Description	Interest rate	Final maturity date	Original issue amount	Amount outstanding
Systemwide Revenue Bonds, Housing Series J-Y	3.00%	2013/14 – 2021/22	$ 21,693,000	8,858,000
Systemwide Revenue Bonds, Series 2002A	4.10% – 5.50%	2012/13 – 2033/34	174,750,000	150,215,000
Systemwide Revenue Bonds, Series 2003A	3.10% – 5.38%	2033/34 – 2035/36	320,040,000	308,410,000
Systemwide Revenue Bonds, Series 2004A	2.50% – 5.25%	2018/19 – 2034/35	158,010,000	135,185,000
Systemwide Revenue Bonds, Series 2005A	3.20% – 5.00%	2013/14 – 2037/38	667,105,000	625,810,000
Systemwide Revenue Bonds, Series 2005B	5.00%	2015/16 – 2021/22	134,805,000	97,770,000
Systemwide Revenue Bonds, Series 2005C	3.25% – 5.25%	2017/18 – 2038/39	540,900,000	519,950,000
Systemwide Revenue Bonds, Series 2007A	4.00% – 5.00%	2024/25 – 2044/45	254,770,000	251,250,000
Systemwide Revenue Bonds, Series 2007B	5.27% – 5.55%	2027/28 – 2037/38	13,165,000	12,630,000
Systemwide Revenue Bonds, Series 2007C	5.00%	2020/21 – 2028/29	63,275,000	59,540,000
Systemwide Revenue Bonds, Series 2007D	4.00% – 5.00%	2037/38	80,360,000	77,855,000
Systemwide Revenue Bonds, Series 2008A	3.50% – 5.00%	2022/23 – 2039/40	375,160,000	371,235,000
Systemwide Revenue Bonds, Series 2009A	2.50% – 6.00%	2015/16 – 2040/41	465,365,000	465,365,000
Systemwide Revenue Bonds, Series 2010A	1.00% – 5.00%	2019/20 – 2031/32	146,950,000	146,950,000
Systemwide Revenue Bonds, Series 2010B	5.45% – 6.48%	2035/36 – 2041/42	205,145,000	205,145,000
Total bonds payable			$ 3,621,493,000	3,436,168,000
Less current portion				(54,550,000)
Bonds payable, net of current portion				$ 3,381,618,000

Bonds payable activity for the year ended June 30, 2010 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Current portion
Bonds payable	$ 3,130,488,000	352,095,000	(46,415,000)	3,436,168,000	54,550,000
Discount on bonds	(5,367,430)	—	170,237	(5,197,193)	(170,237)
Premium on bonds	85,695,165	13,902,254	(3,456,244)	96,141,175	3,888,598
	$ 3,210,815,735	365,997,254	(49,701,007)	3,527,111,982	58,268,361

Revenue bonds payable at June 30, 2010 mature as follows:

	Principal	Interest
Fiscal years:		
2011	$ 54,550,000	171,965,317
2012	66,975,000	168,214,057
2013	78,635,000	165,411,706
2014	85,290,000	161,892,735
2015	89,585,000	157,874,722
2016 – 2020	514,248,000	719,734,957
2021 – 2025	614,360,000	579,054,865
2026 – 2030	702,070,000	414,206,290
2031 – 2035	719,585,000	225,551,356
2036 – 2040	439,980,000	70,662,157
2041 – 2045	70,890,000	4,718,037
	$ 3,436,168,000	2,839,286,199

As specified in the bond resolution, the bonds payable at June 30, 2010 are secured by the future revenue streams rather than by the constructed assets. Additionally, the bonds are subject to special mandatory redemption prior to their respective maturity dates, in whole or in part, at a redemption price equal to the principal amount, and accrued interest to the redemption date, plus a premium as specified in the bond resolution.

(4) Revenue Bond Anticipation Notes Payable

The CSU Board of Trustees has authorized the issuance of Revenue Bond Anticipation Notes (BANs) to provide short-term financing to the University for certain projects. The BANs are issued to the CSU Institute, an auxiliary organization of the University, to secure the issuance of commercial paper (CP) by the Institute. The BANs are generally issued for periods of up to three years in anticipation of issuing permanent revenue bonds at a future date. State law was amended in 2008 to allow BAN maturities to extend beyond three years and the maturity date for the issuance of BANs to be determined by the Trustees. Interest is variable and changes based upon the cost of the Institute's commercial paper program. The commercial paper interest rate is determined by the commercial paper dealer at each issuance of the commercial paper. The maximum and minimum weighted average interest rates for the year ended June 30, 2010 were 0.34% and 0.23%, respectively.

BANs activity for the year ended June 30, 2010 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Current portion
Revenue Bond Anticipation Notes $	41,392,129	69,933,118	(93,280,247)	18,045,000	451,000

BANs payable as of June 30, 2010 mature as follows:

Fiscal year:		
2011	$	451,000
2012		555,000
2013		652,000
2014		692,000
2015		721,000
2016 – 2021		14,974,000
Revenue Bond Anticipation Notes payable		18,045,000
Less current portion		(451,000)
Revenue Bond Anticipation Notes payable, net of current portion	$	17,594,000

(5) Buildings, Improvements, Equipment, and Construction in Progress

The original capitalized cost of buildings, improvements, and equipment, during construction and upon completion of construction, is recorded by the University. As the constructed assets are not owned by the Program and do not act as security for the Systemwide Revenue Bond Program debt, construction costs are recorded as expenses in the accompanying statement of revenues, expenses, and changes in net deficit.

(6) Affordable Student Housing Loan

At June 30, 2010, the Program had an outstanding loan from the Affordable Student Housing Program bearing interest at rates ranging from 6.33% to 6.80%. The loan is to be repaid over a 40-year period, primarily from future residence and dining hall revenues and interest earned thereon.

Affordable Student Housing Loan activity for the year ended June 30, 2010 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Current portion
Affordable Student Housing Loan $	2,125,922	—	(65,709)	2,060,213	69,967

Payments on the Affordable Student Housing Loan are scheduled as follows:

		Principal amount
Fiscal year:		
2011	$	69,967
2012		74,502
2013		79,329
2014		84,471
2015		89,947
2016 – 2020		545,134
2021 – 2025		746,339
2026 – 2027		370,524
		2,060,213
Less current portion		(69,967)
	$	1,990,246

(7) Advanced Refundings

On October 12, 2005, the Program issued $540,900,000 in Systemwide Revenue Bonds Series 2005C. Of this amount, $398,220,000 was to fund new construction projects allowed under the Bond Indenture. The Program issued $142,680,000 in Systemwide Revenue Bonds Series 2005C refunding certain Housing Revenue Bond Series AZ, and Systemwide Revenue Bonds Series 2003A (refunded bonds) by placing the proceeds from the issuance of the Systemwide Revenue Bonds Series 2005C refunding bonds in an irrevocable trust with the State Treasurer to provide for all future debt service payments on the refunded bonds. The net proceeds from the Series 2005C refunding bonds were used to purchase U.S. government securities that were placed in an escrow account. The investments and fixed earnings from the investments are considered sufficient to fully service the defeased debt until the debt is called or matures. Accordingly, the refunded bonds were considered defeased and have been removed as a liability from the accompanying financial statements. The amount of the defeased bonds outstanding as of June 30, 2010 totaled $7,795,000.

(8) Other Postemployment Benefits (OPEB)

The Program has adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, relating to other postemployment benefits (OPEB). Under this statement, public employers sponsoring and subsidizing retiree healthcare benefit programs will need to recognize the cost of such benefits on an accrual basis.

(a) Plan Description

The State of California provides retiree healthcare benefits to statewide employees, including employees of the University, through the programs administered by the California Public Employees' Retirement System (CalPERS). The State's substantive plan represents a substantive single-employer defined benefit OPEB Plan, which includes medical and prescription drug benefits (collectively, healthcare benefits) to the retired University employees. The University provides dental benefits to eligible University retirees. Eligible retirees receive healthcare and dental benefits upon retirement at age 50 with five years of service credit.

For healthcare benefits, CalPERS offers Preferred Provider Organizations (PPOs), Health Maintenance Organizations (HMOs), and Exclusive Provider Organizations (EPOs) (limited to members in certain California counties); for dental benefits, CalPERS offers a Dental Maintenance Organization (DMO) and dental indemnity plans to the University retirees. Health plans offered, covered benefits, monthly rates, and copayments are determined by the CalPERS Board, which reviews health plan contracts annually.

The contribution requirements of retirees and the State are established and may be amended by the State legislature. For healthcare benefits, the State makes a contribution towards the retiree's monthly health premiums, with the retirees covering the difference between the State's contribution and the actual healthcare premium amount. The State contribution is normally established through collective bargaining agreements. No retiree contribution is required for dental benefits.

(b) Funding Policy

For healthcare benefits, responsibility for funding the cost of the employer share of premiums is apportioned between the State and the University based on "billable" and "nonbillable" accounts. Billable accounts have special revenue sources such as fees, licenses, penalties, assessments, and interest, which offset the costs incurred by a State department during the year. The University reimburses the State for retiree's health benefit costs allocated to billable accounts but not for costs allocated to nonbillable accounts. The University is responsible for funding the costs of the billable accounts on a pay-as-you-go basis as part of the statewide general administrative costs charged to the University.

The State is responsible for funding the cost of the employer share of healthcare premiums of retirees for all nonbillable accounts.

The University is responsible for funding the cost of dental benefits for all University retirees. The University makes payments directly to Delta Dental for the retiree's monthly dental premiums. The University is funding these benefits on a pay-as-you-go basis.

(c) Annual OPEB Cost and Net OPEB Obligation for the Program

The following table shows the components of the total annual required contribution (ARC) for the Program's allocated portion of the postretirement healthcare plan and the Chancellor's Office billable dental plan, the amount contributed to the plan by the Program, and changes in the Program's net OPEB obligation (NOO) for the fiscal year ended 2010:

ARC:	
Housing	$ 8,371,000
Student union	140,000
Parking	3,480,000
Continuing education	9,695,000
Auxiliary organizations	29,000
Total ARC	21,715,000
Contributions:	
Housing	(3,109,000)
Student union	(50,000)
Parking	(1,160,000)
Continuing education	(3,319,000)
Auxiliary organizations	(10,000)
Total contributions	(7,648,000)
Increase in NOO	14,067,000
NOO – beginning of year	25,796,000
NOO – end of year	$ 39,863,000

(d) Actuarial Methods and Assumptions and Plan Funding Information

As an agency of the State, the University was included in the State's OPEB actuarial study. The analysis of the statewide ARC by accounts is performed by the State Controller's Office (SCO) and allocated to the University. The University allocates the ARC to the Program, which only includes the health benefit portion for the billable accounts.

Projections of benefits for financial statement reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the State and the plan members to that point. The actuarial methods and assumptions used are consistent with a long-term perspective. In the June 30, 2009 actuarial valuation, the individual entry age normal cost method was used. The actuarial assumptions included a 4.50% investment rate of return and an annual State healthcare cost trend rate of actual increases for 2010 and 9.00% in 2011, initially, reduced to an ultimate rate of 4.50% after seven years. Both rates included a 3.00% annual inflation assumption. Annual wage inflation is assumed to be 3.25%. The unfunded actuarial accrued liabilities are being amortized as a level percentage of projected payroll on an open basis over a 30-year period.

Funding progress information specifically related to the Program's portion of the statewide OPEB plan is not available. For more details about the actuarial methods and assumptions used by the State as well as the statewide plans funding progress and status, refer to the State of California's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended 2010.

(9) Subsequent Events

- In July 2010, an $8.0 million BAN was authorized for the construction of Performing Arts Center at the Northridge campus. In September 2010, $7.0 million of commercial paper was issued, leaving an unused BAN amount of $1.0 million.
- In September 2010, a $74.3 million BAN was authorized for the expansion and renovation of the Student Union at the San Jose campus. In October 2010, $23.1 million of commercial paper was issued, leaving an unused BAN amount of $51.2 million.
- In September 2010, a $24.6 million BAN was authorized for the construction of Parking Structure 1 at the East Bay campus. Commercial paper has not yet been issued for this project.
- In November 2010, a $29.3 million BAN was authorized for the refinancing of the University Enterprises, Inc. – Folsom Hall Refinance Project at the Sacramento campus. In December 2010, $27.8 million of commercial paper was issued, leaving an unused BAN amount of $1.5 million.

Schedule 1

CALIFORNIA STATE UNIVERSITY
SYSTEMWIDE REVENUE BOND PROGRAM FUND

Residence and Dining Halls Operating Data by Campus

Year ended June 30, 2010

(Unaudited)

	Operating and other revenue	Operating expenditures	Excess (deficiency) of revenue over (under) expenditures	Design capacity	Operational capacity (1)	Average number of spaces occupied	Percentage of spaces occupied	Average annual rates per academic year (2)					
								Residence halls			Apartments		
								Single	Double	Suite	Single	Double	Suite
CSU, Bakersfield	$ 2,184,444	2,063,198	121,246	348	296	302	102%	$ 4,152	3,150	—	—	—	—
CSU, Channel Islands	6,877,150	2,318,349	4,558,801	820	814	731	90	9,040	8,180	—	9,550	—	—
CSU, Chico	13,706,820	9,162,772	4,544,048	1,726	1,943	1,902	98	8,016	6,692	—	7,722	6,272	—
CSU, Dominguez Hills	3,020,066	1,990,850	1,029,216	712	572	534	93	—	—	—	7,710	6,600	—
CSU, East Bay	8,788,880	2,698,097	6,090,783	1,293	1,293	1,236	96	—	—	—	7,863	5,441	6,553
CSU, Fresno	—	—	—	—	—	—	—	—	—	—	—	—	—
CSU, Fullerton	5,501,687	2,378,364	3,123,323	832	821	815	99	—	—	—	7,677	5,775	—
Humboldt State University	8,406,850	7,800,998	605,852	1,629	1,649	1,576	96	5,807	4,690	—	5,807	4,690	—
CSU, Long Beach	19,804,073	13,916,857	5,887,216	1,962	1,962	1,785	91	6,200	5,200	—	—	—	—
CSU, Los Angeles	5,262,500	2,763,370	2,499,130	1,008	962	685	71	—	—	—	8,195	6,162	—
California Maritime Academy (3)	2,492,850	1,107,741	1,385,109	591 (3)	668 (3)	578 (3)	87	5,340	4,450	—	—	—	—
CSU, Northridge	17,928,873	9,299,709	8,629,164	3,387	2,933	2,741	93	8,124	4,770	—	8,424	4,955	—
CSPU, Pomona	12,180,026	6,305,265	5,874,761	1,616	1,908	1,739	91	8,541	6,027	—	8,031	6,636	9,780
CSU, Sacramento	10,046,436	4,754,921	5,291,515	1,674	1,625	1,278	79	6,760	6,358	—	7,552	6,820	—
CSU, San Bernardino	9,017,286	4,578,762	4,438,524	1,553	1,470	1,163	79	5,535	4,437	—	6,804	—	7,497
San Diego State University	28,041,601	22,154,104	5,887,497	3,100	2,853	2,066	72	8,536	5,688	9,816	6,688	—	—
San Francisco State University (4)	37,074,793	20,831,281	16,243,512	2,462	2,422	2,339	97	—	7,116	—	9,922	8,882	—
San Jose State University	22,572,653	12,503,663	10,068,990	3,470	3,322	2,854	86	5,730	5,117	—	11,210	9,163	—
CPSU, San Luis Obispo	37,190,474	23,560,673	13,629,801	6,219	6,353	6,341	100	8,086	5,383	—	6,218	4,974	—
Sonoma State University	19,608,847	9,283,130	10,325,717	3,146	3,107	2,380	77	7,128	5,424	—	8,412	6,706	—
CSU, Stanislaus	3,879,001	2,124,245	1,754,756	460	456	438	96	—	—	—	7,125	5,024	—
	273,585,310	161,596,349	111,988,961	38,008	37,429	33,483	89%	$ 6,928	5,512	9,816	7,936	6,293	7,943
Systemwide offices	13,621	1,419,091	(1,405,470)										
Interest income/expense	1,301,619	—	1,301,619										
Total	$ 274,900,550	163,015,440	111,885,110										

(1) This column reflects capacity adjusted for increase or decrease in permanent conversions and temporary adjustments.

(2) This section primarily reflects an average of the more traditional rates to students. Each campus has different rates depending on accommodations, such as super doubles, cluster occupancy, etc.

(3) Housing design capacity, operational capacity, and number of spaces occupied are estimates based on Fall 2009 and Spring 2010 reports that we received from the campuses.

(4) The operational capacity does not include 791 apartment units that were occupied by students, faculty, and staff. The annual rates for the one-bedroom, two-bedroom, or three-bedroom units (not bed-spaces) vary between $1,300 and $3,250.

See accompanying independent auditors' report.

Schedule 2

CALIFORNIA STATE UNIVERSITY
SYSTEMWIDE REVENUE BOND PROGRAM FUND

Statement of Insurance Coverage

June 30, 2010

(Unaudited)

Expiration date	Coverage	Amount	Company	Policy number
July 1, 2010*	CSU Master Property Policy, "All Risk" Building, Equipment and Rental Income	$ 1,000,000,000 per occurrence	California Public Entity Insurance Program	PPROP0910
July 1, 2010*	CSU Master Property Policy, Boiler and Machinery	100,000,000	CNA	PBOILER0910
July 1, 2010*	Bodily Injury and Property Damage Liability (Primary)	3,000,000 per occurrence	CSURMA	RMA-SYST-0910-1
July 1, 2010*	Bodily Injury and Property Damage Liability (Excess)	5,000,000	Everest National	71P2040000-091
July 1, 2010*	Bodily Injury and Property Damage Liability (Excess)	10,000,000	SELF Pool	19J1247

* Insurance policies are maintained for the period from July 1, 2010 to June 30, 2011. These policies provide the same coverage indicated above.

See accompanying independent auditors' report.

Schedule 3

CALIFORNIA STATE UNIVERSITY
SYSTEMWIDE REVENUE BOND PROGRAM FUND

Income and Expenses Pledged against Systemwide Revenue Bonds

Year ended June 30, 2010

(Unaudited)

Gross revenues (1):	
Housing system	$ 274,820,796
Student unions (2)	124,181,772
Parking (3)	87,977,965
Health centers (2)	7,254,578
Continuing education	204,873,559
Other	1,440,381
Auxiliary (4)	471,297,363
Related governmental entities (5)	12,606,218
Total gross revenues	$ 1,184,452,632
Debt service:	
Auxiliary – other (6)	$ 11,466,503
Systemwide revenue bonds (7)	169,102,086
Total debt service	$ 180,568,589
Operating expenditures (8) (10):	
Housing system	$ 176,332,367
Student unions	63,226,403
Parking	51,791,220
Health centers (9)	3,973,419
Continuing education	167,657,113
Other	353,120
Auxiliary (4)	399,384,888
Related governmental entities	—
Total operating expenditures	$ 862,718,530

(1) Includes interest income.

(2) Gross revenues shown here are derived solely from certain mandatory student fees – not revenues derived from operations of student unions or student health centers.

(3) Excludes fines and forfeitures collected separately from parking fees.

(4) Revenues and expenditures shown are for those auxiliary organizations that have financed with Systemwide Revenue Bonds through a lease or loan and exclude research grant and contract activity and restricted gifts. Gross revenues pledged under the Bond Indenture are a smaller amount derived from payments under certain leases or loans with the Board.

(5) Includes revenues derived from leases with California State University, Channel Islands Site Authority, and the Headquarters Building Authority, which are used solely to pay debt service on Systemwide Revenue Bonds; therefore, operating expenditures are not applicable.

(6) Since June 30, 2004, certain auxiliary organizations have participated in financing and refinancing facilities through the Systemwide Revenue Bond program. Debt service noted includes outstanding auxiliary organization debt that is not part of the Systemwide Revenue Bond program.

(7) Debt service shown excludes interest, which has been funded from bond proceeds.

(8) Operating expenditures also include extraordinary maintenance and repair projects, and other postemployment benefit liability, which are generally paid from existing program fund balances.

(9) Operating expenditures shown here are only such expenditures that are paid from certain mandatory student fees shown under total gross revenue.

(10) GASB Statement No. 45, which requires the accrual of costs related to other postemployment benefits were included in operating expenses in the cumulative amount of $39,863,562 for the fiscal year ended June 30, 2010.

See accompanying independent auditors' report.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions contained in the Indenture and is not to be considered as a full statement thereof. Reference is made to the Indenture for full details of the terms of the Systemwide Revenue Bonds, the application of Gross Revenues and the security provisions.

CERTAIN DEFINED TERMS

The terms defined below are among those used in the Indenture. The definitions set forth below are intended to generally restate the corresponding definitions in the Indenture unless the context hereof requires otherwise. Because of these contextual variations, the definitions set forth below are not necessarily either definitive or comprehensive for purposes of interpreting the Indenture and are therefore qualified in their entirety by reference to the Indenture for such purposes.

"Act" means The State University Revenue Bond Act of 1947, codified at California Education Code Sections 90010 and following, as in force on the date of the initial execution and delivery of the Indenture and as it may thereafter be amended from time to time.

"Additional Bonds" means Bonds issued pursuant to a Supplemental Indenture.

"Aggregate Debt Service" means, as of any date of calculation and with respect to any period, the sum of amounts of Debt Service for the Indebtedness specified herein for such period.

"Balloon Indebtedness" means Indebtedness or Designated Auxiliary Debt having an original maturity greater than one year or renewable at the option of the Board for a period of greater than one year from the date of original incurrence or issuance thereof, 25% or more of the original principal of which becomes due (either by maturity or mandatory redemption) or may be tendered for purchase or payment at the option of the holder during any period of 12 consecutive months, which portion of the principal is not required by the documents governing such Indebtedness or Designated Auxiliary Debt to be amortized below 25% by mandatory redemption prior to such date.

"Board" means the Trustees of the California State University, an agency of the State of California, its successors and assigns organized and existing under and by virtue of the laws of the State of California.

"Bond Payment Date" means each Interest Payment Date and Principal Payment Date.

"Bonds" means any or all of the Trustees of the California State University Systemwide Revenue Bonds authorized under and secured by the Indenture. The term "Serial Bonds" shall mean the Bonds, falling due by their terms in specified years, for which no Mandatory Sinking Account Payments are provided. The term "Term Bonds" shall mean the Bonds, if any, payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

"Business Day" means any day of the year other than (i) a Saturday or Sunday, (ii) a State legal holiday, or (iii) any day on which Banks located in Sacramento, California, or the city in which any co-trustee or the relevant office of any paying agent or registrar is located, are required or authorized by law to remain closed, or , with respect to any Series of Bonds, as may be provided by Supplemental Indenture.

"Code" means the Internal Revenue Code of 1986, as amended.

"Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate executed and delivered by the Board on the date of issuance and delivery of the Series 2011A Bonds as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Debt Enhancement Agreement" means any loan agreement, revolving credit agreement, insurance contract, commitment to purchase, purchase or sale agreement, or commitments or other contracts or agreements, including, without limitation, interest rate agreements, including interest rate swap agreements, entered into by the Board in connection with the issuance, payment, sale, resale or exchange of any Indebtedness or Designated Auxiliary Debt to enhance the security for or provide for the payment, prepayment or remarketing of such Indebtedness or Designated Auxiliary Debt and the interest thereon or to reduce or manage the interest thereon.

"Debt Service" means, when used with respect to any Indebtedness or Designated Auxiliary Debt, as of any date of calculation and with respect to any period, the sum of (1) the interest falling due on such Indebtedness or Designated Auxiliary Debt during such period (except to the extent that such interest is payable from the proceeds of such Indebtedness or Designated Auxiliary Debt or other moneys specifically set aside for such purpose), and (2) the principal (or mandatory sinking fund or installment purchase price or lease rental or similar) payments or deposits required with respect to such Indebtedness or Designated Auxiliary Debt during such period (except to the extent that such principal is payable from the proceeds of such Indebtedness or Designated Auxiliary Debt or other moneys specifically set aside for such purpose); computed on the assumption that no portion of such Indebtedness or Designated Auxiliary Debt shall cease to be outstanding during such period except by reason of the application of such scheduled payments; provided, however, that for purposes of such computation if any of the Indebtedness or Designated Auxiliary Debt is Balloon Indebtedness, the computation of Debt Service shall, at the option of the Board, assume that such Balloon Indebtedness is to be amortized over thirty (30) years beginning on the date of maturity of such Balloon Indebtedness or such earlier date as may be specified by the Board, assuming level debt service and the rate of interest on such Balloon Indebtedness; and provided further that if interest on Indebtedness or Designated Auxiliary Debt is payable pursuant to a variable interest rate formula, the interest rate on such Indebtedness or Designated Auxiliary Debt for periods when the actual interest rate cannot be yet determined shall be assumed to be equal to the greater of (a) the current interest rate calculated pursuant to the provisions of such agreement or, (b) if available, the daily average interest rate on such Indebtedness or Designated Auxiliary Debt during the preceding 36 months preceding the date of calculation or, (c) if such Indebtedness or Designated Auxiliary Debt has not been Outstanding for such 36-month period, such daily average interest rate on comparable debt of a state or political subdivision of a state which debt is then rated by a nationally recognized bond rating agency with a rating similar to the rating on such Indebtedness or Designated Auxiliary Debt; and provided further that if any such Indebtedness or Designated Auxiliary Debt is bearing interest at other than a fixed rate and the payments received and made by the Board under a Debt Enhancement Agreement with respect to such Indebtedness or Designated Auxiliary Debt is expected to produce a fixed rate to be paid by the Board, then such Indebtedness or Designated Auxiliary Debt shall be treated as bearing interest at such fixed rate.

"Defeasance Securities" means (i) moneys or noncallable securities of the category specified in clauses (1) or (2) of the definition of the term Investment Securities, or (ii) any other securities, provided that a Rating Agency has rated the defeased Bonds "AAA" or equivalent, without regard to any insurance policy or other credit enhancement securing payment of such defeased Bonds, or (iii) any other securities, with the written consent of the Credit Facility Provider.

"Designated Auxiliary Debt" means any bond, note, lease, installment purchase agreement or other obligation of a Designated Auxiliary Organization which is secured by a pledge of or lien upon Designated Auxiliary Revenues and which is designated in a Certificate of the Board filed with the Trustee; provided that such debt does not constitute Indebtedness under the Indenture.

"Designated Auxiliary Organization" means any duly qualified and recognized auxiliary organization of the Board designated in a Certificate of the Board filed with the Trustee.

"Designated Auxiliary Revenues" means any revenues, income, receipts, or other moneys of a Designated Auxiliary Organization which have been pledged to, or are subject to a lien securing the repayment of, Designated Auxiliary Debt and which are designated in a Certificate of the Board filed with the Trustee; provided that such revenues do not constitute Gross Revenues under the Indenture.

"Escrow Fund" means, collectively, each of the escrow funds into which proceeds of the Series 2011A Bonds are deposited in order to provide for the defeasance and refunding of the Prior Bonds.

"Excluded Facilities" means any facilities which may be designated from time to time by the Board as Excluded Facilities in a Certificate of the Board which is filed with the Trustee.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the succeeding June 30, or any other twelve-month period hereafter selected and designated as the official fiscal year of the Board.

“Fourteenth Supplemental Indenture” means the Fourteenth Supplemental Indenture, dated as of September 1, 2011, by and between the Board and the Trustee.

“Gross Revenues” means (i) all income, including interest income on Gross Revenues, rentals, fees, rates, charges, insurance proceeds, condemnation proceeds and other moneys derived from the ownership or operation of the Projects, but excluding any refundable deposits, fines or forfeitures or operating revenues from student unions or student centers that are not mandatory student center fees, and (ii) any other revenues, receipts, income or other moneys from time to time designated by the Board for the payment of principal of and interest on the Bonds, in each case subject to the provisions of the Security Documents governing any Indebtedness secured by a Senior Lien.

“Gross Revenue Fund Depositories” means such banking, governmental, financial or other institutions (which may include the Trustee) as the Board shall designate from time to time as the depositories of the funds and accounts comprising the Gross Revenue Fund, all as set forth in a Certificate of the Board filed with the Trustee.

“Indebtedness” means any indebtedness or obligation of the Board which is: (1) secured by a pledge of or other encumbrance on Gross Revenues; and (2) is either (a) classified as a liability on a balance sheet in accordance with generally accepted accounting principles for colleges and universities; or (b) is a Debt Enhancement Agreement.

“Interest Payment Date” means, with respect to the Series 2011A Bonds, May 1, 2012 and each May 1 and November 1 thereafter, until the principal and interest on all Bonds has been paid or payment has been duly provided for such amounts, and such other interest payment date or dates as may be specified in a Supplemental Indenture for a Series of Bonds.

“Investment Securities” means any of the following which at the time are legal investments under the laws of the State of California for moneys held under the Indenture and then proposed to be invested therein: (i) bonds or interest-bearing notes or obligations of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest; (ii) bonds or interest-bearing notes or obligations that are guaranteed as to principal and interest by a federal agency of the United States; (iii) bonds of the State of California or bonds for which the faith and credit of the State of California are pledged for the payment of principal and interest; (iv) bonds or warrants, including but not limited to revenue warrants, of any county, city, metropolitan water district, California water district, California water storage district, irrigation district in the State of California, municipal utility district or school district of the State of California; (v) bonds, consolidated bonds, collateral trust debentures, consolidated debentures or other obligations issued by general land banks or federal intermediate credit banks established under the Federal Farm Loan Act, as amended, debentures and consolidated debentures issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act of 1933, as amended, bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, stock, bonds, debentures and other obligations of the Federal National Mortgage Association established under the National Housing Act, as amended, and the bonds of any federal home loan bank established under said act, obligations of the Federal Home Loan Mortgage Corporation, and bonds, notes and other obligations issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act, as amended; (vi) commercial paper rated within the top rating designation by a nationally recognized rating agency and issued by corporations (1) organized and operating within the United States, (2) having total assets in excess of $500,000,000 and (3) approved by the Pooled Money Investment Board, provided, however that eligible commercial paper may not exceed 180 days’ maturity, represent more than ten percent (10%) of the outstanding paper of an issuing corporation nor exceed thirty percent (30%) of the resources of an investment program, and that at the request of the Pooled Money Investment Board, such investment shall be secured by the issuer by depositing with the State Treasurer securities authorized by Section 53651 of the California Government Code of a market value of at least ten percent (10%) in excess of the amount of the State’s investment; (vii) bills of exchange or time drafts drawn on and accepted by a commercial bank the general obligations of which are rated within the top two rating categories by a nationally recognized rating agency, otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System; (viii) negotiable certificates of deposit issued by a nationally or state-chartered bank or savings and loan association or by a state-licensed branch of a foreign bank which, to the extent they are not insured by federal deposit insurance are issued by an institution the general obligations of which are rated in one of the top two rating categories by a nationally recognized rating agency; (ix) bonds, debentures and notes issued by corporations organized and operating within the United States which securities are rated in one of the top two rating categories by a nationally recognized rating agency; (x) interest-bearing accounts in state or national banks or in state or federal savings and loan associations having principal offices in the State of California, the deposits of which shall be secured at all times and in the same manner as state moneys are by law required to be secured; (xi) deposits in the Surplus Money Investment Fund referred to in Section 15487 of the California Government Code; (xii) repurchase agreements or reverse repurchase agreements, as such terms are defined and pursuant to the terms of Section 16480.4 of the California Government Code; (xiii) collateralized or uncollateralized investment agreements or other contractual arrangements with corporations, financial institutions or national associations within the United States, provided that the senior long-term debt of such corporations, institutions or associations is rated within the top two rating categories by a nationally recognized rating agency; or (xiv) money market funds that invest solely in obligations described in clause (i) of this definition; or commercial paper rated within the top rating designation by a nationally recognized rating agency and issued by corporations (1) organized and operating within the United States, (2) having total assets in excess of $500,000,000, and (3) approved by the Pooled Money Investment Board, provided, however, that eligible commercial paper may not exceed 180 days' maturity or represent more than ten percent (10%) of the outstanding paper of an issuing corporation, and at the request of the Pooled Money Investment Board, such investment shall be secured by the issuer by depositing with the State Treasurer securities authorized by Section 53651 of the California Government Code of a market value of at least ten percent (10%) in excess of the State's investment.

"Maintenance and Operation Expenses" means necessary operating expenses, maintenance charges, expenses of reasonable upkeep and extraordinary repairs, a properly allocated share of charges for insurance, direct or special administrative expenses directly chargeable to the Projects and all other expenses incident to the operation of the Projects, but shall not include interest, amortization and depreciation expense and other non-cash charges, nor any general administrative expenses of the Board or of the State.

"Mandatory Sinking Account Payment" means, with respect to Bonds of any Series and maturity, the amount required by the Indenture or any Supplemental Indenture to be paid by the Board on any single date for the retirement of Term Bonds of such Series and maturity.

"Net Income Available for Debt Service" means with respect to any period, the sum of: (1) the excess of Gross Revenues over Maintenance and Operation Expenses (before extraordinary items), determined in accordance with generally accepted accounting principles, each item determined in accordance with such generally accepted accounting principles, and excluding (a) any profits or losses on the sale or disposition, not in the ordinary course of business, of investments or fixed or capital assets relating to the Projects or resulting from the early extinguishment of Indebtedness or Designated Auxiliary Debt, (b) gifts, grants, bequests, donations and contributions, to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Debt Service, and (c) the net proceeds of insurance (other than business interruption insurance) and condemnation awards; plus (2) Designated Auxiliary Revenues.

"Parity Lien" means any pledge, lien, security interest, encumbrance or charge of any kind, on or in any Gross Revenues which is equal and ratable to the lien of the Indenture on or in such Gross Revenues; provided, that the Security Document creating such an equal and ratable lien provides that an Event of Default under the Indenture shall constitute and event of default under such Security Document.

"Principal Payment Date" means, for the Series 2011A Bonds, November 1, 2012 and each November 1 thereafter, until the principal on all Bonds has been paid or payment has been duly provided for such amounts, and such other principal payment date or dates as may be specified in a Supplemental Indenture for a Series of Bonds.

"Prior Bonds" means those certain revenue bonds issued by an auxiliary organization of the Board and those certain Bonds refunded with a portion of the proceeds of the Series 2011A Bonds, as described in "REFUNDING PLAN" and Appendix H hereto.

"Projects" means, on any given date, all of the housing, parking, student union, student center, student health center and continuing education facilities owned or operated by the Board and any other facilities designated by the Board as Projects under the Indenture in a Certificate of the Board filed with the Trustee, except in all cases the Excluded Facilities.

"Record Date" means the fifteenth day of the month next preceding each Interest Payment Date or such other record date as may be established by a Supplemental Indenture with respect to a Series of Bonds.

"Security Documents" means all of the instruments, documents and agreements which, as of any date, have been executed and are then binding upon the Board in connection with any Senior Lien or Parity Lien or Subordinate Lien, including without limitation any indenture, trust agreement, loan agreement, credit agreement or security agreement.

"Senior Lien" means any pledge, lien, security interest, encumbrance or charge of any kind on or in any Gross Revenues which is senior in priority and superior to the lien of the Indenture on or in such Gross Revenues.

"Subordinate Lien" means any pledge, lien, security interest, encumbrance or charge of any kind on or in any Gross Revenues which is subordinate in priority and junior to the lien of the Indenture on or in such Gross Revenues.

"Supplemental Indenture" or "Indenture supplemental hereto" means any indenture hereafter duly authorized and entered into between the Board and the Trustee in accordance with the provisions of the Indenture.

"Tax Certificate" means the certificate signed by the Board on the date any Series of Bonds are issued relating to the requirements of the Code.

"Trustee" means the State Treasurer, any agent of the State Treasurer as provided in the Indenture, or any successor as Trustee under the Indenture as provided in the Indenture.

Application of Proceeds of the Series 2011A Bonds

The Board shall deposit the proceeds from the sale of the Series 2011A Bonds in the State Treasury of the State to the credit of the Program Fund within the fund designated as the "California State University Dormitory Construction Fund," which fund was created by Section 90073 of the Education Code of the State and is referred to as the "Program Fund." The Board shall account separately in the Program Fund for the proceeds from the sale of the Series 2011A Bonds.

Proceeds from the sale of the Series 2011A Bonds shall be deposited in an account established within the Program Fund and designated as the "Series 2011A Project Account." Immediately after the receipt of the proceeds from the sale of the Series 2011A Bonds, the Trustee, upon the order of the Controller of the State, and in accordance with the Certificate of the Board, shall withdraw certain moneys from the Series 2011A Project Account and deposit such moneys in separate accounts relating to the Series 2011A Bonds, including the Escrow Fund, which the Trustee will establish in accordance with the Fourteenth Supplemental Indenture. Except as described in this section, the moneys remaining in the Series 2011A Project Account shall be used and applied solely to meet the costs of acquisition or construction of the Series 2011A Projects and expenses and costs incidental to the acquisition and construction of the Series 2011A Projects, including the repayment of the principal of and interest on any interim loan or other financing of such costs and costs and expenses incident to the issuance and sale of the Series 2011A Bonds (including transfer to any fund or funds from which advances have been made for any such costs and expenses mentioned in this sentence, in repayment of such advances). Moneys shall be paid from the Series 2011A Project Account within the Program Fund, as herein described, upon claims filed by the Board with the Controller of the State and after audit by the Controller of the State in the manner provided by law and upon warrants drawn by the Controller of the State.

Any moneys remaining in the Series 2011A Project Account within the Program Fund after all costs and expenses described in this section have been paid or provided for shall be used for such other purposes permitted under the Act as the Board may determine. The application of proceeds herein shall be subject in all respects to the terms and conditions of the Tax Certificate.

Program Fund; Project Accounts and Costs of Issuance Accounts; Series Project Accounts

The Board shall maintain the Program Fund with the Trustee and, if permitted by law, at such banking institution or other financial, governmental or other institutions as the Board may determine. To the extent required by the Act as determined by the Board, the Program Fund shall constitute an account within the California State University Dormitory Construction Fund required to be maintained under the Act.

With respect to the Series 2011A Bonds, the Board shall establish and maintain a separate account within the Program Fund designated as the "Series 2011A Project Account".

The Trustee shall be under no duty with respect to the use and application of moneys in the Program Fund and shall not be liable for the manner or method in which moneys withdrawn by the Board are in fact used and applied by the Board. Subject to certain conditions of the Indenture, the moneys deposited to the Program Fund may be invested by the Board in Investment Securities or any other lawful investment for funds of the Board. Subject to certain conditions of the Indenture, any moneys remaining in the Program Fund after completion of the Projects shall be promptly deposited to the Revenue Fund.

The amount initially deposited in the Series 2011A Project Account and any investment earnings thereon shall be held by the Trustee. Moneys in the Series 2011A Project Account shall be used and withdrawn by the Board to pay Costs of Issuance, the cost of the acquisition or construction of the Series 2011A Projects, including reimbursements of any sums advanced by the Board for such purposes and refunding bond anticipation notes or other obligations incurred for such purposes, and to pay interest on the Series 2011A Bonds in such amounts and on such dates as may be determined by the Board. Notwithstanding any other provision of the Indenture, amounts in the Series 2011A Project Account may be invested in Investment Securities or any other lawful investment for funds of the Board.

Issuance of Additional Series of Bonds

In addition to the Series 2011A Bonds and other Outstanding Bonds, the Board may by Supplemental Indenture establish one or more other Series of Bonds, and the Board may issue, and the Trustee may authenticate and deliver to, or upon the Written Order of, the Board, Bonds of any Series so established, in such principal amount as shall be determined by the Board, subject to the requirements of the Indenture, and subject to the following specific conditions, which are hereby made conditions precedent to the issuance of any such additional Series of Bonds:

(a) The Supplemental Indenture providing for the issuance of such Series shall specify the purposes for which such Series is being issued, which shall be one or more of the following: (1) to provide moneys needed to acquire, implement, install, construct or complete Projects, including reimbursements of any sums advanced by the Board for such purposes, by depositing into the Program Fund the proceeds of such Series to be so applied, (2) to refund all or part of the Bonds of any one or more Series then Outstanding, or (3) to provide moneys needed to refund all or part of any other Indebtedness or Designated Auxiliary Debt. Such Supplemental Indenture may, but is not required to, provide for the payment of expenses incidental to such purposes, including the costs of issuance of such Series, interest on Bonds of such series and, in the case of Bonds issued to refund other Bonds or Indebtedness or Designated Auxiliary Debt, expenses incident to calling, redeeming, paying or otherwise discharging the Bonds or Indebtedness or Designated Auxiliary Debt to be refunded.

(b) The Board shall be in full compliance with all covenants and undertakings set forth in the Indenture or any indenture supplemental hereto and with all covenants and undertakings in connection with any Bonds then Outstanding.

(c) Such additional Series of Bonds shall be equally and ratably secured with all other Bonds herein authorized, without preference or priority of any of the Bonds over any other Bonds, except as expressly provided in the Indenture.

(d) Such additional Series of Bonds shall satisfy the requirements for the issuance of Indebtedness secured by a Parity Lien provided in the Indenture.

(e) The aggregate principal amount of Bonds issued under the Indenture shall not exceed any limitation imposed by the Act or by any Supplemental Indenture.

Nothing in the Indenture contained shall prevent or be construed to prevent the Supplemental Indenture providing for the issuance of Additional Bonds from pledging or otherwise providing, in addition to the security given or intended to be given by the Indenture, additional security for the benefit of such Additional Bonds or the Bonds or any portion thereof.

Pledge and Assignment; Gross Revenue Fund; Revenue Fund

Subject only to the provisions of the Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth herein, the Board hereby pledges to the Trustee to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Indenture, all of the Gross Revenues, all of the proceeds of the Bonds and any other amounts held in any fund or account established pursuant to the Indenture, excluding the Rebate Fund. Said pledge shall constitute a lien on and security interest in such assets and shall attach and be valid and binding from and after delivery by the Trustee of the Bonds, without any physical delivery thereof or further act, against all parties having claims of any kind in tort, contract or otherwise against the Board or the Trustee, irrespective of whether the parties have notice thereof; provided, however, that the pledge of Gross Revenues set forth in this section shall in all respects be junior to any Indebtedness secured by a Senior Lien.

The Board agrees that, so long as any of the Bonds remain Outstanding, (i) all of the Gross Revenues not encumbered by any Senior Lien shall be deposited as soon as practicable upon receipt in a fund designated as the "Trustees of the California State University Systemwide Revenue Bonds Gross Revenue Fund" (the "Gross Revenue Fund") which the Board shall establish and maintain and (ii) funds equal to Gross Revenues encumbered by any Senior Lien shall be deposited in the Gross Revenue Fund at the earliest practicable time and to the extent such funds are available pursuant to the terms of the Security Documents evidencing such Senior Lien. To the extent Gross Revenues to be deposited in the Gross Revenue Fund pursuant to the immediately preceding sentence are encumbered by Indebtedness (other than Additional Bonds) secured by a Parity Lien, the Board agrees to allocate and deposit in the Gross Revenue Fund an amount of such Gross Revenues equal to the product of (A) such Gross Revenues multiplied by (B) a fraction, the numerator of which shall be (i) the proceeds of the Bonds, and the denominator of which shall be (ii) the sum of (x) the proceeds of the Bonds and (y) the proceeds of Indebtedness secured by a Parity Lien. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, the Board grants a security interest to the Trustee in the Gross Revenue Fund to secure the payment of the principal of and interest on the Bonds outstanding and the pledge of Gross Revenues under the Indenture.

To the extent required by the Act, as determined by the Board, the Gross Revenue Fund shall constitute an account within the California State University Dormitory Revenue Fund required to be maintained under the Act.

Amounts in the Gross Revenue Fund may be used and withdrawn by the Board at any time for any lawful purpose (including any use required by a Security Document establishing a Senior Lien or Parity Lien), except as hereinafter described. In the event of the occurrence of an Event of Default of which the Trustee has actual knowledge or has received written notice, the Trustee shall notify the Board and the Gross Revenue Fund Depositories of such delinquency, and the Board shall cause the Gross Revenue Fund Depositories to, and the Gross Revenue Fund Depositories shall, transfer the Gross Revenue Fund to the name and credit of the Trustee. All Gross Revenues shall continue to be deposited by the Board in the Gross Revenue Fund as described herein until all Events of Default known to the Trustee shall have been made good or cured or provision deemed by the Trustee to be adequate shall have been made therefor, whereupon the Gross Revenue Fund shall be returned to the name and credit of the Board. During any period that the Gross Revenue Fund is held in the name and to the credit of the Trustee, the Trustee shall use and withdraw amounts in said fund first to pay fees, expenses and disbursements of the Trustee and its agents in the event such fees, disbursements or expenses have not otherwise been paid by the Board, second to the payment of Maintenance and Operation Expenses, and third to make the transfers and deposits required under the section "Allocation of Gross Revenues to Funds" below. The Trustee will make payments for Maintenance and Operation Expenses upon receipt from the Board of a Certificate stating the nature and amount of such expenses, and the person or persons to whom such expenses are payable, and certifying that such expenses constitute Maintenance and Operation Expenses properly payable from the Gross Revenue Fund. The Board agrees to execute and deliver all instruments as may be required to implement the Section. The Board further agrees that a failure to comply with the terms of this section shall cause irreparable harm to the owners from time to time of the Bonds and shall entitle the Trustee, with or without notice, to take immediate action to compel the specific performance of the obligations of the Board as described in this section.

On or before the fifteenth day of the month preceding any Bond Payment Date for so long as any of the Bonds remain Outstanding, the Board shall pay to the Trustee for deposit in a special fund designated as "Trustees of the California State University Systemwide Revenue Bonds Revenue Fund" (the "Revenue Fund"), which the Trustee shall establish, maintain and hold in trust, such amount as is required by the Trustee to make or cause the

Board to make the transfers and deposits required on such dates under the section "Allocation of Gross Revenues to Funds" below (or to replenish the amounts required to be on deposit in any fund under the Indenture). Each transfer by the Board to the Trustee under the Indenture shall be in lawful money of the United States of America and paid to the Trustee at its Designated Office. All such moneys shall be promptly deposited by the Trustee upon receipt thereof in the Revenue Fund. All moneys deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. If the Board fails to make timely payment of all amounts required to be made pursuant to this section, the Board shall promptly make such payments in full as soon as possible.

To the extent required by the Act, as determined by the Board, the Revenue Fund shall constitute an account within the California State University Dormitory Interest and Redemption Fund required to be maintained under the Act.

Allocation of Gross Revenues to Funds

The Trustee shall transfer or shall cause the Board to transfer from the Revenue Fund, and deposit into one or more of the following respective funds (each of which the Trustee shall establish and maintain and hold in trust, and each of which shall be disbursed and applied only as hereinafter authorized), on or before the fifteenth day of each month preceding any Bond Payment Date, the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of Gross Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any fund subsequent in priority:

First: Into the Interest Fund, the amount, if any, needed to increase the amount in the Interest Fund to the aggregate amount of interest becoming due and payable on the Outstanding Bonds on the next succeeding Interest Payment Date (less the amounts, if any, to be paid from Capitalized Interest Accounts on such date).

Second: Into the Principal Fund, the amount, if any, needed to increase the amount in the Principal Fund to the aggregate amount of principal and Mandatory Sinking Account Payments becoming due and payable on the Outstanding Bonds on the next succeeding Principal Payment Date.

So long as no Event of Default has occurred and is continuing under the Indenture, the Trustee shall transfer, or shall cause the Board to transfer, any moneys remaining in the Revenue Fund on June 30 in each year which are not required for the payment of the Bonds (assuming for purposes of this sentence that the Board shall continue to make the deposits into the Revenue Fund at the times and in the amounts required under this section and the immediately preceding section) to the Board free and clear of the lien of the Indenture to be applied for any lawful purpose of the Board, and the Trustee shall have no obligation or duty to inquire or investigate how such moneys are being used.

Allocation of Interest Fund

All amounts in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture), and otherwise as described in the section "Investment of Moneys in Funds" below.

With respect to each Series of Bonds for which proceeds of the sale thereof are required to be set aside to pay interest on the Bonds, the Trustee (if so instructed by the Supplemental Indenture providing for the issuance of such Series) shall establish and maintain a separate account within the Interest Fund, designated as the "Series __ Capitalized Interest Account" (inserting therein the Series designation of such Bonds) (a "Capitalized Interest Account"). The Trustee shall transfer, or shall cause the Board to transfer, any moneys in a Capitalized Interest Account for deposit in the Interest Fund in the amounts and at the times specified herein or in the Supplemental Indenture providing for the issuance of such Series.

Moneys in the Series 2011A Capitalized Interest Account established pursuant to the Indenture shall be transferred to the Bond Interest Fund in the amounts and on or before the Interest Payment Dates set forth in the Fourteenth Supplemental Indenture, and shall be used solely for the purpose of paying a portion of the interest on the Series 2011A Bonds Outstanding as the same shall become due and payable (including accrued interest on any Bonds of Series 2011A purchased or redeemed prior to maturity).

Application of Principal Fund

All amounts in the Principal Fund shall be used and withdrawn by the Trustee solely for the purposes of purchasing or redeeming or paying at maturity the Serial Bonds and the Term Bonds as described in this section, and otherwise as described in the section "Investment of Moneys in Funds" below.

The Trustee shall establish and maintain within the Principal Fund a separate account for the Term Bonds, if any, of each Series and maturity, designated as the "Series __ 20__ Sinking Account" (the "Sinking Account"), inserting therein the Series and maturity (if more than one such account is established for such Series) designation of such Bonds. On or before each November 1, commencing as specified in the Indenture or any Supplemental Indenture, the Trustee shall transfer or shall cause the Board to transfer the amount deposited in the Principal Fund pursuant to the section "Allocation of Gross Revenues to Funds" above, for the purpose of making a Mandatory Sinking Account Payment (if such deposit is required in such month) from the Principal Fund to the applicable Sinking Account. With respect to each Sinking Account, on each Mandatory Sinking Account Payment date established for such Sinking Account, the Trustee shall 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 provided in the Indenture; provided that, at any time prior to giving such notice of such redemption, the Trustee shall apply moneys in such Sinking Account to the purchase 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 Fund) as may be directed by the Board, except that the purchase price (excluding accrued interest) shall 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, or, during said period and prior to giving said notice of redemption, the Board has deposited Term Bonds of such Series and maturity with the Trustee, or Term Bonds of such Series and maturity were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. All Bonds purchased or deposited pursuant to this subsection shall be cancelled and delivered by the Trustee to or upon the Written Request of the Board. The Trustee shall withdraw, or shall cause the Board to withdraw, any amounts remaining in a Sinking Account when all of the Term Bonds for which such account was established are no longer outstanding and shall transfer, or cause the Board to transfer, such amounts to the Revenue Fund. Subject to a different allocation provided for in a Certificate of the Board filed with the Trustee, all Term Bonds purchased from a Sinking Account or deposited by the Board with the Trustee shall be allocated first to the next succeeding Mandatory Sinking Account Payment for such Series and maturity of Bonds, then pro rata to the remaining Mandatory Sinking Account Payments required for such Series and maturity of Bonds in proportion to the amount of such Mandatory Sinking Account Payments.

The Trustee shall establish and maintain and hold in trust separate accounts for each maturity of Series 2011A Term Bonds (the "Series 2011A Sinking Accounts"). Moneys shall be deposited into the Series 2011A Sinking Accounts in accordance with this section. Moneys on deposit in the Series 2011A Sinking Accounts shall be applied in accordance with this section to provide for the redemption of each maturity of the Series 2011A Term Bonds, respectively, in accordance with the "Schedule of Mandatory Sinking Account Payments" contained in this Official Statement.

Establishment and Application of Redemption Fund

The Trustee shall establish and maintain within the Redemption Fund (which the Trustee shall establish, maintain and hold in trust) an Optional Redemption Account. All amounts deposited in the Optional Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds Outstanding, in the manner and upon the terms and conditions specified in the Indenture, at the next succeeding date of redemption for which notice has not been given and at the redemption prices then applicable to redemptions from the Optional Redemption Account; provided that, at any time prior to giving such notice of redemption, the Trustee shall apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as may be directed by the Board, except that the purchase price (exclusive of accrued interest) may not exceed the par value of such Bonds. Any Supplemental Indenture may provide for the establishment of such additional accounts or subaccounts within the Redemption Fund as may be applicable to the Series of Bonds authorized by such Supplemental Indenture. Subject to a different allocation provided for such subaccounts by Supplemental Indentures, all Term Bonds of any Series purchased or redeemed from the Redemption Fund shall be allocated to applicable Mandatory Sinking Account Payments pro rata to the Mandatory Sinking Account Payments required for such Series and maturity of Bonds in proportion to the amount of such Mandatory Sinking Account Payments.

Investment of Moneys in Funds

All moneys in any of the funds and accounts established pursuant to the Indenture and held by the Trustee shall be invested by the Trustee in Investment Securities as directed by the Board. All moneys in any of the funds and accounts established pursuant to the Indenture and held by the Board shall be invested by the Board in any lawful investment for funds of the Board. All Investment Securities shall be purchased subject to the limitations described in the section "Particular Covenants of the Board of Trustees - Tax Covenants" below, to the limitations as to maturities in this section set forth and to such additional limitations or requirements, consistent with the foregoing, as may be established by Request of the Board (or a telephone request which is promptly confirmed by such Request of the Board). The Trustee shall only invest funds under the Indenture in accordance with directions from the Board and shall have no liability whatsoever with respect to the selection of such investments by the Board.

Investment Securities purchased as an investment of moneys in any fund or account established pursuant to the Indenture shall be credited to such fund or account, subject to the provisions of the immediately succeeding paragraph. Unless otherwise specified in a Supplemental Indenture, for the purpose of determining the amount in any such fund or account, all Investment Securities credited to such fund or account shall be valued at cost plus or minus accreted discount or amortized premium except that in the case of zero-coupons, Investment Securities shall be valued at cost. The moneys on deposit in the Interest Fund and the Principal Fund shall be invested in Investment Securities such that the principal of such Investment Securities at maturity shall be sufficient to pay the interest on and principal of the Bonds, respectively, payable from the Interest Fund and the Principal Fund, respectively, on the next succeeding Bond Payment Date.

Unless otherwise provided in the Indenture or in a Supplemental Indenture for a Series of Bonds issued pursuant to such Supplemental Indenture and except as described in the section "Rebate Fund" below, the Trustee shall (1) prior to completion of the acquisition and construction of the Projects, transfer, or cause to be transferred by the Board, all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture to the Board for deposit into the related Project Account within the Program Fund, and (2) after completion of the Projects, deposit, or cause the Board to deposit, in the Revenue Fund when received all such interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture. Notwithstanding anything to the contrary contained in this paragraph, except as described in the section "Rebate Fund" below, an amount of interest received with respect to an Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account from which such accrued interest was paid.

The Trustee may act as principal or agent in the making or disposing of any investment. The Trustee may sell at the best price reasonably obtainable or present for redemption, any Investment Security so purchased whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment. Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Trustee under the Indenture, provided that the Trustee shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Indenture.

Rebate Fund

The Trustee shall establish and maintain a fund separate from any other fund established and maintained under the Indenture designated the Rebate Fund. The Board shall cause to be deposited in the Rebate Fund the rebate requirement as provided in the Tax Certificate for each Series of Bonds. Subject to the provisions of this section, moneys held in the Rebate Fund are hereby pledged to secure payments to the United States government, and the Board and the owners shall have no rights in or claim to such moneys. The Trustee shall invest all amounts held in the Rebate Fund pursuant to the Request of the Board.

Upon receipt of the rebate instructions required to be delivered to the Trustee by the Tax Certificate, the Trustee shall remit part or all of the balance held in the Rebate Fund to the United States government as so directed. In addition, if the rebate instructions so direct, the Trustee shall deposit moneys into or transfer moneys out of, or shall cause the Board to deposit moneys into or transfer moneys out of, the Rebate Fund from or into such accounts or funds as the rebate instructions direct.

The Trustee shall conclusively be deemed to have complied with the provisions of this section if it follows the directions of the Board set forth in the rebate instructions and shall not be required to take any actions thereunder in the absence of rebate instructions from the Board.

Notwithstanding any provisions of this section, if the Board shall provide to the Trustee any opinion of Bond Counsel that any specified action required under this section is no longer required or that some further or different action is required to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, the Trustee and the Board may conclusively rely on such opinion in complying with the requirements of this section, and the covenants under the Indenture shall be deemed to be modified to that extent.

Funds and Accounts and Subaccounts

The Trustee and the Board may from time to time establish such additional funds and accounts under the Indenture and such subfunds or subaccounts therein as the Trustee or the Board may determine to be necessary, appropriate or convenient for the purposes of administering the Gross Revenues or the proceeds of the Bonds or any other moneys related thereto.

Particular Covenants of the Board of Trustees

Additional Indebtedness.

(a) The Board shall not issue or incur any Indebtedness secured by a Senior Lien.

(b) So long as no Event of Default has occurred or is continuing under the Indenture, the Board may issue or incur Indebtedness secured by a Parity Lien if there is filed with the Trustee a Certificate of the Board confirming its expectation that, for the first full Fiscal Year following the date the Project financed or refinanced with the proceeds of such Indebtedness secured by a Parity Lien is placed in service, Net Income Available for Debt Service for such Fiscal year shall be in an amount at least equal to Aggregate Debt Service for such Fiscal Year on all Indebtedness and Designated Auxiliary Debt.

(c) Nothing in the Indenture shall limit the power of the Board to issue or incur (a) any Indebtedness secured by a Subordinate Lien; or (b) any Indebtedness which is not secured by any pledge, lien or encumbrance on Gross Revenues.

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

Payment of Taxes and Claims. The Board or the Trustee shall, from time to time, but solely from Gross Revenues, duly pay and discharge, or cause to be paid and discharged, any property taxes, assessments or other governmental charges that may be lawfully imposed upon the Gross Revenues or other assets pledged or assigned under the Indenture, when the same shall become due, as well as any lawful claim which, if unpaid, might by law become a lien or charge upon the Gross Revenues or such other assets or which might impair the security of the Bonds.

Accounting Records and Financial Statements.

(a) The Board shall keep or cause to be kept proper books of record and account in which complete and accurate entries shall be made in accordance with industry standards of all transactions relating to the proceeds of Bonds, the Gross Revenues, and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Trustee and by any Bondholder, or its agent or representative duly authorized in writing, during any Business Day at reasonable hours and under reasonable circumstances, including at least 24 hours notice.

(b) Not later than two hundred ten (210) days after the end of each Fiscal Year of the Board, commencing with the Fiscal Year ending June 30, 2011, the Board will furnish to the Trustee a detailed, certified report of audit, based on an examination sufficiently complete to comply with generally accepted auditing standards, prepared by an Independent Certified Public Accountant, covering the operations of the Projects for the Fiscal Year next preceding, and showing the Gross Revenues and expenses (by major classification) for such period. There shall also be included with each audit report a written opinion of the Independent Certified Public Accountant, to the effect that in making the examination necessary in connection with said audit, no knowledge of any default by the Board in the fulfillment of any of the terms, covenants, provisions and conditions of the Indenture, or any Supplemental Indenture, was obtained or, if said accountant shall have obtained knowledge of any such default, a statement of the default or defaults thus discovered and the nature thereof.

(c) Not later than two hundred ten (210) days after the end of each Fiscal Year of the Board, the Board shall also furnish to the Trustee a certified report of audit, prepared by an Independent Certified Public Accountant, reflecting the financial condition and record of operation of the Board.

Tax Covenants. The Board will not make any use of the proceeds of the Bonds or any other funds of the Board or of the Projects which will cause any Bond to be an "arbitrage bond" subject to federal income taxation by reason of Section 148 of the Code, or a "federally-guaranteed obligation" under Section 149(b) of the Code, or a "private activity bond" as described in Section 141 of the Code. To that end, the Board, with respect to such proceeds and such other funds and the Projects, will comply with all requirements of such sections of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent that such requirements are, at the time, applicable and in effect.

The Board further covenants that it will not use or permit the use of the Projects by any person for a "private business use" within the meaning of Section 141(b) of the Code, in such manner or to such extent as would result in the inclusion of interest received on the Bonds in gross income for federal income tax purposes under Section 103 of the Code.

If at any time the Board is of the opinion that for purposes of this section it is necessary to restrict or limit the yield on or change in any way the investment of any moneys held by the Trustee or under the Indenture, the Board shall so instruct the Trustee or the appropriate officers of the Board in writing, and the Trustee or the appropriate officers of the Board, as the case may be, shall take such actions as may be necessary in accordance with such instructions.

In furtherance of the covenants of the Board set forth above, the Board will comply with the Tax Certificate and will cause the Trustee to comply with the Tax Certificate.

The Board may provide in a Supplemental Indenture for a Series of Bonds that all or a portion of the provisions of this sub-section shall not apply to such Series of Bonds.

Compliance with Indenture, Contracts, Laws and Regulations. The Board shall faithfully observe and perform all the covenants, conditions and requirements of the Indenture, shall not issue any Bonds in any manner other than in accordance with the Indenture, and shall not suffer or permit any default to occur under the Indenture, or do or permit to be done, anything that might in any way weaken, diminish or impair the security intended to be given pursuant to the Indenture. Subject to the limitations end consistent with the covenants, conditions and requirements contained in the Indenture, the Board and the Trustee shall comply with the terms, covenants and provisions of all contracts concerning or affecting the application of proceeds of Bonds or the Gross Revenues.

Maintenance of Projects. The Board shall maintain the Projects in good condition and repair, such condition and repair to be comparable with that of similar types of properties. The Board may from time to time enter into leases of the Projects to a Person upon such terms and conditions as the Board may determine.

Insurance; Use of Insurance or Condemnation Proceeds. The Board shall maintain or cause to be maintained insurance or risk management programs of such type, in such amounts and against such risks as are appropriate, as determined by the Board, for facilities of similar size and nature as the Projects (and in any event as are consistent with the amounts and risks applicable to other similar properties of the Board), including, but not limited to, fire and extended coverage insurance, public liability insurance, workers' compensation insurance and business interruption insurance, in the event and to the extent such insurance is customarily maintained by the Board for facilities of similar size and nature as the Projects. The Board shall pay as the same become due all premiums in respect thereto. In the event of any damage to, or destruction or condemnation of, any Project, the Board will promptly arrange for the application of the insurance proceeds or condemnation awards for the repair, reconstruction or replacement of the damaged, destroyed or taken portion thereof, or for the payment of Indebtedness or such other purpose as the Board may determine.

Rate Covenant. The Board shall set rates, charges, and fees for the Projects for the then current Fiscal Year so as to cause Net Income Available for Debt Service to be in an amount at least equal to Aggregate Debt Service for all Indebtedness and Designated Auxiliary Debt for such Fiscal Year.

Continuing Disclosure for the Series 2011A Bonds. The Board and the Trustee covenant and agree that they will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the Board or the Treasurer to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Treasurer may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the holders of at least twenty-five percent (25%) aggregate principal amount of Outstanding Series 2011A Bonds shall) or any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Board or the Treasurer, as the case may be, to comply with its obligations under this section. For purposes of this section, "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series 2011A Bonds (including persons holding Series 2011A Bonds through nominees, depositories or other intermediaries).

Events of Default

The following events shall be Events of Default under the Indenture:

(a) default in the due and punctual payment of the principal of, or interest or redemption premium, if any, on, any Bond when due and payable;

(b) default in the due and punctual payment of the principal of, or interest or redemption premium, if any, on, any Indebtedness secured by a Parity Lien when due and payable; or

(c) default by the Board in the observance of any of the covenants, agreements or conditions on its part of the Indenture or in the Bonds contained, other than a default described in (a) or (b) above, and continuance of such default for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Board by the Trustee, or to the Board and the Trustee by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding.

Acceleration of Maturities

If an Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the request of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding shall, upon notice in writing to the Board, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the

Bonds contained to the contrary notwithstanding. The Trustee shall immediately give notice of such declaration to Bondholders, in the same manner that notices of redemption are given, specifying the date of such declaration, that as of the Business Day immediately following such declaration the Bonds shall cease to bear interest, and that all principal of and interest on the Bonds to the Business Day immediately following such declaration of acceleration shall be payable upon the surrender thereof at the Designated Office of the Trustee.

Application of Gross Revenues and Other Funds After Default

If an Event of Default shall occur, then, and in every such case during the continuance of such Event of Default, all Gross Revenues and any other moneys then held or thereafter received by the Trustee under any of the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any compensation and expenses as due to the Trustee under the Indenture;

(b) To the payment of Maintenance and Operation Expenses, provided that the Trustee will make payments for Maintenance and Operation Expenses only upon receipt from the Board of a Certificate stating the nature and amount of such expenses, and the person or persons to whom such expenses are payable, and certifying that such expenses constitute Maintenance and Operation Expenses properly payable from the Gross Revenues; and

(c) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, any stamping thereon of the payment if only partially paid or surrender thereof if fully paid) subject to the provisions of the Indenture, as follows:

(i) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

<u>First</u>: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

<u>Second</u>: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

(ii) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over the principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

Modification of Indenture without Consent of Bondholders

The Board and the Trustee from time to time and at any time, subject to the conditions and restrictions in the Indenture contained, may enter into an indenture or indentures supplemental hereto, which indenture or indentures thereafter shall form a part hereof, for any one or more or all of the following purposes:

(a) to add to the covenants and agreements of the Board in the Indenture contained, other covenants and agreements thereafter to be observed, or to surrender any right or power herein reserved to or conferred upon the Board;

(b) to evidence the succession of another governmental unit or entity, whether public or private, to the Board, or successive successions, and the assumption by such successor of the covenants and obligations of the Board contained in the Bonds and in the Indenture;

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

(d) to conform to the terms and conditions of the reimbursement agreements or loan agreements or similar documents relating to letters of credit, lines of credit, bond insurance policies, reserve fund surety bonds or policies, guarantees or similar undertakings for the Bonds provided by a Credit Facility Provider;

(e) to conform to the terms and conditions of the Security Documents evidencing a Parity Lien, provided such modification shall not materially adversely affect the interests of the Holders of the Bonds;

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

(g) to provide procedures required to permit any Holder, at its option, to utilize an uncertificated system of registration of its Bonds;

(h) to provide for the procedures required to permit any Holder to separate the right to receive interest on the Bonds from the right to receive the principal thereof and to sell or dispose of such rights, as contemplated by Section 1286 of the Code; and

(i) if permitted under the Act, (1) to provide for the issuance of Bonds and the loan of the proceeds of such Bonds to a Designated Auxiliary Organization, which Bonds shall be repaid from Gross Revenues; or (2) to provide for the issuance of Bonds for the acquisition or construction of a Project to be leased or sold to a Designated Auxiliary Organization, which Bonds shall be repaid from Gross Revenues.

Any Supplemental Indenture authorized by the provisions of this section may be executed by the Board and the Trustee without the consent of the owners of any of the Bonds at the time Outstanding but the Trustee shall not be obligated to enter into any such Supplemental Indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

Modification of Indenture with Consent of Bondholders

With the consent of the owners of not less than sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of the Bonds at the time Outstanding, the Board and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to, or changing in any manner, or eliminating any of the provisions of, the Indenture or of any Supplemental Indenture; provided, however, that no such Supplemental Indenture shall (1) extend the stated maturity of the Bonds or reduce the rate of interest thereon, or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption hereof, without the consent of the owner of each Bond so affected, (2) reduce the aforesaid percentage of owners of Bonds required to approve any such Supplemental Indenture, without the consent of the owners of all Bonds then Outstanding, or (3) modify any of the rights or obligations of the Trustee without his written assent thereto. Upon receipt by the Trustee of a Certificate of the Board authorizing the execution of any such Supplemental Indenture, and upon the filing with the Trustee of evidence of the consent of Bondholders, the Trustee shall join with the Board in the execution of such Supplemental Indenture.

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

Effect of Supplemental Indenture

Upon the execution of any Supplemental Indenture pursuant to the provisions of the sections "Modification of Indenture without Consent of Bondholders" or "Modification of Indenture with Consent of Bondholders" above, the Indenture shall be and be deemed to be modified and amended in accordance therewith, and respective rights, duties and obligations under the Indenture of the Board, the Trustee and all owners of Bonds Outstanding shall thereafter be determined, exercised and endorsed under the Indenture subject in all respects to such modification and amendments, and all the terms and conditions of any such Supplemental Indenture shall be and be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Defeasance

Bonds may be paid by the Board in any of the following ways; provided that the Board also pays or causes to be paid any other sums payable under the Indenture by the Board and related to the Bonds:

(a) by paying or causing to be paid the principal and interest on Outstanding Bonds; as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem Outstanding Bonds; or

(c) by delivering to the Trustee, for cancellation by it, Outstanding Bonds.

If the Board shall pay all Bonds Outstanding and shall also pay or cause to be paid all other sums payable under the Indenture by the Board, then and in that case, at the election of the Board (evidenced by a Certificate of the Board, filed with the Trustee, signifying the intention of the Board to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Gross Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Board under the Indenture shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in the Indenture and except for the obligation of the Board to pay any amounts under and to otherwise satisfy all of its obligations to the Trustee under the Indenture. In such event, upon Request of the Board, the Trustee shall cause an accounting for such period or periods as may be requested by the Board to be prepared and filed with the Board and shall execute and deliver to the Board all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee and any paying agents shall pay over, transfer, assign or deliver to the Board all moneys or securities or other property held by them pursuant to the Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

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

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

Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal and all unpaid interest thereon to the redemption date; or

(b) Defeasance Securities, the principal of and interest on which when due will provide money sufficient to pay the principal and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Request of the Board) to apply such money to the payment of such principal and interest with respect to such Bonds.

Notwithstanding any provisions of the Indenture, any moneys held by the Trustee in trust for the payment of the principal or interest on any Bonds and remaining unclaimed for two (2) years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if such moneys were so held at such date, or one year after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall, upon Request of the Board, be repaid to the Board free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease provided, however, that before the repayment of such moneys to the Board as aforesaid, the Trustee, as the case may be, shall at the request of the Board (at the cost of the Board) first mail a notice, in such form as may be deemed appropriate by the Trustee, to the owners of the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Board of the moneys held for the payment thereof.

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated ________, 2011 (the "Disclosure Certificate") is executed and delivered by the Trustees of the California State University (the "Board") in connection with the issuance of $429,855,000 principal amount of the Trustees of the California State University Systemwide Revenue Bonds, Series 2011A (the "Bonds"). The Bonds are being issued pursuant to an Indenture, dated as of April 1, 2002, as supplemented, including by a Fourteenth Supplemental Indenture, dated as of September 1, 2011 (the "Indenture"), by and between the Board and the Treasurer of the State of California, as trustee. The Board covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is executed for the benefit of the Holders and Beneficial Owners of the Bonds from time to time, but shall not be deemed to create any monetary liability on the part of the Board to any other persons, including Holders or Beneficial Owners of the Bonds based on the Rule (as defined below). The sole remedy in the event of any failure of the Board to comply with this Disclosure Certificate shall be an action to compel performance of any act required hereunder.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report filed by the Board pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the Board, or any successor Dissemination Agent designated in writing by the Board and which has filed with the Board 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) or (b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"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.

Section 3. Provision of Annual Reports.

(a) The Board shall, or shall cause the Dissemination Agent to, not later than January 1 of each year in which the Bonds are Outstanding, commencing January 1, 2012, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Board with respect to the Gross Revenues (as defined in the Indenture) may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if such financial statements are not available by that date. If the Board's fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to said date, the Board shall provide the Annual Report to the Dissemination Agent (if other than the Board). If the Board is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Board shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the Board) file a report with the Board certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports. The Board's Annual Report shall contain or include by reference the following:

(1) The audited financial statements of the Board with respect to the Gross Revenues (as defined in the Indenture) for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board or the Government Accounting Standards Board, as may then be applicable in the judgment of the Board. If these 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 for the prior fiscal year, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(2) The Board's Annual Reports shall contain updates or changes to certain information contained in Appendix A of the Official Statement relating to the Bonds dated September 14, 2011 (the "Official Statement") concerning the immediately preceding fiscal year, as follows:

(i) in Tables 1, 6, 8 and under the column entitled "Total Systemwide Revenue Bonds" in Table 9 (including information regarding debt service on any debt secured on a parity with the Bonds);

(ii) under the caption "SYSTEMWIDE REVENUE BOND PROGRAMS – Housing Program – Capacity and Occupancy" pertaining to the design capacity and occupancy rate of the Housing Program;

(iii) under the caption "SYSTEMWIDE REVENUE BOND PROGRAMS – Student Union Program – Rates and Charges" pertaining to the range of student union fees per student; and

(iv) under the caption "SYSTEMWIDE REVENUE BOND PROGRAMS – Health Center Facilities Program" pertaining to the amount of the health center facility fee and the campuses of the California State University system at which such fee is imposed.

(3) Information regarding the issuance by the Board of any debt secured on a parity with the Bonds since the date of the last Annual Report.

(4) Information regarding any amendments to the Indenture made since the date of the last Annual Report.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the Board or related public entities, which have been made available to the public on the MSRB's website. The Board shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The Board shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;

3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;

5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

6. Tender offers;

7. Defeasances;

8. Rating changes; or

9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The Board shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

2. Modifications to rights of Bond holders;

3. Optional, unscheduled or contingent Bond calls;

4. Release, substitution, or sale of property securing repayment of the Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) Whenever the Board obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the Board shall determine if such event would be material under applicable federal securities laws.

(d) If the Board has determined that knowledge of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the Board shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Indenture.

Section 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Board's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Board shall give notice of such termination in a filing with the MSRB.

Section 8. Dissemination Agent. The Board may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Board pursuant to this Disclosure Certificate.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Board may amend this Disclosure Certificate, 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) or (b), 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 Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Board 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 Board. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made 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 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Board from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Board 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 Certificate, the Board shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 11. Default. In the event of a failure of the Board to comply with any provision of this Disclosure Certificate, 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 Board to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Board to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Board 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 of 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 obligations of the Board under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Board, the Treasurer, the Dissemination Agent, each Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, the Board has caused this Disclosure Certificate to be executed by its authorized representative as of the date first above written.

TRUSTEES OF THE CALIFORNIA STATE UNIVERSITY

By____
Authorized Representative

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Trustees of the California State University

Name of Bond Issue: Trustees of the California State University Systemwide Revenue Bonds, Series 2011A

Date of Issuance: __________, 2011

NOTICE IS HEREBY GIVEN that the Trustees of the California State University (the "Board") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate executed and delivered by the Board with respect to the above-named Bonds. [The Board anticipates that the Annual Report will be filed by _____________.]

Dated: _______________

TRUSTEES OF THE CALIFORNIA STATE UNIVERSITY

____

Authorized Representative

APPENDIX F

FORM OF BOND COUNSEL OPINION FOR THE SERIES 2011A BONDS

[closing date]

Trustees of the California State University
Long Beach, California

Trustees of the California State University
<u>Systemwide Revenue Bonds, Series 2011A</u>
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Trustees of the California State University (the "Issuer") in connection with the issuance of $429,855,000 aggregate principal amount of Trustees of the California State University Systemwide Revenue Bonds, Series 2011A (the "Series 2011A Bonds"), issued pursuant to The State University Revenue Bond Act of 1947 of the State of California, as amended, and pursuant to an indenture dated as of April 1, 2002, as supplemented, including by a Fourteenth Supplement Indenture, dated as of September 1, 2011 (the "Indenture"), by and between the Issuer and the Treasurer of the State of California, as trustee (the "State Treasurer"). The Series 2011A Bonds are being issued to finance and refinance the costs of construction of facilities at various campuses of the California State University and certain related expenses. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, certificates of the Issuer, the State Treasurer, and others, the opinion of counsel to the Issuer, the Tax Certificate of the Issuer, dated the date hereof (the "Tax Certificate"), 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. 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 Indenture 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 Series 2011A 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 Series 2011A Bonds, the Indenture 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 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 Indenture 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 Series 2011A 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 Series 2011A Bonds constitute the valid and binding special obligations of the Issuer payable from Gross Revenues and other amounts pledged under the Indenture, subject to the terms of the Indenture and any Indebtedness secured by a Senior Lien. The Issuer is not obligated to pay the principal of or interest on the Series 2011A Bonds except from such Gross Revenues and any other amounts pledged under the Indenture, subject to the terms of the Indenture.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Series 2011A Bonds, of the Gross Revenues and any other amounts (including proceeds of the sale of the Series 2011A Bonds) held by the State Treasurer in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Series 2011A Bonds are not a lien, charge or liability against the State of California, or against the Issuer or against the property or funds of either, except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Series 2011A Bonds. The Series 2011A Bonds are not a debt of the State of California, and said State is not liable for the payment thereof.

4. Interest on the Series 2011A 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 Series 2011A 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 Series 2011A Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the California State University Systemwide Revenue Bonds, Series 2011A (the "Series 2011A Bonds"). The Series 2011A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued for each maturity of the Series 2011A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 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, (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 a rating of AA+ from Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2011A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2011A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2011A 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 bonds representing their ownership interests in Series 2011A Bonds, except in the event that use of the book-entry system for the Series 2011A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2011A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2011A 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 2011A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2011A 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 Series 2011A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2011A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2011A Bond documents. For example, Beneficial Owners of Series 2011A

Bonds may wish to ascertain that the nominee holding the Series 2011A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2011A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2011A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2011A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2011A 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 Board or the Trustee, on payment 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 Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2011A Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Series 2011A Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2011A Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Series 2011A Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2011A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2011A Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2011A Bonds at any time by giving reasonable notice to the Board or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical Series 2011A Bonds are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical Series 2011A Bonds will be printed and delivered.

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

APPENDIX H

PROJECTS FINANCED AND BOND REFUNDED WITH SERIES 2011A BONDS

New Money and Bond Anticipation Note Projects

Campus, Project	*Allocation of Principal*
San Jose Student Union Expansion and Renovation	$ 63,935,000
Sacramento University Enterprises, Inc. – Folsom Hall Refinancing Project	25,930,000
San Francisco Lot 20 Parking Structure Seismic Upgrade	3,545,000
San Marcos University Student Union	34,010,000
Chico Parking Structure 2	10,475,000
San Diego Aztec Center Student Union	93,195,000
SUBTOTAL	$231,090,000

Systemwide Revenue Bonds to Be Refunded

Series	*Principal to be Refunded*	*Redemption Date*	*Redemption Price*	*Allocation of Principal*
Systemwide Revenue Bonds, Series 2002A	$ 85,185,000	November 1, 2012	100%	$ 80,710,000
Systemwide Revenue Bonds, Series 2003A	116,665,000	May 1, 2013	100	112,350,000
SUBTOTAL				$193,060,000

Auxiliary Organization Bonds to Be Refunded

Organization/Series	*Principal to be Refunded*	*Redemption Date*	*Redemption Price*	*Allocation of Principal*
California State University, Fresno Association, Inc., Auxiliary Organization Refunding Revenue Bonds (Student Residence Project), Series 2001	$7,325,000	November 1, 2011	101%	$ 5,705,000

TOTAL SERIES 2011A BONDS	$429,855,000

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