

**The Regents of the University of California  
Revenue Bonds (Multiple Purpose Projects)  
Special Purpose Statement of Income and Expenses  
For the Year Ended June 30, 2007  
and Report of Independent Auditors**

**Report of Independent Auditors**

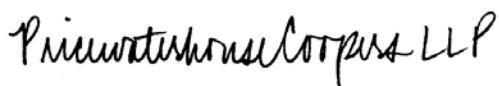
To The Regents of the University of California:

We have audited the accompanying special purpose statement of income and expenses (the "financial statement") of The Regents of the University of California Revenue Bonds (Multiple Purpose Projects) ("Multiple Purpose Projects") for the year ended June 30, 2007. This financial statement is the responsibility of the University of California's management. This financial statement was prepared pursuant to the provisions of Section 6.06 of The Regents of the University of California Revenue Bonds (Multiple Purpose Projects) Indenture (the "Indenture") between The Bank of New York, N.A. (as successors in interest to BNY Western Trust Company), as successor trustee under the Indenture, and The Regents of the University of California. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Notes 1 and 2, the financial statement is not intended to be a complete presentation of the Multiple Purpose Projects' income and expenses, and is intended to present the income and expenses of only that portion of the business-type activities of the University of California that are attributable to the Multiple Purpose Projects. This financial statement does not purport to, and does not, present fairly the financial position of the University of California as of June 30, 2007, and the revenues, expenses and changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the excess of income over expenses of the Multiple Purpose Projects pledge under the Indenture as described in Notes 1 and 2 for the year ended June 30, 2007, in conformity with accounting principles generally accepted in the United States of America.



December 7, 2007

**The Regents of the University of California Revenue Bonds  
(Multiple Purpose Projects)  
Special Purpose Statement of Income and Expenses  
For the Year Ended June 30, 2007  
(in thousands)**

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<b>Income</b>	
Sales and services	\$ 214,570
Other revenue	396,998
Total income	<u>611,568</u>
<b>Expenses</b>	
Administration	15,322
Repairs and maintenance	1,837
Supplies and services	42,883
Telephone	428
Utilities	745
Other	4,318
Total expenses	<u>65,533</u>
Excess of income over expenses	<u>\$ 546,035</u>

The accompanying notes are an integral part of this special purpose financial statement.

# **The Regents of the University of California Revenue Bonds (Multiple Purpose Projects) Notes to Special Purpose Statement of Income and Expenses For the Year Ended June 30, 2007**

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## **1. Organization**

The Regents of the University of California Revenue Bonds (Multiple Purpose Projects) ("Multiple Purpose Projects") are contained within The University of California (the "University"), a public, state-supported institution. The accompanying special purpose statement of income and expenses is prepared pursuant to the provisions of Section 6.06 of the Indenture (the "Indenture") relating to The Regents of the University of California Revenue Bonds (Multiple Purpose Projects). Outstanding bonds at June 30, 2007 include all, or a portion of Series E dated November 1, 1997; Series H, I, and J dated August 1, 1999; Series K and L dated September 1, 2000; Series M dated July 20, 2001; Series N dated October 31, 2001; Series O and P dated July 2, 2002; and Series Q dated May 20, 2003 (collectively, the "Revenue Bonds").

The bond proceeds were used to finance and refinance the acquisition, construction, renovation and improvement of certain facilities of the University, including student housing, faculty housing, parking facilities, student centers, recreation and events facilities, student health service facilities and certain academic and administrative facilities, and to finance certain seismic and life safety and facilities renewal projects of the University.

## **2. Summary of Significant Accounting Policies**

The special purpose financial statement of the Multiple Purpose Projects has been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), including all applicable effective statements of the Governmental Accounting Standards Board ("GASB") and all statements of the Financial Accounting Standards Board issued through November 30, 1989, using the economic resources measurement focus and the accrual basis of accounting. While this special purpose financial statement is presented in accordance with GAAP, it omits a statement of financial position, cash flows and other disclosures and, as such, is not intended to constitute a complete presentation of the financial position, results of operations and cash flows of the Multiple Purpose Projects.

Sales and services represent income from projects that do not have senior lien obligations or a pro rata allocation from projects with parity lien obligations. Other revenue available after senior lien obligations represents gross revenue of projects that have senior lien obligations up to the level of senior lien net revenue after senior lien obligations have been paid, including operations and maintenance of all senior lien project (including these projects) and senior lien debt service.

Expenses represent the operating expenses of the projects that do not have senior lien obligations. Certain expenses are based upon allocations of costs from the University which it deems to be reasonable. Such allocations might have been different if the parties were unrelated.

In accordance with the terms of the Indenture, investment income and interest expenses which are nonoperating items are not reflected in the special purpose statement of income and expenses.

The preparation of the special purpose statement of income and expenses, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of income and expenses at the date of the special purpose financial statement. Actual results could differ from those estimates.

**The Regents of the University of California Revenue Bonds  
(Multiple Purpose Projects)  
Notes to Special Purpose Statement of Income and Expenses  
For the Year Ended June 30, 2007**

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**3. Refinanced and Retired Revenue Bonds**

In January 2007, General Revenue Bonds totaling \$1.12 billion were issued to refinance the acquisition, construction, improvements and renovation of certain facilities and projects of the University. Proceeds, including a bond premium of \$36.0 million, together with certain University funds, were used to refund \$881.4 million of a portion of outstanding Multiple Purpose Projects Revenue Bonds Series K, L, M, O, P and Q, as well as other series of bonds.

In June 2007, General Revenue Bonds totaling \$241.6 million were issued to refinance the acquisition, construction, improvements and renovation of certain facilities and projects of the University. Proceeds, including a bond premium of \$12.7 million, together with certain University funds, were used to refund \$247.0 million of a portion of outstanding Multiple Purpose Projects Revenue Bonds Series E.

In prior years, outstanding Revenue Bonds, Series A, B, C, D, F and G were defeased.

**4. Revenue Bonds Outstanding**

Revenue bonds outstanding are as follows as of June 30, 2007 (in thousands of dollars):

	<b>Annual Interest Rate Range</b>	<b>Dates of Maturity</b>	<b>Annual Principal Payments in Increasing Amounts</b>	<b>Principal Amount Outstanding</b>
Series E	5.0%	9/1/2007	\$6,030	\$ 6,030
Series H	5.3%	9/1/2007	\$2,435	2,435
Series I	4.4%	9/1/2007	\$1,500	1,500
Series J	4.8%	9/1/2007	\$4,165	4,165
Series K	5.0%	9/1/07 - 9/1/2008	\$6,030 - \$6,330	12,360
Series L	4.1% - 4.5%	9/1/07 - 9/1/2012	\$4,080 - \$5,050	27,255
Series M	5.1%	9/1/07 - 9/1/2009	\$2,705 - \$2,990	8,540
Series N	4.0% - 4.4%	9/1/07 - 9/1/2016	\$2,705 - \$3,910	32,715
Series O	5.8%	9/1/07 - 9/1/2010	\$5,765 - \$6,820	25,135
Series P	3.6% - 4.5%	9/1/07 - 9/1/2016	\$1,070 - \$1,525	12,785
Series Q	3.0% - 5.0%	9/1/07 - 9/1/2027	\$6,400 - \$15,885	173,420
Total				<u>\$ 306,340</u>

The bonds are collateralized by the excess of income over expenses (net revenues) of the various projects which they finance, subject to senior and/or parity claims. Included in net revenues of certain projects that are generally non-revenue producing facilities are federal indirect cost reimbursement funds.

Debt service in the amount of \$105,362,174 representing principal of \$54,730,000 and interest of \$50,632,174 was paid on the bonds during the year ended June 30, 2007.

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**5. Net Revenue Requirement**

The Indenture requires that current year net revenues (as defined in Note 4) equal or exceed 1.25 times the aggregate annual debt service less amounts funded from bond proceeds (\$105,362,174 for the year ended June 30, 2007). As of June 30, 2007, the University had met this requirement.