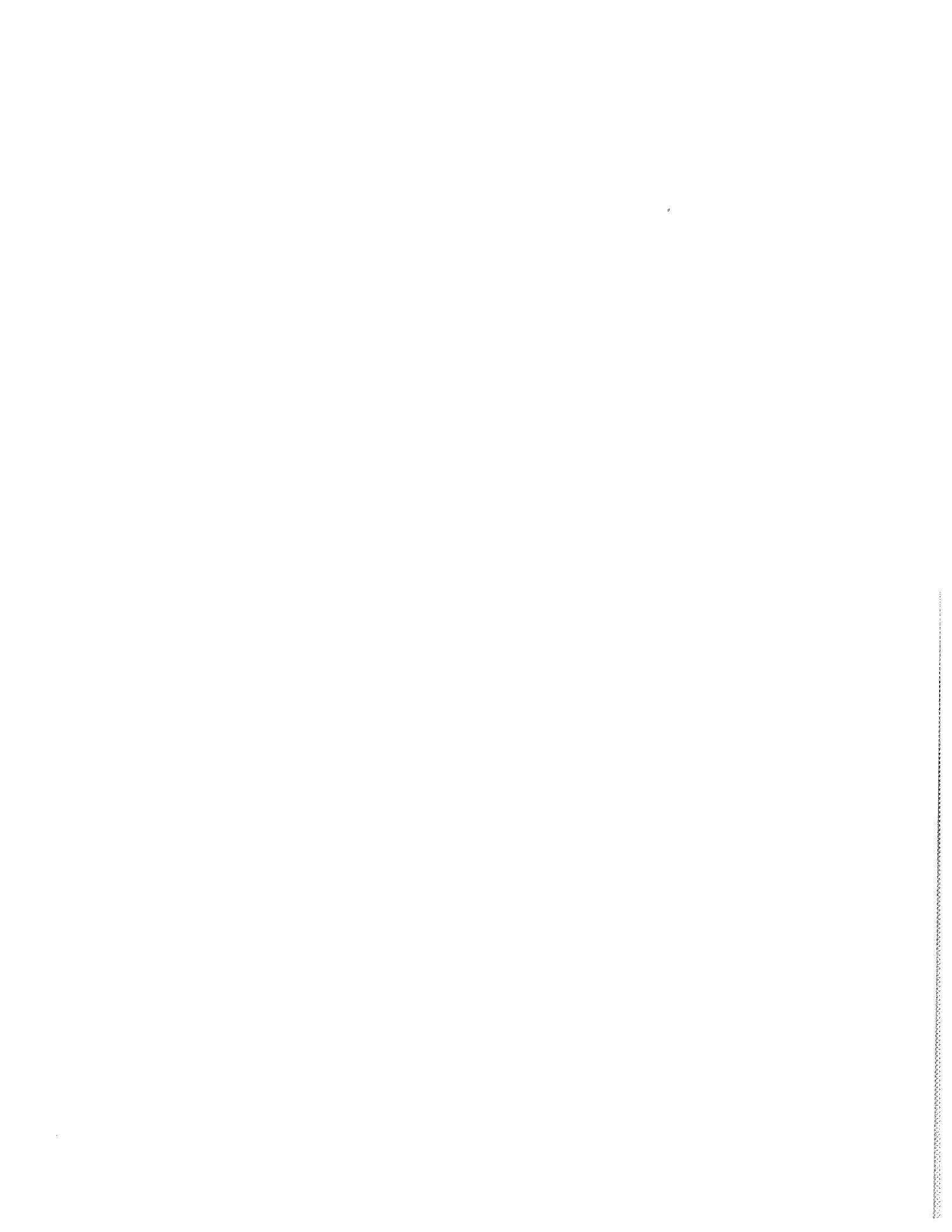


**San Mateo County Colleges**  
**Educational Housing Corporation**  
**Regular Meeting**  
**August 28, 2006; 4:00 P.M.**  
**College Vista Club House**  
**3403 CSM Drive, San Mateo**

1. Call To Order
2. Approval of Minutes from December 5, 2005 Board meeting
3. Update on *College Vista* Operations
4. Review of 2005- 2006 Budget/Actuals
5. Amendment of Master Agreement between the Housing Corporation Board and College District Board of Trustees
6. Discussion of Capital Reserve Account
7. Adoption of 2006-07 Budget
8. Information Regarding:
  - a) Directors and Officers Liability Insurance
  - b) Federal and State Nonprofit Status for Educational Housing Corporation
9. Other Matters of Interest
10. Next Meeting



San Mateo County Colleges  
Educational Housing Corporation  
Regular Meeting  
December 5, 2005  
4:15 p.m.

**CALL TO ORDER**

The meeting was called to order at 4:17 p.m.

**Present:** Board President Schwarz; Vice President Hausman; Treasurer Keller; Directors Ira, Legallet and Pierce; and Director of Community/Government Relations Christensen

**APPROVAL OF MINUTES FROM MAY 23, 2005 MEETING**

It was moved by Director Hausman and seconded by Director Ira to approve the minutes from the May 23, 2005 meeting as presented. The motion passed 6-0.

**UPDATE ON COLLEGE VISTA CONSTRUCTION PROGRESS AND GRAND OPENING**

Barbara Christensen reported that the grand opening will be held on Friday, December 9 at 9:30 a.m. Building A and the Recreation Center will be completed by then and open for tours. Building B is two weeks behind schedule, which was anticipated. Director Hausman asked how long the grand opening would last; Barbara said approximately one-half hour and then tours will be available. The developer, Thompson Dorfman, will be hosting a lunch at Capellini Ristorante at 11:30 a.m. to which all Housing Corporation Board members will be invited.

Barbara reported that PG&E had told her there would be a delay in turning on the power at *College Vista* because of the one day storm; instead of being done this week as scheduled, it would be scheduled for the week after Christmas. Barbara talked with an executive assistant at PG&E, explained the situation regarding the grand opening and was promised it would be done Thursday, December 8. Power in the District Office building will be shut off from 5:00-7:00 a.m. on Thursday and a generator will be brought in to power the District Office.

Barbara also told the Board that eight residents want to move in on December 10 but we are not sure we will have the Temporary Certificate of Occupancy by that time. The city will complete their inspections and we should know by Thursday, December 8. Most of the residents would accept a delay but some had to break a lease and are living with relatives so they are anxious to move in.

Director Hausman asked if pets were allowed. Barbara said they are allowed on a limited basis; pets are allowed in a maximum of 25% of the units. There is a waiting list of people who want to have pets.

**APPROVAL OF PROPERTY MANAGEMENT AGREEMENT WITH KENNY REALTY**

Barbara Christensen said that she and the property manager considered several different types of management agreements and agreed to use, as a model, an agreement used by Prodesse Property Management (Michael Pierce's company). Director Marquez, Treasurer Keller and Assistant County Counsel John Biers have reviewed it and approved. It was moved by Director Ira and seconded by Director Hausman to approve the management agreement with Kenny Realty. The motion passed 6-0.

### **INFORMATION REGARDING:**

**Directors and Officers Liability Insurance:** Treasurer Keller explained that a relatively small liability policy was originally purchased because no one was living on the property yet. At the last meeting, the Educational Housing Corporation Board had requested a larger policy. Treasurer Keller learned that the Community College JPA will provide the insurance as long as the District makes an affirmative request for endorsement to cover the Housing Corporation Board. He suggests we do this and coverage will last until July 31. He will examine the situation again and report to the Board in March.

**AB 767 regarding alcohol:** Barbara Christensen explained that generally no alcohol is allowed on school district property and because College Vista is on school property, this prohibition would apply. Assemblyman Gene Mullin agreed to sponsor a bill, which has been passed and signed by the governor, which allows alcohol for residential communities (like College Vista) on school property. The law officially becomes effective on January 1, 2006.

**New state regulations Nonprofit Integrity Act of 2004:** Director Marquez had asked that this Act be brought to the Board. Upon review, it is his opinion that it won't affect the Educational Housing Corporation Board because our revenues are under \$2,000,000.

### **OTHER MATTERS OF INTEREST**

Barbara Christensen asked Board members to let her know if they will attend the grand opening on Friday. If they are unable to attend, she will be glad to take them on a tour at another time.

Director Legallet asked if all of the units were leased. Barbara said they are all rented and there is a waiting list of 30 people, 15 of whom are adjunct faculty (third priority). Barbara does not anticipate having to go outside the District to fill the units.

Director Hausman commended the District for a job well done.

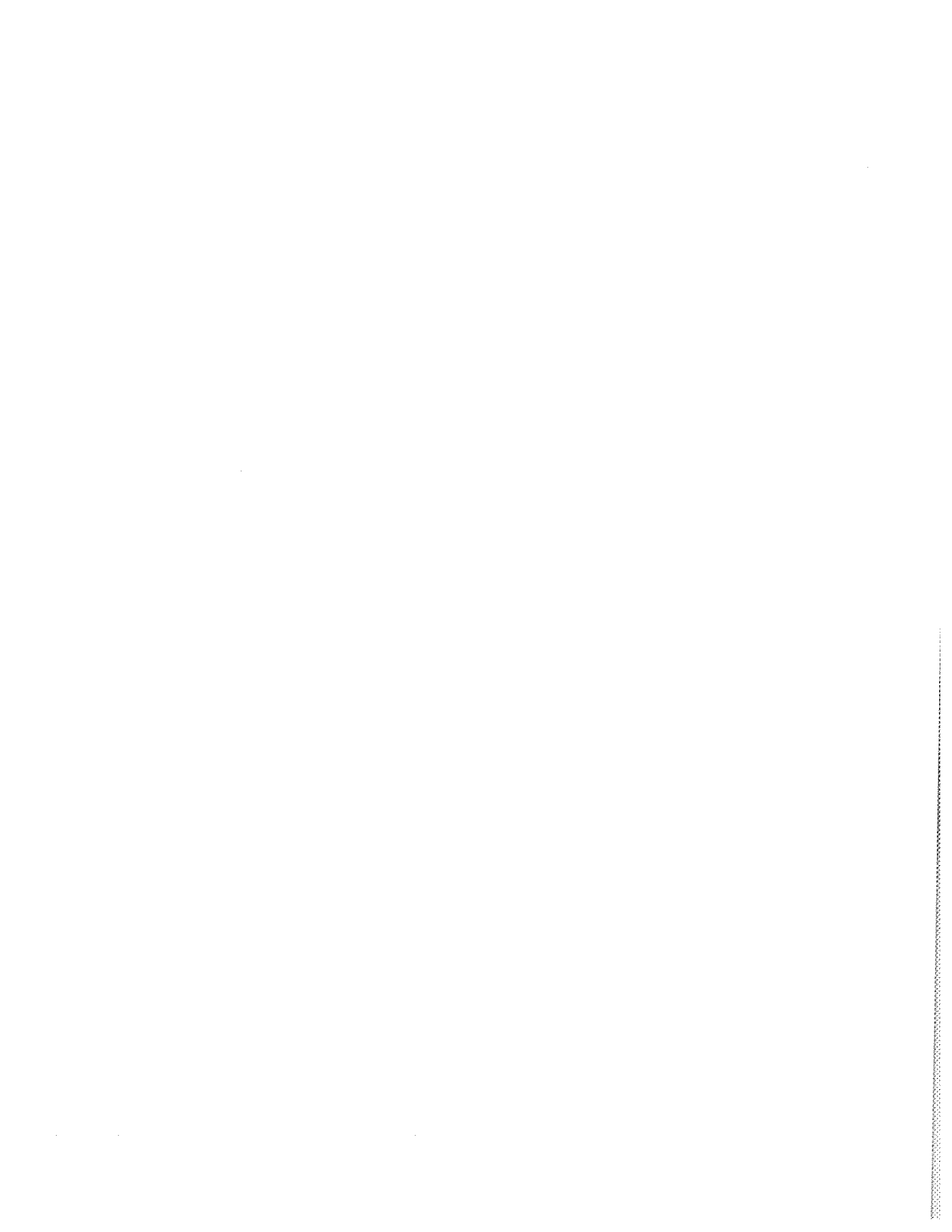
### **NEXT MEETING**

The next meeting will be called as needed. Barbara Christensen will check By-Laws to see if a meeting is required at a certain time. Treasurer Keller said that at the next meeting, Kenny Realty will come and report to the Board on the first several months of operation.

The meeting was adjourned by consensus at 4:42 p.m.

**SMCC Educational Housing Corporation**  
**Statement of Budgets, Revenues and Expenses**  
**For the Year Ended June 30, 2006**

	Budget		Expenses 2005-2006 Year to Date
	Annual	7 months Operation	
<b>Operation Revenues</b>			
Rent	\$ 383,200.00	\$ 223,533.33	\$ 260,950.27
Club House Rental	-	-	125.00
Commission	-	-	3,714.50
Donation	-	-	17,000.00
Interest Income	-	-	1,068.68
<b>Total Operation Revenues</b>	<b>383,200.00</b>	<b>223,533.33</b>	<b>282,858.45</b>
<b>Operation Expenses</b>			
Trustee Rebate	800.00	466.67	-
<b>Property Administration</b>			
Property Management	22,569.00	13,165.25	10,139.01
Onsite Payroll/Taxes	5,447.00	3,177.42	-
Misc. Admin Fees	919.00	536.08	356.79
Office / Communication	-	-	-
<b>Insurance</b>	<b>6,000.00</b>	<b>3,500.00</b>	<b>748.75</b>
<b>Landscape and Pest</b>	<b>6,592.00</b>	<b>3,845.33</b>	<b>-</b>
<b>Service Maintenance</b>			
Appliance Repair	500.00	291.67	-
Supplies	-	-	15,754.68
Maintenance / Repairs	3,708.00	2,163.00	1,214.44
Drapes / Blinds	-	-	-
Cleaning	927.00	540.75	-
Janitorial	5,253.00	3,064.25	-
Paint	3,000.00	1,750.00	550.40
<b>Utilities</b>			
Garbage (2) 3yd Bins 2x week	10,452.00	6,097.00	4,679.84
PG & E	7,500.00	4,375.00	10,391.70
Water/Sewer	6,900.00	4,025.00	1,307.70
<b>Monitoring Services</b>			
Telephone	-	-	1,120.38
Fire Alarm	346.00	201.83	1,110.14
Fire Sprinkler	927.00	540.75	1,325.00
Vacancy	1,816.00	1,059.33	-
<b>Total Operation Expenses</b>	<b>83,656.00</b>	<b>48,799.33</b>	<b>48,698.83</b>
<b>Net Operation Profit / (Loss)</b>	<b>299,544.00</b>	<b>174,734.00</b>	<b>234,159.62</b>
<b>Other Financial Sources /Uses</b>			
Transfer to the District	-	-	220,000.00
Transfer to Capital Reserve	7,274.00	4,243.17	10,000.00
<b>Excess of Revenues Over Expenditures and Other Sources</b>	<b>\$ 292,270.00</b>	<b>\$ 170,490.83</b>	<b>\$ 4,159.62</b>



**Amendment of Master Agreement Between the San Mateo County Community  
College District Board of Trustees and the San Mateo County Colleges  
Educational Housing Corporation dated August 28, 2006**

The following amendment to the Master Agreement between the College District Board of Trustees and the Housing Corporation Board is recommended in order to clarify that revenues generated by College Vista operations that are not needed for operating costs or other obligations shall revert to the College District, which is the owner of the property:

A. 3) The Housing Corporation shall manage all revenues received by it from managing *College Vista*. From such revenues, Housing Corporation shall pay and discharge all operating expenses and obligations incurred in managing *College Vista*. At the conclusion of each fiscal year, the Housing Corporation Board shall transfer to the District any funds remaining after payment of all *College Vista* expenses and obligations, including funding of the *College Vista* Capital Reserve.

The complete agreement is attached for your information.

**Recommendation:** It is recommended that the Housing Corporation Board adopt the above-described amendment to the Master Agreement between the San Mateo County Community College District Board of Trustees and the San Mateo County Colleges Educational Housing Corporation.

**Agreement between the San Mateo County  
Community College District and the San Mateo County Colleges  
Educational Housing Corporation**

This Agreement is made and entered into as of March 16, 2005 by and between the **San Mateo County Colleges Educational Housing Corporation** ("Housing Corporation") and the **San Mateo County Community College District** ("College District").

**First Amendment August 28, 2006**

**RECITALS**

- A. Housing Corporation was incorporated on November 8, 2004 under the California Nonprofit Public Benefit Corporation Law of the State of California for charitable purposes and has tax exempt status under Section 501 (c)(3) of the Internal Revenue Code.
- B. Housing Corporation's Articles of Incorporation describe Housing Corporation's purposes as being, "(1) to support the activities of the San Mateo County Community College District, including but not limited to managing affordable housing for faculty and staff; (2) to solicit gifts of money, real property, or personal property, to manage all such assets received by the Corporation, and to use and apply the whole or any part of the income and/or principal of such assets exclusively in the development and operation of affordable for housing faculty and staff; and (3) to engage in any other activities reasonably related to such purposes.
- C. Housing Corporation has not been designated an "auxiliary" organization; it has always been and remains an "independent" Corporation.
- D. College District is a community college district of the State of California and is the owner of the land and residential property known as *College Vista* located at 3403 and 3405 CSM Drive, San Mateo CA 94402.
- E. Housing Corporation and College District wish to set down the particulars of the arrangement between them concerning the services provided by each to the other and the compensation paid for such services.

NOW, THEREFORE, the parties hereto agree as follows:

**A. GENERAL OPERATIONS**

- 1) Pursuant to the terms and conditions hereinafter set forth, the Housing Corporation shall manage the *College Vista* property on behalf of the College District. The Housing Corporation shall use its best efforts to manage *College Vista* in a manner that will produce revenue that matches or exceeds the costs of said operations.

- 2) The Housing Corporation will, subject to the laws of the State of California, manage and control *College Vista* in accordance with the highest and best standards for the benefit of the residents and the College District. The Housing Corporation shall have the power and authority to establish rules and policies governing rents and assessments, and may enter into contracts and agreements upon such terms as it deems advisable within the scope of its authority.
- 3) The Housing Corporation shall manage all revenues received by it from managing *College Vista*. From such revenues, Housing Corporation shall pay and discharge all operating expenses and obligations incurred in managing *College Vista*. At the conclusion of each fiscal year, the Housing Corporation Board shall transfer to the District any funds remaining after payment of all *College Vista* expenses and obligations, including funding of the *College Vista* Capital Reserve.
- 4) The Housing Corporation shall accurately make and keep all usual and necessary records of its actions and transactions and of all monies received, disbursed or expended by the Housing Corporation in connection with *College Vista*. The Housing Corporation agrees that its books, records and documents pertaining to *College Vista* shall be subject to examination by the College District and that such books or documents not transferred to and retained by the College District shall be preserved by the Housing Corporation for a period of seven years.
- 5) Each calendar year, prior to the expenditure of any funds or the creation of any obligations for the Housing Corporation, the Housing Corporation shall submit to the College District Executive Vice Chancellor a budget setting forth in detail all of the anticipated revenues and expenditures during the succeeding year. The budget will include a reasonable plan for funding reserve accounts for long-term maintenance, replacement and repairs.
- 6) The Housing Corporation shall be responsible for maintenance of *College Vista*. Maintenance shall include: preventive maintenance for buildings; planting and maintenance of all landscaped areas; cleaning and general upkeep of all unplanted areas; repair of buildings, utility systems, paved roads; repair of electrical and mechanical systems, and maintenance or repair of storm drain. College District shall have the right to monitor the adequacy of the maintenance. If, in the opinion of the College District and after consultation with the Housing Corporation, the College District finds the maintenance inadequate, the College District may perform the work itself and charge the Housing Corporation for the actual cost of labor and materials.
- 7) The Housing Corporation shall conduct a competitive RFP process in order to select a professional property manager or property management company that will manage the day-to-day operations of *College Vista*.
- 8) Housing Corporation shall manage and control *College Vista* subject to the laws of the United States and the State of California, and all applicable ordinances, and will not permit or allow any violation of any law at said property or in connection therewith insofar as it is possible to prevent the same.
- 9) Each officer and employee of the Housing Corporation who is responsible for the handling of any funds, purchases or financial affairs of the Housing Corporation, before engaging in any of said services as hereinabove mentioned, shall furnish a bond in an amount commensurate with his or her responsibilities.

- 10) The Housing Corporation shall develop a program that supports tenants of the residential development(s) in their quest for home ownership. Such program may include first-time buyer information, financial planning services, voluntary savings accounts, incentives for homeownership, etc.
- 11) The Housing Corporation shall participate in fundraising as needed for programs, projects or activities that benefit *College Vista* and/or its residents.
- 12) The Housing Corporation shall provide such other support for College District as needed and as the parties shall then agree, consistent with Housing Corporation's legal obligations and restrictions.
- 13) The College District shall annually engage an auditing firm to audit the Housing Corporation's financial records. The audit shall be reviewed by both the Housing Corporation and the College District.
- 14) The College District reserves the right to assume control of all or part of *College Vista* if one of the following four conditions exists:
  - a) there is a state of emergency as is defined in Government Code section 8558;
  - b) when an emergency repair or replacement is necessary to permit the continued operation of *College Vista*;
  - c) when emergency work is necessary to avoid danger to life or property; or
  - d) when material financial irregularities exist that jeopardize the ability of the organization to remain a going concern.

If such determination is made by a majority vote of the College District Board of Trustees, this agreement will be suspended during the time period as designated by the College District. Notification of the emergency will be communicated by the Chancellor or his or her designee.

**B. OWNERSHIP OF PROPERTY, MAJOR MAINTENANCE AND CAPITAL IMPROVEMENTS**

- 1) The College District owns the *College Vista* property. College District, in exercising its ownership of *College Vista* may, with the advice of Housing Corporation, construct such buildings and other structures as it deems advisable. This authority includes the right to remodel, relocate, replace or demolish any existing structure, determine the nature and location of any new permanent structure, the location and use of any streets, roads, easements, utilities, or parking lots or facilities. Prior to exercising its rights of ownership above stated, College District shall solicit the advice and recommendation of Housing Corporation.
- 2) No major maintenance or capital improvements can be undertaken without the prior approval of the Executive Vice Chancellor of the College District. "Major maintenance" as used herein shall be understood to be selected items of maintenance which cost more than \$50,000. "Capital improvements" are those improvements which cost more than \$50,000.
- 3) Emergency and or unanticipated major maintenance items will be handled on a case-by-case basis. The Housing Corporation and the College District agree to meet promptly to discuss and seek mutual agreement on the handling of such items.

- 4) Housing Corporation will be responsible for the administration and supervision of all major maintenance and capital improvements. The Housing Corporation will keep the College District informed about such projects.
- 5) Housing Corporation agrees that contracts that exceed \$10,000 which it executes shall have the approval of a quorum of the Board of Directors of the Housing Corporation and shall be recorded in the minutes of the Board. Contracts that are \$10,000 or less may be executed by the Property Manager or designee.

#### C. INSURANCE AND OTHER SERVICES

- 1) College District shall provide the following insurance for the *College Vista* residential property and the Housing Corporation:
  - a) Property and liability insurance for the residential development(s).
  - b) Workers compensation insurance and unemployment insurance for District employees providing services to Housing Corporation.
- 2) Housing Corporation will provide Directors and Officers liability insurance (D&O insurance) covering Housing Corporation's directors and officers
- 3) The College District may provide administrative and accounting support in the collection of rents and payment of expenses for *College Vista* and such other support for Housing Corporation as needed and as the parties shall then agree, consistent with College District's legal obligations and restrictions.

#### D. NOTICE

Any notice given pursuant to the terms of this Agreement shall be delivered personally or by first class mail, postage prepaid, return receipt requested, to the parties at the following addresses:

To District: Executive Vice Chancellor  
San Mateo County Community College District  
3401 CSM Drive  
San Mateo, CA 94402-3699

To Housing Corporation: President, San Mateo County Colleges  
Educational Housing Corporation  
3401 CSM Drive  
San Mateo, CA 94402-3699

#### E. MISCELLANEOUS

- 1) This Agreement may be modified or amended only by a writing signed by both parties.
- 2) This Agreement shall inure to the benefit of and be binding upon the parties, their legal representatives, successors, and assigns.
- 3) This Agreement shall be subject to and be governed by the law of the State of California.

- 4) In the event that any of the provisions or portions thereof, of this Agreement are held to be unenforceable or invalid by any court of competent jurisdiction, the validity and enforceability of the remaining provisions or portions thereof shall not be affected thereby.
- 5) This Agreement contains the entire understanding between the parties concerning the subject matter contained herein. There are no representations, agreements, arrangements, or understandings, oral or written, between the parties relating to the subject matter of this Agreement which are not fully expressed herein.

This Agreement shall take effect as of the date first written above and shall remain in effect until terminated by College District after first giving written notice to the Housing Corporation at least six (6) months in advance of the termination date specified in the notice. Every five (5) years, the parties shall review the terms of this Agreement and amend it, if necessary and as they shall then agree, to accommodate the needs of the parties at that time.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SAN MATEO COUNTY  
COMMUNITY COLLEGE DISTRICT

By \_\_\_\_\_  
Patricia Miljanich  
President, Board of Trustees

ATTEST:

\_\_\_\_\_  
Clerk of Said Board

SAN MATEO COUNTY COLLEGES  
EDUCATIONAL HOUSING CORPORATION

By \_\_\_\_\_  
Karen Schwarz,  
President, Board of Directors

ATTEST:

By \_\_\_\_\_  
Vice President/Secretary, "HOUSING CORPORATION"

### Discussion of Capital Reserve Account

We have completed a life cycle analysis of the major capital items that will need to be replaced at College Vista over the next 20-40 years. The attached spreadsheet lists the items, their original cost and the expected life of each item. From that starting point, we escalated the costs; determined the net present value (with imputed interest) and finally determined the annual amount that would need to be set aside in order to have the funds available at the time the replacement needs to be made.

In developing this capital reserve model, we escalated the cost of commodities such as cabinets, appliances blinds, etc by 2% and some construction items (roofs and paving) by 5%. The assumed interest rate is 5%. Using these assumptions, approximately \$35,000 would need to be set aside each year beginning in 2006-07 in order to have reserves available to pay for these replacements at the end of the useful life of each item.

In 2005-06, a \$10,000 contribution to the Capital Reserve was made and the 2006-07 budget provides for a \$25,000 initial contribution. It is anticipated that any budgeted amounts that are not expended during the year will be added to the Capital Reserve Fund at the end of the year. It is also recommended that the Housing Corporation Board re-examine this issue annually.

## College Vista Capital Reserve

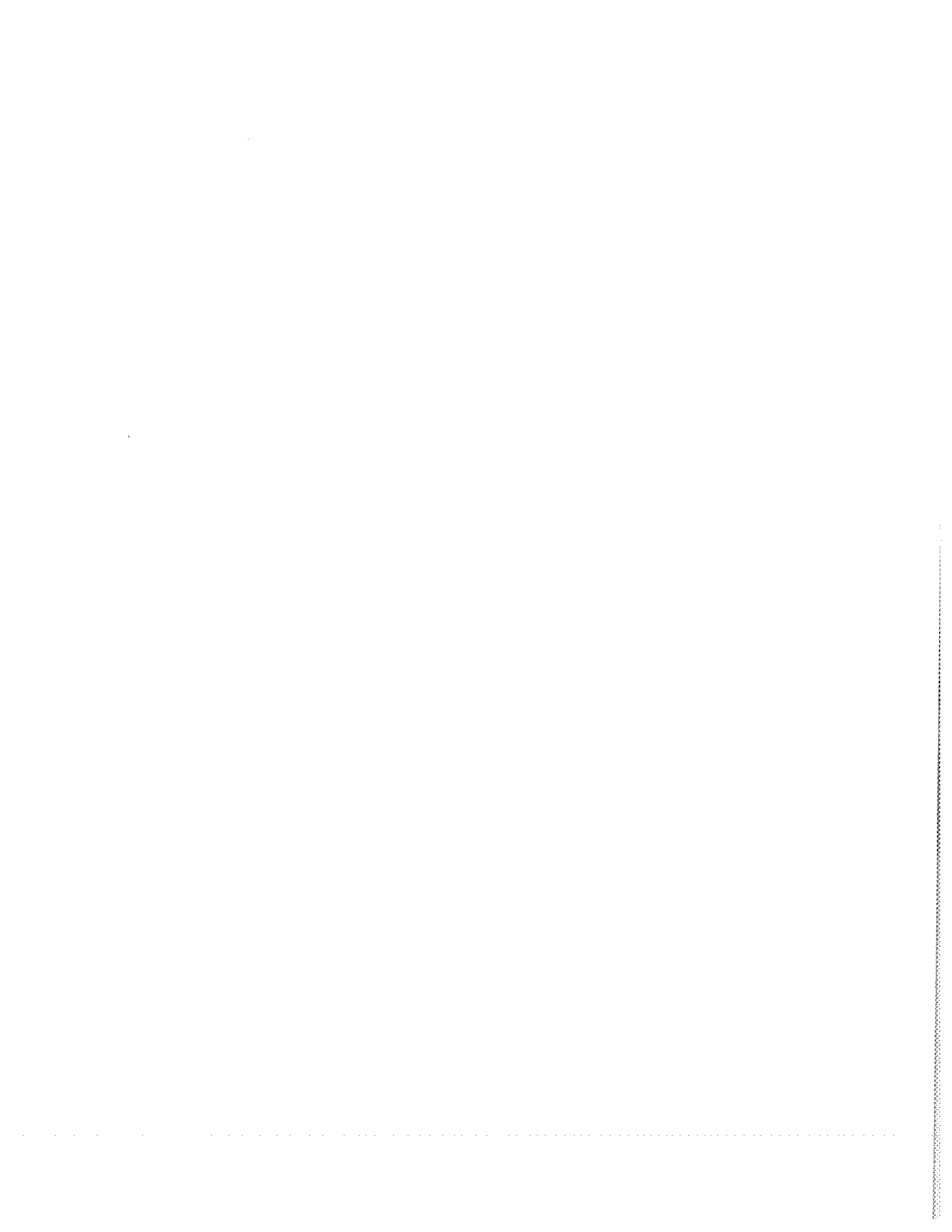
Item	Useful Life	Original Cost	Escalated Cost	Annual Reserve
Paint (Exterior)	8	\$ 130,000	\$ 152,316	\$13,614
Appliances	8	\$ 87,000	\$ 101,934	\$9,111
Countertops	16	\$ 39,000	\$ 53,539	\$1,649
Cabinets (reface)	20	\$ 50,000	\$ 74,297	\$1,512
Boilers	8	\$ 14,000	\$ 16,403	\$1,466
Electric Heaters	20	\$ 28,000	\$ 41,607	\$847
Garage Doors	20	\$ 28,000	\$ 41,607	\$847
Window Coverings	20	\$ 23,000	\$ 34,177	\$696
<b>Total</b>				
<b>20-40 Years</b>				
Roof	30	\$ 50,000	\$ 216,097	\$753
Windows	40	\$ 76,000	\$ 167,811	\$629
Siding	40	\$ 200,000	\$ 441,608	\$1,656
Paving	25	\$ 100,000	\$ 338,635	\$2,095
Bathtubs/ Sinks/Toilets	30	\$ 50,000	\$ 90,568	\$753
<b>Total</b>		<b>\$ 875,000</b>	<b>\$1,770,599</b>	<b>\$35,626</b>

Escalation: 2% per year except roof and paving, which are 5%  
 Interest: 5% per year

5%

**SMCC Educational Housing Corporation**  
**Statement of Budgets, Revenues and Expenses**  
**For the Year Ended June 30, 2007**

		<b>Budget</b>	<b>Expenses</b>
		<b>Annual</b>	<b>2005-2006 Year to Date</b>
<b>Operation Revenues</b>			
	Rent	\$564,852	
	Club House Rental	300	
	Commissions	240	
	Donations	0	
<b>Total Operation Revenues</b>		<b>\$565,392</b>	
<b>Operation Expenses</b>			
Property Administration			
	Property Management	\$23,194	
	Office Supplies	500	
Insurance	(Directors and Officers)	6,000	
Landscape and Pest		10,000	
Maintenance Reserve		10,000	
Service Maintenance			
	Appliance Repair	2,000	
	Clubhouse Supplies	250	
	Maintenance / Repairs	5,000	
	Cleaning	600	
	Window Washing	4,000	
	Paint	2,000	
Utilities			
	Garbage (2) 3yd Bins 1x week	6,900	
	PG & E	26,400	
	Water	4,000	
	Telephone (for fire service monitoring)	1,200	
	Siemens (Test/inspect fire system)	1,325	
	ADT (fire system monitoring)	1,176	
Vacancy	(.5%; 3-4 months)	2,825	
<b>Total Operation Expenses</b>		<b>\$107,370</b>	
<b>Net Operation Profit / (Loss)</b>		<b>\$458,022</b>	
<b>Other Financial Sources /Uses</b>			
	Transfer to District	\$430,000	
	Transfer to Capital Reserve	\$25,000	
<b>Excess of Revenues Over Expenditures and Other Sources</b>		<b>\$3,022</b>	



PROPOSAL  
OF  
INSURANCE  
  
FOR  
**SAN MATEO COUNTY COLLEGES  
EDUCATIONAL HOUSING  
CORPORATION**

MAY 2006

Andreini & Company  
220 West 20th Ave  
San Mateo, CA 94403  
650-573-1111  
800-969-2522  
License 0208825  
[www.andreini.com](http://www.andreini.com)

**This presentation is designed to give you an overview of the insurance coverages we have quoted for your company. We have pointed out some of the coverages, limits, conditions and exclusions; however, this presentation is by no means all-inclusive. Its purpose is to provide you with a general understanding of the proposed insurance. It should not be construed as a "legal interpretation" of an actual insurance policy. An insurance policy is the only "legally binding" contract outlining coverages, limits, conditions and exclusions.**

**The coverages and limits displayed in this presentation are based on information collected from you and are not intended to be a comparison or duplication of any other insurance program. If your operations change, or if you believe other changes are in order, please contact us immediately.**

## MISSION STATEMENT

When you become an Andreini & Company client, we put all of our resources to work for you. ***Our goal*** is to help you identify and manage your business risks using the most cost-effective solutions.

We are not just another Insurance Broker. The strength of our organization is our genuine desire to establish a long-term relationship and be part of your company's success – ***a true partner.***

Our promise says it all.....to pursue solutions to your business risk with ***creativity, persistence and Integrity.***

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• Salinas • Modesto • Stockton • Visalia • Chico • Reno •

## WHY ANDREINI & COMPANY

Andreini & Company was founded in 1951 as a General Insurance Broker. We are more than 200 insurance professionals, working from 10 offices strategically located in the Western United States. The knowledge of our people in Insurance, Risk Management and Employee Benefits is the primary reason we consistently enjoy a ranking among the top 100 U.S. brokers.

We believe the difference between good and great in our business is in the art of execution and the ability of our team to exceed expectations. Following are key reasons why we routinely exceed our own high standards:

- √ We are a passionately private company creating an environment of empowerment for our employees, attracting the best and the brightest.
- √ We focus our energy in specific industry groups, because our clients tell us that knowledge of their business is a most important attribute.
- √ We are entrepreneurial in our approach to decision making, giving us the ability to quickly respond to client issues.
- √ Our financial structure allows us to invest in the future instead of focusing on quarterly results.
- √ We are "old school" enough to realize insurance is still a people business.
- √ We are progressive enough to create client service efficiencies through the use of e-solutions.
- √ We measure success by the number of clients who call us Partners, not Brokers.

# DIRECTORS & OFFICERS LIABILITY POLICY

**POLICY NUMBER:** TBD  
**INSURANCE COMPANY:** RSUI Indemnity Co.  
A.M. Best Rating A X  
**POLICY TERM:** May 15, 2006 to May 15, 2007

## **DIRECTORS & OFFICERS LIABILITY**

A specialized form of liability insurance covering legal expenses and damages to shareholders, members, bondholders, creditors, or others, for the personal legal liability of directors and officers of a corporation or non-profit organization because of errors, omissions, negligence or other wrongful acts in the course of performing their official duties for the entity.

**Insuring Clause A - Directors & Officers Liability** pays on behalf of each director/officer when the company or entity is not legally permitted to indemnify.

**Insuring Clause B - Company Reimbursement Insurance** reimburses the company or entity when it has in fact indemnified the directors and officers. (Most claims are paid under this insuring clause).

**Insuring Clause C - Pays on behalf of the company** loss resulting from any Securities Action Claim.

**LIMITS OF INSURANCE:** \$ 1,000,000 Policy Aggregate for Insuring Clauses A and B Combined (Including Defense Cost)

### **RETENTIONS:**

#### Insuring Clause A:

\$ None Per Claim Each Director or Officer

\$ None Per Claim Aggregate Retention All Directors and Officers

#### Insuring Clause B:

\$ 25,000 Per Claim Company Reimburse/Indemnifiable Loss

Insuring Clause C

\$25,000                      Per Claim Company  
Reimbursement/Indemnifiable  
Loss

Wrongful Acts, Errors or Omissions that took place prior to the retroactive date are not covered by this policy.

This **Claims-Made** insurance does not apply to any claim that is not reported during the policy period.

**SPECIAL PROVISIONS:**

- Defense Expense in Addition to the Limit of Liability
- Third Party Liability Coverage \$25,000 SIR

**EXCLUSIONS:**

Following are some of the exclusions included in the policy. It is important that you refer to the policy for a complete list of exclusions.

- Prior and/or Pending Litigation Backdated to 5/15/2005
- Nuclear Liability

## EMPLOYMENT PRACTICES LIABILITY

Provides coverage for wrongful acts arising out of the employment process, including wrongful termination, discrimination and sexual harassment:

**LIMITS OF INSURANCE:**                   \$ 1,000,000   Each Claim  
  \$ 1,000,000   Annual Aggregate

**COVERAGE DEDUCTIBLES:**       \$ 25,000       Deductible Each Claim

**COVERAGE FORM:**                   **Claims-Made**

Wrongful Employment Practices Acts which took place prior to the retroactive date are not covered by this policy  
This Claims-Made insurance does not apply to any claim that is not reported during the policy period.

## PREMIUM SUMMARY

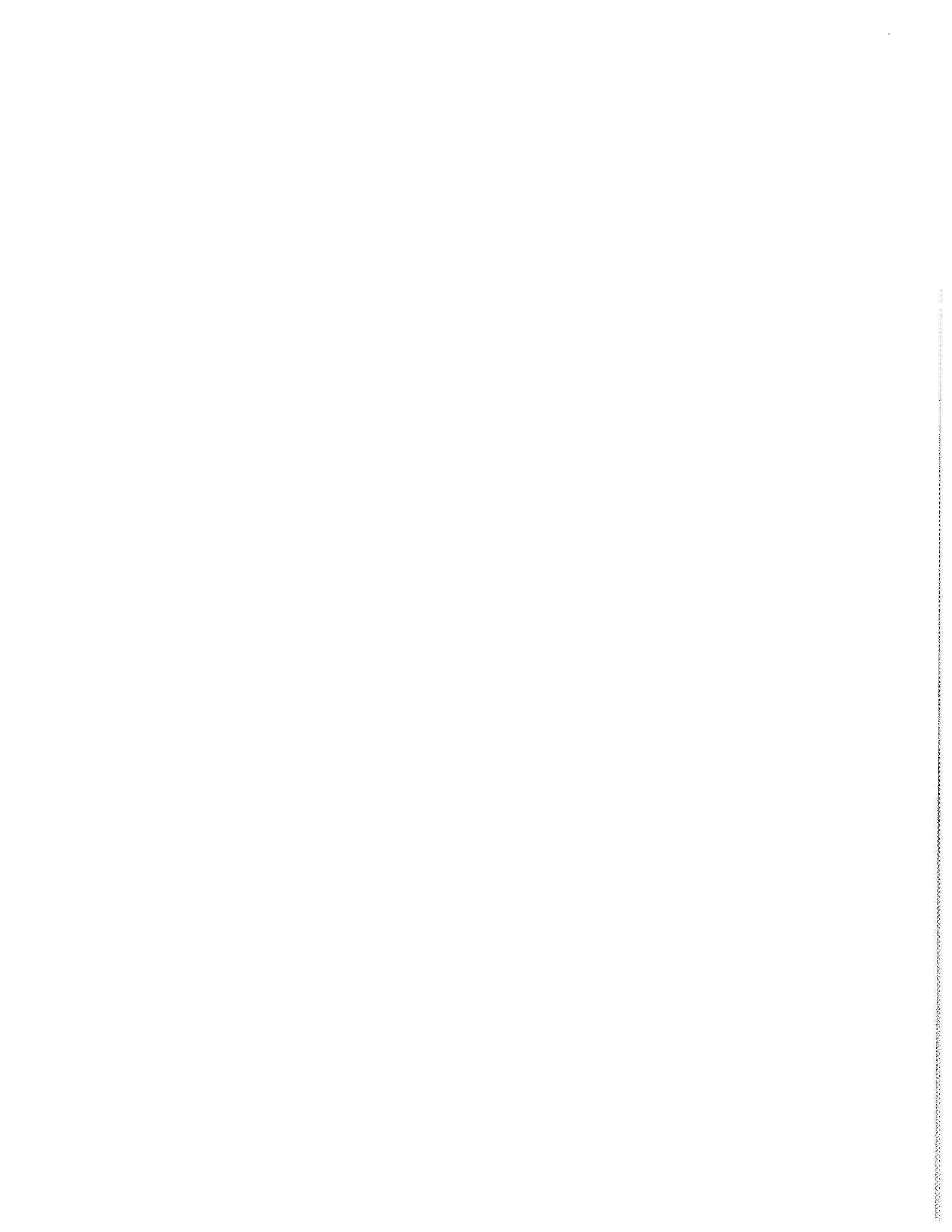
<b>Directors &amp; Officers Liability Not for Profit Organization</b>	<b>2005-2006</b>	<b>2006-2007</b>
<b>\$1,000,000 Limit</b>	<b>\$5,640</b>	<b>\$ 5,640</b>
<b>\$2,000,000 Limit</b>	<b>N/A</b>	<b>\$ 8,500</b>
<b>\$5,000,000 Limit</b>	<b>N/A</b>	<b>\$ 13,600</b>
<b>Broker Fee</b>	<b>\$250</b>	<b>\$350</b>

## OTHER COVERAGES FOR CONSIDERATION

In our role as your Insurance Broker, we believe it is important to point out other coverages for your consideration that might not be included in this presentation. These coverages include, but are not limited to, the following:

- |  |  |
|--|--|
| <input type="checkbox"/> Business Income                               | <input type="checkbox"/> Fiduciary Liability                           |
| <input type="checkbox"/> Dependent Business Income                     | <input type="checkbox"/> Boiler and Machinery                          |
| <input type="checkbox"/> Flood   | <input type="checkbox"/> Employment Related Practices Liability        |
| <input type="checkbox"/> Earthquake Sprinkler Leakage                  | <input type="checkbox"/> Pollution Liability                           |
| <input type="checkbox"/> Earthquake                                    | <input type="checkbox"/> Directors & Officers Coverage                 |
| <input type="checkbox"/> Accounts Receivable                           | <input type="checkbox"/> Owned Watercraft Liability                    |
| <input type="checkbox"/> Property of Others                            | <input type="checkbox"/> Owned/Non-Owned Aircraft Liability            |
| <input type="checkbox"/> Hired Auto Physical Damage                    | <input type="checkbox"/> Product Tampering and Contamination           |
| <input type="checkbox"/> Umbrella/Excess Liability, Higher Limits      | <input type="checkbox"/> Business Credit Insurance                     |
| <input type="checkbox"/> Employee Dishonesty                           | <input type="checkbox"/> Political Risk                                |
| <input type="checkbox"/> Money and Securities                          | <input type="checkbox"/> Forgery or Alteration                         |
| <input type="checkbox"/> Employed Attorney Errors & Omissions Coverage | <input type="checkbox"/> Out-of-State or Foreign Workers' Compensation |
| <input type="checkbox"/> Professional/Errors & Omissions Liability     | <input type="checkbox"/> Kidnap, Ransom and Extortion Coverage         |
| <input type="checkbox"/> Employee Benefit Administration Liability     |  |

We can provide you with an explanation of these coverages and obtain premium quotations at your request.



INTERNAL REVENUE SERVICE  
P. O. BOX 2508  
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

MAY - 4 2006

Date: **APR 28 2006**

SAN MATEO COUNTY COLLEGES  
EDUCATIONAL HOUSING CORPORATION  
C/O PAMELA S KAUFMAN  
333 MARKET ST 21ST FLR  
SAN FRANCISCO, CA 94105

Employer Identification Number: 20-1880465  
DLN: 17053115022045  
Contact Person: ROXANNE M HAYTHORN ID# 52416  
Contact Telephone Number: (877) 829-5500  
Accounting Period Ending: June 30  
Public Charity Status: 509(a)(3)  
Form 990 Required: Yes  
Effective Date of Exemption: November 3, 2004  
Contribution Deductibility: Yes

Dear Applicant:

We are pleased to inform you that upon review of your application for tax exempt status we have determined that you are exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code. Contributions to you are deductible under section 170 of the Code. You are also qualified to receive tax deductible bequests, devises, transfers or gifts under section 2055, 2106 or 2522 of the Code. Because this letter could help resolve any questions regarding your exempt status, you should keep it in your permanent records.

Organizations exempt under section 501(c)(3) of the Code are further classified as either public charities or private foundations. We determined that you are a public charity under the Code section(s) listed in the heading of this letter.

Please see enclosed Information for Exempt Organizations Under Section 501(c)(3) for some helpful information about your responsibilities as an exempt organization.

We have determined that you are a Type 1 supporting organization under section 509(a)(3). A Type 1 is operated, supervised, or controlled by, a Type 2 is supervised or controlled in connection with, and a Type 3 is operated in connection with one or more publicly supported organizations.

SAN MATEO COUNTY COLLEGES

Sincerely,

A handwritten signature in black ink, appearing to read "Lois G. Lerner". The signature is fluid and cursive, with the first name "Lois" being the most prominent.

Lois G. Lerner  
Director, Exempt Organizations  
Rulings and Agreements

Enclosures: Information for Organizations Exempt Under Section 501(c)(3)

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INFORMATION FOR ORGANIZATIONS EXEMPT UNDER SECTION 501(c)(3)

WHERE TO GET FORMS AND HELP

Forms and instructions may be obtained by calling toll free 1-800-829-3676, through the Internet Web Site at [www.irs.gov](http://www.irs.gov), and also at local tax assistance centers.

Additional information about any topic discussed below may be obtained through our customer service function by calling toll free 1-877-829-5500.

NOTIFY US ON THESE MATTERS

If you change your name, address, purposes, operations or sources of financial support, please inform our TE/GE EO Determinations Office at the following address: Internal Revenue Service, P.O. Box 2508, Cincinnati, Ohio 45201. If you amend your organizational document or by-laws, or dissolve, provide the EO Determinations Office with a copy of the amended documents. Please use your employer identification number on all returns you file and in all correspondence with the Internal Revenue Service.

FILING REQUIREMENTS

In your exemption letter we indicated whether you must file Form 990, Return of Organization Exempt From Income Tax. Form 990 (or Form 990-EZ) is filed with the Ogden Submission Processing Center, Ogden UT 84201-0027.

You are required to file a Form 990 only if your gross receipts are normally more than \$25,000.

If your gross receipts are normally between \$25,000 and \$100,000, and your total assets are less than \$250,000, you may file Form 990-EZ. If your gross receipts are over \$100,000, or your total assets are over \$250,000, you must file the complete Form 990. The Form 990 instructions show how to compute your "normal" receipts.

Form 990 Schedule A is required for both Form 990 and Form 990-EZ.

If a return is required, it must be filed by the 15th day of the fifth month after the end of your annual accounting period. There are penalties for failing to timely file a complete return. For additional information on penalties, see Form 990 instructions or call our toll free number.

If your receipts are below \$25,000, and we send you a Form 990 Package, follow the instructions in the package on how to complete the limited return to advise us that you are not required to file.

If your exemption letter states that you are not required to file Form 990, you are exempt from these requirements.

SAN MATEO COUNTY COLLEGES

UNRELATED BUSINESS INCOME TAX RETURN

If you receive more than \$1,000 annually in gross receipts from a regular trade or business you may be subject to Unrelated Business Income Tax and required to file Form 990-T, Exempt Organization Business Income Tax Return. There are several exceptions to this tax.

1. Income you receive from the performance of your exempt activity is not unrelated business income.
2. Income from fundraisers conducted by volunteer workers, or where donated merchandise is sold, is not unrelated business income.
3. Income from routine investments such as certificates of deposit, savings accounts, or stock dividends is usually not unrelated business income.

There are special rules for income derived from real estate or other investments purchased with borrowed funds. This income is called "debt financed" income. For additional information regarding unrelated business income tax see Publication 598, Tax on Unrelated Business Income of Exempt Organizations, or call our toll free number shown above.

PUBLIC INSPECTION OF APPLICATION AND INFORMATION RETURN

You are required to make your annual information return, Form 990 or Form 990-EZ, available for public inspection for three years after the later of the due date of the return, or the date the return is filed. You are also required to make available for public inspection your exemption application, any supporting documents, and your exemption letter. Copies of these documents are also required to be provided to any individual upon written or in person request without charge other than reasonable fees for copying and postage. You may fulfill this requirement by placing these documents on the Internet. Penalties may be imposed for failure to comply with these requirements. Additional information is available in Publication 557, Tax-Exempt Status for Your Organization, or you may call our toll free number shown above.

FUNDRAISING

Contributions to you are deductible only to the extent that they are gifts and no consideration is received in return. Depending on the circumstances, ticket purchases and similar payments in conjunction with fundraising events may not qualify as fully deductible contributions.

CONTRIBUTIONS OF \$250 OR MORE

Donors must have written substantiation from the charity for any charitable contribution of \$250 or more. Although it is the donor's responsibility to obtain written substantiation from the charity, you can assist donors by providing a written statement listing any cash contribution or describing any

SAN MATEO COUNTY COLLEGES

donated property.

This written statement must be provided at the time of the contribution. There is no prescribed format for the written statement. Letters, postcards and electronic (e-mail) or computer-generated forms are acceptable.

The donor is responsible for the valuation of donated property. However, your written statement must provide a sufficient description to support the donor's contribution. For additional information regarding donor substantiation, see Publication 1771, Charitable Contributions - Substantiation and Disclosure Requirements. For information about the valuation of donated property, see Publication 561, Determining the Value of Donated Property.

CONTRIBUTIONS OF MORE THAN \$75 AND  
CHARITY PROVIDES GOODS OR SERVICES

You must provide a written disclosure statement to donors who receive goods or services from you in exchange for contributions in excess of \$75.

Contribution deductions are allowable to donors only to the extent their contributions exceed the value of the goods or services received in exchange. Ticket purchases and similar payments in conjunction with fundraising events may not necessarily qualify as fully deductible contributions, depending on the circumstances. If your organization conducts fundraising events such as benefit dinners, shows, membership drives, etc., where something of value is received, you are required to provide a written statement informing donors of the fair market value of the specific items or services you provided in exchange for contributions of more than \$75.

You should provide the written disclosure statement in advance of any event, determine the fair market value of any benefit received, determine the amount of the contribution that is deductible, and state this information in your fundraising materials such as solicitations, tickets, and receipts. The amount of the contribution that is deductible is limited to the excess of any money (and the value of any property other than money) contributed by the donor less the value of goods or services provided by the charity. Your disclosure statement should be made, no later than, at the time payment is received. Subject to certain exceptions, your disclosure responsibility applies to any fundraising circumstances where each complete payment, including the contribution portion, exceeds \$75. For additional information, see Publication 1771 and Publication 526, Charitable Contributions.

EXCESS BENEFIT TRANSACTIONS

Excess benefit transactions are governed by section 4958 of the Code. Excess benefit transactions involve situations where a section 501(c)(3) organization provides an unreasonable benefit to a person who is in a position to exercise substantial influence over the organization's affairs. If you believe there may be an excess benefit transaction involving your organization, you should report the transaction on Form 990 or 990-EZ. Additional information can be found in the instructions for Form 990 and Form 990-EZ, or you may call our

## SAN MATEO COUNTY COLLEGES

toll free number to obtain additional information on how to correct and report this transaction.

### EMPLOYMENT TAXES

If you have employees, you are subject to income tax withholding and the social security taxes imposed under the Federal Insurance Contribution Act (FICA). You are required to withhold Federal income tax from your employee's wages and you are required to pay FICA on each employee who is paid more than \$100 in wages during a calendar year. To know how much income tax to withhold, you should have a Form W-4, Employee's Withholding Allowance Certificate, on file for each employee. Organizations described in section 501(c)(3) of the Code are not required to pay Federal Unemployment Tax (FUTA).

Employment taxes are reported on Form 941, Employer's Quarterly Federal Tax Return. The requirements for withholding, depositing, reporting and paying employment taxes are explained in Circular E, Employer's Tax Guide, (Publication 15), and Employer's Supplemental Tax Guide, (Publication 15-A). These publications explain your tax responsibilities as an employer.

### CHURCHES

Churches may employ both ministers and church workers. Employees of churches or church-controlled organizations are subject to income tax withholding, but may be exempt from FICA taxes. Churches are not required to pay FUTA tax. In addition, although ministers are generally common law employees, they are not treated as employees for employment tax purposes. These special employment tax rules for members of the clergy and religious workers are explained in Publication 517, Social Security and Other Information for Members of the Clergy and Religious Workers. Churches should also consult Publications 15 and 15-A. Publication 1828, Tax Guide for Churches and Religious Organizations, also discusses the various benefits and responsibilities of these organizations under Federal tax law.

### PUBLIC CHARITY STATUS

Every organization that qualifies for tax-exemption as an organization described in section 501(c)(3) is a private foundation unless it falls into one of the categories specifically excluded from the definition of that term [referred to in section 509(a)(1), (2), (3), or (4)]. In effect, the definition divides these organizations into two classes, namely private foundations and public charities.

Public charities are generally those that either have broad public support or actively function in a supporting relationship to those organizations.

Public charities enjoy several advantages over private foundations. There are certain excise taxes that apply to private foundations but not to public charities. A private foundation must also annually file Form 990-PF, Return of Private Foundation, even if it had no revenue or expenses.

SAN MATEO COUNTY COLLEGES

The Code section under which you are classified as a public charity is shown in the heading of your exemption letter. This determination is based on the information you provided and the request you made on your Form 1023 application. Please refer to Publication 557 for additional information about public charity status.

GRANTS TO INDIVIDUALS

The following information is provided for organizations that make grants to individuals. If you begin an individual grant program that was not described in your exemption application, please inform us about the program.

Funds you distribute to an individual as a grant must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should keep adequate records and case histories that demonstrate that grants to individuals serve your charitable purposes. For example, you should be in a position to substantiate the basis for grants awarded to individuals to relieve poverty or under a scholarship or education loan program. Case histories regarding grants to individuals should show names, addresses, purposes of grants, manner of selection, and relationship (if any) to members, officers, trustees, or donors of funds to you.

For more information on the exclusion of scholarships from income by an individual recipient, see Publication 520, Scholarships and Fellowships.

