September 14, 2012

Los Angeles Community College District
770 Wilshire Boulevard
Los Angeles, CA 90017

LETTER OF CERTIFICATION

Dear Los Angeles Community College District:

Annams Systems Corporation was retained by the Los Angeles Community College District (LACCD) for a set of District-Wide Asset Management Services through BUILD-LACCD contract number 50190. These services included support for the establishment of a physical and financial baseline inventory of a defined set of LACCD assets. The attached report provides a summary of this effort and findings.

To accomplish this scope, Annams Systems Corporation retained American Appraisal to participate as a part of the Annams Systems Corporation team. American Appraisal, under the supervision of Annams Systems Corporation, has provided and certified the attached report.

On behalf of Annams Systems Corporation, this letter further certifies the values established for the Los Angeles Community College District (LACCD) asset management baseline physical inventory conducted during fiscal year 2012. This certification is based on Annams Systems Corporation’s use of industry best practices, generally accepted accounting principles and the requirements of the Government Accounting Standards Board Statement Number 34. This certification applies to assets that were found in the field and not matched back to an SAP asset record. The certified values include the establishment of estimated acquisition cost and year, calculation of and application of accumulated depreciation based on an annual, full year, straight line depreciation methodology and the resulting net book value of these assets.

Sincerely,

Jeffrey V. Polyak
Senior Vice President of Solutions
Annams Systems Corporation
Fixed Asset Inventory and Reconciliation Report
As of 9/14/2012

Prepared for
Los Angeles Community College District (LACCD)
Fixed Asset Inventory and Reconciliation Report

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A  Assumptions and Limiting Conditions
B  Certificate of Consultant
We have completed an inventory and reconciliation of certain property exhibited to us as that of LACCD located in Los Angeles, CA, and submit our findings in this report.

As a firm, we adhere to the methodology, procedures, and standard requirements as set forth by the Uniform Standards of Professional Appraisal Practice (USPAP). However, this report provided for this service is not to be considered an appraisal under USPAP. Supporting documentation concerning the data, reasoning, and analyses has been retained as a part of our work papers. This report is specific to your needs as the client and for the intended use stated. American Appraisal is not responsible for the unauthorized use of this report.

**PURPOSE OF THE ENGAGEMENT**

The purpose of this engagement was to provide LACCD with physical inventory and reconciliation of fixed asset records for the furniture, movable equipment, computer equipment, machinery and equipment as of June 30, 2012 in accordance with the Governmental Accounting Standards Board No.34 as of 6/30/2012. Accordingly, this report is invalid if used for any other purpose.

The intended user of this report is LACCD. LACCD may disclose our report to its auditors or other advisors who will assist in its use. American Appraisal’s report may only be used for the specific purpose and premise of value stated in this Agreement and the report. The report may not be referenced in any public filing without American Appraisal’s prior written consent, except as is required by the applicable public records law.
**ENGAGEMENT SCOPE**

American Appraisal started an inventory and tagging of the identified fixed assets located at the LACCD facilities listed below on 1/17/2012 and finishing on 4/27/2012.

1. Los Angeles City College  
2. Education Service Center - District Office  
3. East Los Angeles College  
4. Los Angeles Harbor College  
5. Los Angeles Mission College  
6. Pierce College  
7. Los Angeles Southwest College  
8. Los Angeles Trade-Technical College  
9. Los Angeles Valley College  
10. Van De Kamp Innovation Center  
11. West Los Angeles College  

*Inventory inclusive of satellite and off-site locations related to the Los Angeles Community College District and their Colleges.*

The inventory was limited to those assets classified as furniture, movable equipment, computer equipment, machinery and equipment with a unit historical cost of $500 or greater, and assets with a unit historical cost of less than $500 on the LACCD exceptions list (i.e. chairs, tables, student desks, monitors, desktops, laptops, tablets, thin clients, lab equipment and projectors). All other asset classifications were excluded from the inventory. For the period of time between 04/27/2012 and upload of the baseline physical inventory results to the system of record, activities were conducted to reconcile field results, test upload files with SAP and prepare summary and detail reports of the baseline physical inventory results.
DEFINITION OF HISTORICAL COST

Historical cost is defined by Generally Accepted Accounting Principles (GAAP) as the amount of cash, or its equivalent, paid to acquire an asset.

SCOPE OF WORK

We reconciled the inventory to the fixed asset accounting records maintained by LACCD. If included in LACCD’s fixed asset accounting records, we utilized the historical cost, acquisition date, and useful life for the property identified during our inventory procedures. Those assets included in the fixed asset accounting records that were not located during the inventory are identified as unrecorded retirements. For assets that were identified during our inventory procedures that were not included in LACCD’s fixed asset accounting records (unrecorded additions), the unit’s acquisition date was estimated based on the manufacturer’s model and serial number, age of facility, observed condition, and other factors. The determination of historical cost of the unrecorded additions was based on standard costing and normal costing techniques. These cost approaches are defined as follows:

- Standard costing is a procedure used to estimate the original cost of an asset by comparing it with the known average installed cost of an identical or similar unit at the estimated installation date of the subject identified fixed assets.
- Normal costing is a procedure used to estimate the original cost of an asset by estimating the current replacement cost and reverse trending it back to the date of acquisition.

We did not perform any procedures to identify the purchase, disposal, transfer, or movement of items between the completion of our inventory procedures on 4/27/2012, and the reporting date of 6/30/2012. This tracking is covered by LACCD asset management procedures at each campus.

Depreciation methods and conventions for property accounting were applied based on the historical costs, useful lives, and dates of acquisition. The straight-line/unrecovered cost method was used to calculate a full year's depreciation in the year of acquisition and full year of depreciation in the fiscal year of expiration.

Useful lives were provided by LACCD based on LACCD accounting policy useful lives for the different classes and types of assets.

The ending LACCD Acquisition Value and Net Book Values are based on all in scope assets for this project. The final LACCD Acquisition Values are calculated by taking the total SAP starting Acquisition Value, subtracting the total SAP Acquisition Value retirements and then adding the total American Appraisal Acquisition Value additions. The final LACCD Net Book Values are calculated by taking the total SAP starting Net Book Value, subtracting the total SAP Net Book Value retirements and then adding the total American Appraisal Net Book Value additions.
CONCLUSION

Our conclusions, as of 6/30/2012, of the historical cost, accumulated depreciation, and net book value are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Historical Cost ($) (Original Cost)</th>
<th>Accumulated Depreciation ($)</th>
<th>Net Book Value ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning in scope SAP Balance</td>
<td>111,087,158.43</td>
<td>100,413,524.99</td>
<td>10,673,633.44</td>
</tr>
<tr>
<td>Adjustments to fully depreciate Low-Value Assets</td>
<td>0</td>
<td>2,838,286.02</td>
<td>(2,838,286.02)</td>
</tr>
<tr>
<td>Total assets inventoried valued (additions)</td>
<td>130,793,093.02</td>
<td>125,118,495.12</td>
<td>5,674,597.90</td>
</tr>
<tr>
<td>Retirements</td>
<td>(54,571,520.02)</td>
<td>(53,061,124.06)</td>
<td>(1,510,395.96)</td>
</tr>
<tr>
<td>Ending in scope SAP Acq and NBV</td>
<td>187,308,731.43</td>
<td>175,309,182.07</td>
<td>11,999,549.36</td>
</tr>
</tbody>
</table>

The following table represents our conclusions of the historical cost, accumulated depreciation and net book value of the assets included in the initial SAP extract that established the baseline for the inventory activities and new assets found in the field. Accumulated depreciation and resulting net book value has been calculated through June 30, 2012. Field physical inventory inspection activities were completed on a rolling schedule across LACCD locations between January 2012 and April 2012. All assets received or put into service following the field physical inventory location timeframes were accounted for based on current LACCD procedures for asset receipt, tagging and record creation through LACCD staff, systems and tags.

(Table follows on next page)
Fixed Asset Inventory and Reconciliation Report

<table>
<thead>
<tr>
<th>Description</th>
<th>Historical Cost</th>
<th>Accumulated Depreciation</th>
<th>Net Book Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LACCD Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning SAP Balance</td>
<td>$ 55,001,994.30</td>
<td>$ 51,953,359.45</td>
<td>$ 3,048,634.85</td>
</tr>
<tr>
<td>Additions</td>
<td>$ 14,334,121.80</td>
<td>$ 13,251,502.43</td>
<td>$ 1,082,619.37</td>
</tr>
<tr>
<td>Retirements</td>
<td>$(31,903,532.38)</td>
<td>$(30,804,501.99)</td>
<td>$(1,099,030.39)</td>
</tr>
<tr>
<td>Ending Capital SAP Balance</td>
<td>$ 37,432,583.72</td>
<td>$ 34,400,359.89</td>
<td>$ 3,032,223.83</td>
</tr>
<tr>
<td>Low Value</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning SAP Balance</td>
<td>$ 40,389,889.89</td>
<td>$ 40,389,889.89</td>
<td>$ -</td>
</tr>
<tr>
<td>Additions</td>
<td>$ 44,271,980.21</td>
<td>$ 44,271,980.21</td>
<td>$ -</td>
</tr>
<tr>
<td>Retirements</td>
<td>$(19,417,595.26)</td>
<td>$(19,417,595.26)</td>
<td>$ -</td>
</tr>
<tr>
<td>Ending Low Value SAP Balance</td>
<td>$ 65,244,274.84</td>
<td>$ 65,244,274.84</td>
<td>$ -</td>
</tr>
<tr>
<td><strong>Subtotal Capital and Low Value LACCD Assets</strong></td>
<td>$ 102,676,858.56</td>
<td>$ 99,644,634.73</td>
<td>$ 3,032,223.83</td>
</tr>
<tr>
<td><strong>Bond Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning SAP Balance</td>
<td>$ 7,151,378.04</td>
<td>$ 2,624,185.04</td>
<td>$ 4,527,193.00</td>
</tr>
<tr>
<td>Additions</td>
<td>$ 17,229,385.72</td>
<td>$ 12,637,407.19</td>
<td>$ 4,591,978.53</td>
</tr>
<tr>
<td>Retirements</td>
<td>$(255,600.44)</td>
<td>$(103,754.44)</td>
<td>$(151,846.00)</td>
</tr>
<tr>
<td>Ending Capital SAP Balance</td>
<td>$ 24,125,163.32</td>
<td>$ 15,157,837.79</td>
<td>$ 8,967,325.53</td>
</tr>
<tr>
<td>Low Value</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning SAP Balance</td>
<td>$ 8,543,896.20</td>
<td>$ 8,543,896.20</td>
<td>$ -</td>
</tr>
<tr>
<td>Additions</td>
<td>$ 54,957,605.29</td>
<td>$ 54,957,605.29</td>
<td>$ -</td>
</tr>
<tr>
<td>Retirements</td>
<td>$(2,994,791.94)</td>
<td>$(2,994,791.94)</td>
<td>$ -</td>
</tr>
<tr>
<td>Ending Low Value SAP Balance</td>
<td>$ 60,506,709.55</td>
<td>$ 60,506,709.55</td>
<td>$ -</td>
</tr>
<tr>
<td><strong>Subtotal Capital and Low Value Bond Assets</strong></td>
<td>$ 84,631,872.87</td>
<td>$ 75,664,547.34</td>
<td>$ 8,967,325.53</td>
</tr>
<tr>
<td><strong>Grand Total LACCD and Bond Assets</strong></td>
<td>$ 187,308,731.43</td>
<td>$ 175,309,182.07</td>
<td>$ 11,999,549.36</td>
</tr>
</tbody>
</table>

* The display of this summary information table shows all low value assets fully depreciated to account for the standard SAP depreciation processes associated with closing the last period of fiscal year 2012.

This report and our conclusions are subject to the attached assumptions and limiting conditions. Respectfully submitted,

American Appraisal

No third party shall have the right of reliance on this report, and neither receipt nor possession of this report by any third party shall create any express or implied third-party beneficiary rights.
Reports Included in excel and PDF

**Ending Asset Class SAP Acq Value** - This report contains the starting in scope SAP Acq value minus the SAP Acq Value retirements plus the American Appraisal additions. The values used for this report are a combination of American Appraisal Acq values and LACCD SAP Area 5 Acq value.

**Ending Asset Class SAP NBV** – This report contains the starting in scope SAP NBV minus the SAP NBV retirements plus the AA additions. The values used for this report are a combination of American Appraisal NBV and LACCD SAP Area 5 NBV.

**Asset Class Summary** – This report contains SAP assets that matched to the American Appraisal inventoried assets plus the American Appraisal additions broken down by LACCD asset class. The values used for this report are a combination of American Appraisal and LACCD SAP Area 5.

**Campus Match Summary** - This report contains the LACCD SAP assets that matched to the American Appraisal inventoried assets broken down by campus. The values used in this report are LACCD SAP Area 5.

**Campus Non Match Summary** – This report contains the in scope SAP assets not found and the American Appraisal inventoried assets not matched to SAP (additions) broken down by campus. The values used for this report are a combination of American Appraisal and LACCD SAP Area 5.

**Campus Summary** – This report contains all of the assets inventoried by American Appraisal broken down by campus. The values used for this report are a combination of American Appraisal and LACCD SAP Area 5 for the assets that matched to SAP.

**District Match Summary** - This report contains the LACCD SAP assets that matched to the American Appraisal inventoried assets. The values used in this report are LACCD SAP Area 5.

**District Non Match Summary** - This report contains the in scope SAP assets not found and the American Appraisal inventoried assets not matched to SAP (additions). The values used for this report are a combination of American Appraisal and LACCD SAP Area 5.

**District Summary** - This report contains all of the assets inventoried by American Appraisal. The values used for this report are a combination of American Appraisal and LACCD SAP Area 5 for the assets that matched to SAP.
Exhibit A
Assumptions and Limiting Conditions
ASSUMPTIONS AND LIMITING CONDITIONS

This service was performed with the following general assumptions and limiting conditions.

To the best of our knowledge, all data, including historical financial data, if any, relied upon in reaching the results set forth in this report is true and accurate. Although gathered from sources that we believe are reliable, no guarantee is made nor liability assumed for the truth or accuracy of any data, opinions, or estimates furnished by others that have been used in this analysis.

No responsibility is assumed for matters legal in nature. No investigation has been made of the title to or any liabilities against the property identified in the report. We have assumed that the owner’s claim is valid, the property rights are good and marketable, and there are no encumbrances that cannot be cleared through normal processes, unless otherwise stated in the report.

The results of the analysis presented in this report are based upon the premises outlined herein.

The date to which the expressed results apply is set forth in the report. The results presented therein are based on the status of the economy and on the purchasing power of the currency stated in the report as of that date.

This report has been made only for the use or uses stated, and it is neither intended nor valid for any other use.

Possession of this report or any copy thereof does not carry with it the right of publication. No portion of this report (especially any conclusion, the identity of any individuals signing or associated with this report or the firms with which they are connected, or any reference to the professional associations or organizations with which they are affiliated or the designations awarded by those organizations) shall be disseminated to third parties through prospectus, advertising, public relations, news, or any other means of communication without the written consent and approval of American Appraisal.

Areas, dimensions, and descriptions of property, if any, used in this analysis have not been verified, unless stated to the contrary in the report. Any areas, dimensions, and descriptions of property included in the report are provided for identification purposes only, and no one should use this information in a conveyance or other legal document. Plats, if any, presented in the report are intended only as aids in visualizing the property and its environment. Although the material was prepared using the best available data, it should not be considered as a survey or scaled for size.

Unless stated to the contrary in the report, no environmental impact study has been ordered or made. Full compliance with all applicable laws and governmental regulations is assumed unless otherwise stated, defined, and considered in the report. We have also assumed responsible ownership and that all required licenses, consents, or other legislative or administrative authority
from any applicable government or private entities either have been or can be obtained or renewed for any use that is relevant to this analysis.

The results expressed within the report specifically exclude the impact of substances such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, or other potentially hazardous materials or of structural damage or environmental contamination resulting from earthquakes or other causes, unless stated to the contrary in the report. It is recommended that the reader of the report consult a qualified structural engineer and/or industrial hygienist for the evaluation of possible structural/environmental defects, if the existence of such defects is relevant and could have a material impact on the results of the analysis expressed in the report.

If we made a physical inspection of the property, the inspection was made by individuals generally familiar with real estate and building construction. However, we do not opine on, nor are we responsible for, the structural integrity of the property including its conformity to specific governmental code requirements, such as fire, building and safety, earthquake, and occupancy, or any physical defects that were not readily apparent during the inspection.

The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey and analysis of any property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of such property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect on the property and any related business. Since we have no direct evidence relating to this issue, we did not consider the possible noncompliance with the requirements of the ADA in reaching the results of the analysis reflected in this report.
Exhibit B
Certificate of Consultant
CERTIFICATE OF CONSULTANT

I certify that, to the best of my knowledge and belief,

- The statements of fact contained in this report are true and correct. I have not knowingly misrepresented any facts or information that would have an impact on my conclusions.
- The reported analyses and conclusions are limited only by the reported assumptions and limiting conditions, and represents my impartial and unbiased professional analyses and conclusions and those of American Appraisal.
- Compensation for American Appraisal Associates, Inc., is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.
- American Appraisal and I personally have no present or prospective interest in or bias with respect to the property that is the subject of this report and have no personal interest or bias with respect to the parties involved.
- Members of my appraisal staff have made an inspection of the personal property that is the subject of this report; I have not made an inspection of the property.
- Jeff Costello, Andy Thwaites, Steve Dally, Chris Selden, Kyle Serruys, Jack Dunderdale, John Moskal, Jerald Stukel and Scott Brown provided significant assistance.

James Stolicker, Managing Director