

In the opinion of Hinckley, Allen & Snyder LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Series 2022A Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Series 2022A Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Under existing law, interest on the Series 2022A Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Series 2022A Bonds are exempt from Massachusetts personal property taxes. 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 2022A Bonds. See "TAX EXEMPTION" herein.

\$107,155,000



MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
Project and Refunding Revenue Bonds
Series 2022A

Dated: Date of Initial Delivery

Due: May 1, as shown on the inside cover

The \$107,155,000 Project and Refunding Revenue Bonds, Series 2022A (the "Series 2022A Bonds") of the Massachusetts State College Building Authority (the "Authority"), will be issued as fully registered bonds and will be registered in the name of Cede & Co., as Bondholder and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series 2022A Bonds. Purchases of the Series 2022A Bonds will be made in book entry form, in the denomination of \$5,000 or any multiple thereof, and no physical delivery of the Series 2022A Bonds will be made to purchasers. So long as Cede & Co. is the registered holder of the Series 2022A Bonds, principal and semiannual interest (payable November 1 and May 1, commencing November 1, 2022) are payable to DTC by U.S. Bank Trust Company, National Association, as Trustee. See Appendix C "Book-Entry Only System" herein.

The Series 2022A Bonds shall be subject to redemption prior to maturity as more fully described herein.

The Series 2022A Bonds will be special obligations of the Authority secured by a pledge of revenues, as more fully described herein. In addition, the Series 2022A Bonds will be secured by an intercept of appropriations to the State Universities, as more fully described herein. See "SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS – Commonwealth Appropriation Intercept."

THE SERIES 2022A BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF MASSACHUSETTS OR OF ANY POLITICAL SUBDIVISION OR INSTRUMENTALITY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM OR INTEREST ON THE SERIES 2022A BONDS. THE AUTHORITY DOES NOT HAVE TAXING POWER.

The Series 2022A Bonds are offered when, as and if issued by the Authority and received by the Underwriters, subject to the approval of legality by Hinckley, Allen & Snyder LLP, Boston, Massachusetts, Bond Counsel. Certain legal matters will be passed upon for the Authority by its general counsel, Bowditch & Dewey, LLP, Boston, Massachusetts and for the Underwriters by their counsel Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. Acacia Financial Group, Inc. is acting as municipal advisor to the Authority in connection with the issuance of the Series 2022A Bonds. It is expected that the Series 2022A Bonds in definitive form will be available for delivery through DTC in New York, New York, or its custodial agent, on or about February 15, 2022.

Jefferies

Ramirez & Co., Inc.
Blaylock Van, LLC

Raymond James
Mischler Financial Group, Inc.

\$107,155,000
Massachusetts State College Building Authority
Project and Refunding Revenue Bonds
Series 2022A

Dated: Date of Initial Delivery

Due: May 1, as shown below

<u>Maturity (May 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number*</u>	<u>Maturity (May 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number*</u>
2023	\$2,245,000	5.000%	0.700%	5758324A5	2033	\$4,250,000	5.000%	1.700% [†]	5758324L1
2024	3,075,000	5.000	0.960	5758324B3	2034	4,460,000	5.000	1.760 [†]	5758324M9
2025	4,845,000	5.000	1.130	5758324C1	2035	4,685,000	5.000	1.780 [†]	5758324N7
2026	5,110,000	5.000	1.280	5758324D9	2036	4,430,000	4.000	1.980 [†]	5758324P2
2027	5,245,000	5.000	1.360	5758324E7	2037	4,610,000	4.000	2.010 [†]	5758324Q0
2028	6,090,000	5.000	1.410	5758324F4	2038	4,795,000	4.000	2.040 [†]	5758324R8
2029	6,385,000	5.000	1.480	5758324G2	2039	4,985,000	4.000	2.060 [†]	5758324S6
2030	6,810,000	5.000	1.540	5758324H0	2040	5,185,000	4.000	2.080 [†]	5758324T4
2031	7,255,000	5.000	1.590	5758324J6	2041	5,385,000	4.000	2.100 [†]	5758324U1
2032	7,605,000	5.000	1.640	5758324K3	2042	5,605,000	4.000	2.130 [†]	5758324V9

\$1,850,000 4.000% Term Bonds due May 1, 2047, Yield: 2.290%[†] CUSIP Number: * 5758324W7

\$2,250,000 4.000% Term Bonds due May 1, 2052, Yield: 2.360%[†] CUSIP Number: * 5758324X5

* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of The American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers are included solely for the convenience of owners of the Series 2022A Bonds and the Authority is not responsible for the selection or the correctness of the CUSIP numbers printed herein. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors, including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products.

[†] Priced at the stated yield to the first optional redemption date, May 1, 2032.

No dealer, broker, salesperson or other person has been authorized by the Massachusetts State College Building Authority (the “Authority”), The Commonwealth of Massachusetts (the “Commonwealth”), the Board of Higher Education (the “BHE”), the State Universities (as defined herein) or the Underwriters to give any information or to make any representation with respect to the Series 2022A Bonds other than as contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2022A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information contained herein has been obtained from the Authority, the BHE, The Depository Trust Company and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of the Authority, the Commonwealth, the BHE, the State Universities or the Underwriters. The information and expressions of opinion herein are subject to change without notice and neither the 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 parties referred to above since the date hereof.

U.S. Bank Trust Company, National Association by acceptance of its duties as Trustee under the Trust Agreement described herein has not reviewed this Official Statement and makes no representations as to the information contained herein, including but not limited to any representations as to the use of the proceeds of the Series 2022A Bonds or related activities.

Information included in this Official Statement includes forward-looking statements about the future that are necessarily subject to various risks and uncertainties (“Forward-Looking Statements”). These Forward-Looking Statements are (i) based on the beliefs and assumptions of management of the Authority and on information currently available to such management and (ii) generally identifiable by words such as “estimates,” “expects,” “anticipates,” “plans,” “believes” and other similar expressions. Events that could cause future results to differ materially from those expressed in or implied by Forward-Looking Statements or historical experience include the impact or outcome of many factors that are described throughout this Official Statement. Although the ultimate impact of such factors is uncertain, they may cause future performance to differ materially from results or outcomes that are currently sought or expected by the Authority.

The Underwriters of the Series 2022A Bonds 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 respective 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.

IN CONNECTION WITH THIS OFFERING OF THE SERIES 2022A BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2022A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

\$107,155,000
MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
Project and Refunding Revenue Bonds
Series 2022A

INTRODUCTION

This Official Statement (including the cover page and Appendices attached hereto) provides certain information in connection with the issuance by the Massachusetts State College Building Authority (the “Authority”) of its \$107,155,000 Project and Refunding Revenue Bonds, Series 2022A (the “Series 2022A Bonds”). The Series 2022A Bonds are being issued pursuant to Chapter 703 of the Massachusetts Acts of 1963, as amended (the “Act”), and under the Trust Agreement dated as of November 1, 1994 (as amended, restated and supplemented to the date of issuance of the Series 2022A Bonds, the “Trust Agreement”) between the Authority and U.S. Bank Trust Company, National Association, as successor Trustee (the “Trustee”). Reference is also made to the Contract for Financial Assistance, Management and Services dated as of February 1, 2003, as amended and restated (the “Contract”), between the Authority and the Commonwealth of Massachusetts (the “Commonwealth”), acting by and through its Board of Higher Education (“BHE”), and acknowledged by the Comptroller of the Commonwealth. As used herein, the term “Bonds” means the Series 2022A Bonds, all outstanding bonds issued under the Trust Agreement and all additional parity bonds to be issued under the Trust Agreement in the future. For definitions of certain other capitalized terms used but not defined herein, see the “Summary of Legal Documents” in Appendix D.

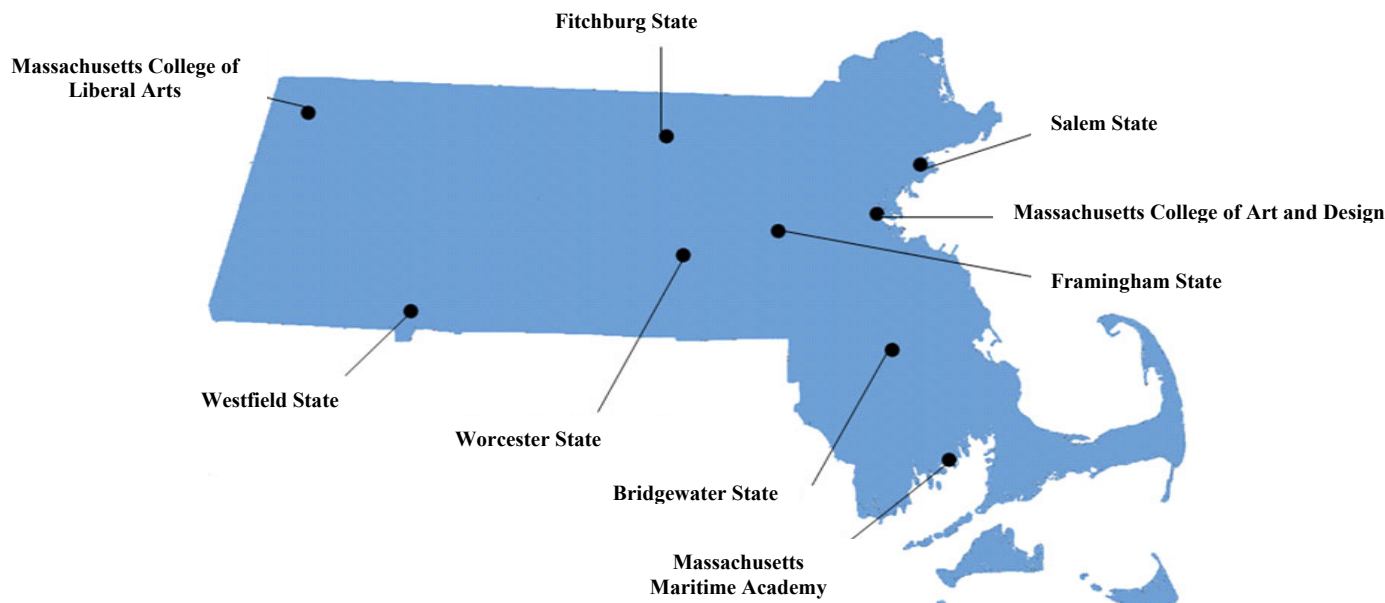
The Series 2022A Bonds will be special obligations of the Authority secured by a pledge of revenues, as more fully described herein, on a parity with all outstanding Bonds of the Authority. In addition, the Series 2022A Bonds will be secured by an intercept of Commonwealth appropriations to the State Universities, as more fully described herein. The Series 2022A Bonds shall not be deemed to constitute a debt or liability of the Commonwealth or any political subdivision thereof. Neither the faith and credit nor the taxing power of the Commonwealth or of any political subdivision or instrumentality thereof is pledged to the payment of the principal of or premium or interest on the Series 2022A Bonds. The Authority does not have taxing power. See “SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS” herein.

The Series 2022A Bonds are being issued to finance certain capital projects of the Authority and to refund certain bonds of the Authority, as set forth in “SOURCES AND USES OF FUNDS – Plan of Refunding” and in Appendix G – Table of Refunded Bonds. The list of bonds set forth in Appendix G to be refunded from the proceeds of the Series 2022A Bonds is not final and is subject to change prior to the sale of the Series 2022A Bonds. The Authority reserves the right not to refund any or all of the bonds listed in Appendix G. See “SOURCES AND USES OF FUNDS – Application of Proceeds of the Series 2022A Bonds” and “SOURCES AND USES OF FUNDS – Plan of Refunding” herein.

The Authority

The Authority was created by the Act in 1963 to finance, design and construct residential, dining, parking, athletic, cultural, healthcare, and other revenue-producing facilities for the Massachusetts state colleges, which include the public institutions of higher education in the state university segment and the community college segment.

The Authority’s residence halls portfolio currently has capacity for approximately 16,900 students in 55 residential complexes. These facilities house approximately 46% of the undergraduate student population and comprise approximately 4.5 million square feet of space on the nine State University campuses. There are no residence halls on the Community College campuses. See “THE AUTHORITY” and “COVID-19” herein.



Purpose and Content of Official Statement

This Official Statement describes the terms and use of proceeds of, and security for, the Series 2022A Bonds. This introduction is subject in all respects to the additional information contained in this Official Statement, including Appendices A through G. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document.

Appendix E attached hereto contains the proposed form of legal opinion of Bond Counsel with respect to the Series 2022A Bonds. Appendix F attached hereto contains the proposed form of the Authority's and BHE's continuing disclosure undertaking to be entered into upon the issuance of the Series 2022A Bonds and referenced in the form of the Series 2022A Bonds to facilitate compliance by the underwriters of the Series 2022A Bonds with the requirements of paragraph (b)(5) of Rule 15c2-12 of the Securities and Exchange Commission. Appendix G attached hereto contains a listing of the bonds expected to be refunded with the proceeds of the Series 2022A Bonds.

THE SERIES 2022A BONDS

General

The Series 2022A Bonds will be issued as fully registered bonds in the aggregate principal amounts as set forth on the inside cover page hereof, will be dated the date of delivery and will bear interest from that date to their respective maturities at the rates as set forth on the inside cover page hereof, subject to redemption as described below. Ownership interests in the Series 2022A Bonds will be available in denominations of \$5,000 and integral multiples thereof. Interest on the Series 2022A Bonds will be payable on each May 1 and November 1, commencing November 1, 2022.

So long as Cede & Co. is the registered owner of the Series 2022A Bonds, all payments of principal and interest on the Series 2022A Bonds are payable by wire transfer by the Trustee to Cede & Co. as nominee for The Depository Trust Company ("DTC"), New York, New York, which will, in turn, remit such amounts to the DTC Participants for subsequent disposition to Beneficial Owners. The record date for principal and interest payments will be the fifteenth day of the month next preceding the debt service payment date. See "Appendix C - Book-Entry Only System" herein.

Redemption Provisions

Optional Redemption. The Series 2022A Bonds maturing on or after May 1, 2033 are subject to redemption, at the option of the Authority, in whole or in part at any time, on any date on or after May 1, 2032, and in such order of maturity as may be directed by the Authority, at a Redemption Price equal to 100% of the principal amount of such Series 2022A Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption. The Series 2022A Bonds maturing on May 1, 2047 and May 1, 2052 shall be subject to mandatory sinking fund redemption and shall be redeemed prior to their stated date of maturity, from Sinking Fund Installments, payable on the dates and in the amounts set forth below, at a Redemption Price of 100% of the principal amount of such Series 2022A Bonds called for redemption, plus accrued interest to the redemption date as follows:

Series 2022A Bonds Maturing May 1, 2047	
<u>Date (May 1)</u>	<u>Amount</u>
2043	\$340,000
2044	355,000
2045	370,000
2046	385,000
2047*	400,000

* Maturity

Series 2022A Bonds Maturing May 1, 2052	
<u>Date (May 1)</u>	<u>Amount</u>
2048	\$415,000
2049	430,000
2050	450,000
2051	470,000
2052*	485,000

* Maturity

The Authority is entitled to reduce its mandatory sinking fund redemption obligation in any year with respect to any Series 2022A Bonds issued as term bonds by the principal amount of any Series 2022A Bonds previously purchased or optionally redeemed by the Authority.

Partial Redemption. If less than all of the Series 2022A Bonds of any maturity shall be called for redemption and such Series 2022A Bonds are not held in the book-entry only system, the Series 2022A Bonds to be so redeemed shall be selected by the Trustee by lot or in such other manner as the Trustee in its discretion determines to be fair and appropriate. So long as all of the Series 2022A Bonds are held in the book-entry only system and DTC or its nominee is the sole registered owner of the Series 2022A Bonds, if less than all of the Series 2022A Bonds of any one maturity is to be redeemed, the Series 2022A Bonds will be selected for redemption by lot in accordance with DTC procedures.

Notice of Redemption. The Trustee is required to give notice of redemption of any Series 2022A Bonds, specifying, among other things, the date of redemption, the portions of the principal amounts to be redeemed and the redemption price, by mailing, postage prepaid, not more than 45 days nor less than 30 days prior to the redemption date, copies thereof to the registered holder of any Series 2022A Bonds, or portions thereof, to be redeemed.

Notice having been given as specified above, the Series 2022A Bonds so called for redemption shall be due and payable on the redemption date, interest from and after such date shall cease to accrue thereon and such Series 2022A Bonds shall cease to be entitled to any security under the Trust Agreement except as to payment from funds set apart therefor of the redemption price and interest accrued to the date of redemption. The mailing of notice of redemption shall not be a condition precedent to redemption, and failure to mail any such notice to any particular registered holder or any defect therein shall not affect the validity of the proceedings for the redemption of any other Series 2022A Bonds.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Series 2022A Bonds are expected to be applied as follows (rounded to the nearest dollar):

<u>Sources of Funds</u>	<u>Total</u>
Par amount	\$107,155,000.00
Original issue premium	22,749,851.82
Other available funds	<u>2,769,678.43</u>
Total	\$132,674,530.25

<u>Uses of Funds</u>	
Deposit to Series 2022A Project Account.....	\$ 17,900,000.00
Deposit to Refunding Escrow Fund	113,925,219.45
Underwriters' discount and costs of issuance	<u>849,310.80</u>
Total	\$132,674,530.25

Application of Proceeds of the Series 2022A Bonds

The proceeds of the Series 2022A Bonds deposited to the Series 2022A Project Account are expected to be used to pay Project Costs of the following Projects in the following amounts:

<u>Campus</u>	<u>Project Description</u>	<u>Amount</u>
Mass. Maritime Academy	Fantail - Residence Hall Portion	\$5,500,000
Mass. Maritime Academy	Fantail - Student Activity Portion	3,500,000
Mass. Maritime Academy	Companies 2 & 3	5,000,000
Mass. Maritime Academy	Locks for Companies 1-6	1,500,000
Mass. Maritime Academy	Beachmoor New Capacity	1,000,000
Westfield State University	Dish Machine and Kitchen	
	Equipment Replacement	<u>1,400,000</u>
Total		\$17,900,000

Plan of Refunding

A portion of the proceeds of the Series 2022A Bonds, together with certain earnings thereon and certain moneys made available by the Authority, will be used to refund the Bonds listed in Appendix G (the "Refunded Bonds") and to pay costs of issuance of the Series 2022A Bonds. Such proceeds will be deposited in a refunding escrow fund held by U.S. Bank Trust Company, National Association, Boston, Massachusetts, as escrow agent, and will be invested in Defeasance Obligations. According to the report described in "VERIFICATION OF MATHEMATICAL CALCULATIONS," such investments will mature at such times and earn interest in such amounts that will produce sufficient moneys, together with any initial cash deposits, to provide for the payment of principal of and redemption premium, if any, and interest on the Refunded Bonds. The refunding is contingent upon the delivery of the Series 2022A Bonds.

SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS

General

The following summary of the security for the Series 2022A Bonds is qualified in its entirety, and reference is hereby made to Appendix D hereto and to the Trust Agreement and the Contract which set forth in further detail the provisions relating to the security for the Series 2022A Bonds.

The Series 2022A Bonds will be issued pursuant to the Act and under the Trust Agreement. The Series 2022A Bonds are special obligations of the Authority payable solely from the Revenues and Pledged Funds provided under the provisions of the Act, the Trust Agreement and the Contract, subject only to the provisions of the Trust Agreement regarding the application of Revenues and Pledged Funds.

Pursuant to the Trust Agreement, the Authority has covenanted to fix, revise and adjust fees, rents, rates and other charges for the use of its projects in accordance with the Trust Agreement to assure the timely payment of debt service on the Bonds and to meet all other requirements with respect to such Bonds. See “Rate Covenant,” below. The Trust Agreement assigns to the Trustee all rights of the Authority under the Contract to receive Revenues payable to the Authority thereunder and pledges the Revenues to the Trustee for the benefit of the Owners of the Bonds.

Bonds

In March, 2003, the Authority amended and restated the Trust Agreement and defeased all of the bonds previously issued under the Trust Agreement except for certain senior-lien Commonwealth-guaranteed bonds that are no longer outstanding. The Series 2022A Bonds will be the twenty-seventh series of Bonds issued by the Authority since March, 2003 that are secured by a parity lien on the Revenues of the Authority. Such Bonds, together with bonds to be issued in the future on parity with the Bonds under the Trust Agreement, are referred to herein as “Bonds.”

After the issuance of the Series 2022A Bonds, there will be approximately \$1.21 billion of Bonds outstanding.

All Bonds are special obligations of the Authority payable solely from the Revenues and Pledged Funds provided under the provisions of the Act, the Trust Agreement and the Contract, subject only to the provisions of the Trust Agreement regarding the application of Revenues and Pledged Funds.

The Series 2022A Bonds, the Trust Agreement and the Contract relate only to the state university segment. Authority financings for the community college segment are undertaken under an entirely separate credit structure.

Pledge of Revenues

Under the Trust Agreement, the Authority has pledged as security for the Bonds (i) all Revenues, (ii) all moneys and securities on deposit in all funds and accounts created under the Trust Agreement (except moneys or securities in the Operating Fund and the Rebate Fund), (iii) all Pledged Funds and (iv) all rights of the Authority under the Contract to receive all Revenues and Pledged Funds payable to the Authority and pledged under the Trust Agreement.

The term “Revenues” is defined in the Trust Agreement to include the following: (i) all moneys received by the Authority in payment of fees, rents, rates and other charges for the use and occupancy of, and for the services and facilities provided by any Project, including, without limitation, the moneys which the BHE is required to remit to the Authority under the Contract and all other income derived by the Authority from the operation, ownership or control of the Projects and (ii) any other amounts designated as Revenues under the Contract. The term “Revenues” does not include Pledged Funds.

Flow of Funds

The Trust Agreement provides that the Authority shall promptly deposit all Revenues, except earnings on investment of the funds and accounts held under the Trust Agreement, into the Revenue Fund to be applied as follows on the last business day of each February and on each October 10 (or the next preceding business day, if October 10 is not a business day):

First, to the Debt Service Fund, an amount which, when added to other amounts on deposit in such Fund and available for such purpose, including amounts in any capitalized interest account that may have been established by the applicable Supplemental Trust Agreement, will equal the interest to become due and payable on Outstanding Bonds on the next interest payment date and any Principal Installment to

become due and payable on Outstanding Bonds on or before the next date (within the next twelve months) on which such Principal Installment is payable (and if the amount on deposit in the Debt Service Fund shall be less than such required amount, the Trustee shall notify the Authority and the BHE in writing of the amount of the deficiency and request payment of such amount pursuant to the Contract);

Second, to the Debt Service Reserve Fund, an amount which, together with the amounts on deposit therein, will equal the Debt Service Reserve Fund Requirement (the Debt Service Reserve Fund Requirement is zero, see “SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS - Debt Service Reserve Fund” and “SUMMARY OF LEGAL DOCUMENTS – Summary of the Trust Agreement; *Debt Service Reserve Fund*” in Appendix D);

Third, to the Authority for deposit in the Operating Fund, the amount directed to be deposited therein by an Authorized Officer of the Authority for the purposes of paying Operating Expenses;

Fourth, to the Authority for deposit in the System Projects Capital Improvement Reserve Account or one or more Campus Project Capital Improvement Reserve Accounts in the Capital Improvement Reserve Fund, the amount, if any, directed in writing to be deposited therein by an Authorized Officer of the Authority; and

Fifth, to the Authority for deposit in the Multipurpose Reserve Fund, the amount, if any, directed in writing to be deposited therein by an Authorized Officer of the Authority.

Any balance remaining in the Revenue Fund following the above payments shall be retained in the Revenue Fund to be available for payments therefrom.

Rate Covenant

Pursuant to the Trust Agreement, the Authority covenants to fix, revise, adjust and collect fees, rents, rates and other charges for the use of the Projects of the Authority at least sufficient, with other available funds, to pay or provide for, as the same become due or are payable, (i) all Operating Expenses of the Projects, (ii) all payments of the Principal Installments and Redemption Price of and interest on Outstanding Bonds allocable to the Projects, (iii) all amounts payable to the Debt Service Reserve Fund and allocable to the Projects and (iv) all other amounts that the Authority may by law or contract be obligated to pay from Revenues allocable to the Projects. When fixing fees, rents, rates and other charges for the State Universities pursuant to the Trust Agreement, the Authority is required, insofar as consistent with the rate covenant, to maintain reasonable uniformity of charges for like rooms or other accommodations, facilities and services at the State Universities whether or not contained in or provided by a Project of the Authority. To the extent the Act requires the approval of the BHE for the fixing, revision or adjustment of fees, rents, rates or other charges by the Authority, the Authority also covenants to use its best efforts to obtain such approval.

Under the Act and the Contract, in the event that the BHE does not approve the Authority’s proposed schedule of fees, rents, rates and charges by March 31 of a particular year and if the BHE has not proposed an alternative schedule of fees, rents, rates and charges by March 1 in such year that will produce sufficient revenues to pay debt service and other costs described above, the Authority may proceed to fix fees, rents, rates and other charges without BHE approval if necessary to provide sufficient revenues to pay debt service and such other required costs described above. See “SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS – The Contract; *Annual Budget and the Fixing of Rents and Fees*” and “THE BOARD OF HIGHER EDUCATION.”

Debt Service Reserve Fund

The Trust Agreement establishes a Debt Service Reserve Fund as security for all Bonds and requires it to be funded in an amount equal to the Debt Service Reserve Fund Requirement. Upon the issuance of the Authority’s Refunding Revenue Bonds, Series 2019C (Federally Taxable) (the “Series 2019C Bonds”), the consent of a majority of the Owners of the Bonds was obtained to amend the Trust Agreement to eliminate the Debt Service Reserve Fund Requirement by reducing the amount of the Requirement to zero. Although the Authority currently has amounts on deposit in the Debt Service Reserve Fund, it is no longer obligated under the Trust Agreement to continue to retain such amounts in the Debt Service Reserve Fund or to make any additional deposits to such Fund. The Authority may

determine at any time and from time to time to transfer moneys from the Debt Service Reserve Fund as permitted under the Trust Agreement.

See “SUMMARY OF LEGAL DOCUMENTS – Summary of the Trust Agreement; *Debt Service Reserve Fund*” in Appendix D.

Other Reserves

The Trust Agreement also establishes a Capital Improvement Reserve Fund and a Multipurpose Reserve Fund. Moneys on deposit in the Capital Improvement Reserve Fund and the Multipurpose Reserve Fund are available to pay debt service on Bonds. The Contract requires each State University to maintain an operating reserve within the trust fund for the Projects on its campus to provide for extraordinary and unexpected operating, maintenance and repair costs for its Projects (with the exception of non-residential Projects for which the requirement may be waived). See “SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS – The Contract; *Trust Funds and Reserves of State Universities*.” See also “SUMMARY OF LEGAL DOCUMENTS – Summary of the Trust Agreement; *Capital Improvement Reserve Fund*” and “SUMMARY OF LEGAL DOCUMENTS – Summary of Contract for Financial Assistance, Management and Services; *Operating Reserves*” and “SUMMARY OF LEGAL DOCUMENTS – Summary of Contract for Financial Assistance, Management and Services; *Capital Improvement Reserve Accounts*” in Appendix D.

Capital Improvement Reserve Fund. The Trust Agreement establishes the Capital Improvement Reserve Fund, including the following accounts within such fund: the “System Projects Capital Improvement Reserve Account” and separate “Campus Project Capital Improvement Reserve Accounts” for each State University at which a Campus Project is located. The Capital Improvement Reserve Fund is funded from amounts required by the Contract to be deposited by the State Universities at the times specified by the Authority’s annual operating budget, which is required by the Contract to be submitted to the BHE by February 1 of each year (the “Annual Budget”). The Authority may apply amounts in the System Projects Capital Improvement Reserve Account to Project Costs of any System Project and may apply amounts in a Campus Project Capital Improvement Reserve Account to Project Costs of any Campus Project located at the State University to which said account relates. The Authority may, in its discretion, transfer amounts in the Capital Improvement Reserve Fund to the Trustee for deposit in the Revenue Fund or the Multipurpose Reserve Fund. Under the Trust Agreement, the Authority has covenanted to cause its architects and engineers to make regular inspections of the Authority’s Projects and periodically to assess the state of repair of the Projects. If the Authority’s architects and engineers find that any of the Projects has not been maintained in good repair, the Authority has further covenanted that it will, to the extent consistent with sound business judgment, restore such Project to good repair as expeditiously as practicable and will make adequate provision therefor in its capital improvements budget.

System Projects Capital Improvement Reserve Account. “System Projects” are projects financed with Bonds issued before 1998. Amounts held in the System Projects Capital Improvement Reserve Account are maintained to make Capital Improvements to System Projects. Under the Contract, the System Projects Capital Improvements Reserve Account requirement for each fiscal year is an amount equal to 7.5% of the total Revenues collected with respect to System Projects during such fiscal year or such greater amount as may be specified by the Authority’s Annual Budget as being required by the Trust Agreement to be so deposited.

Campus Project Capital Improvement Reserve Accounts. “Campus Projects” are projects financed and those to be financed in the future with Bonds issued after 1998. Amounts held in each Campus Project Capital Improvement Reserve Account are maintained to make Capital Improvements to Campus Projects. Separate Campus Project Capital Improvement Reserve Accounts are held for each State University at which a Campus Project is located. Under the Contract, commencing with the second full fiscal year after completion of a Campus Project (with the exception of non-residential Projects for which the requirement has been waived), each applicable State University is required to pay to the Trustee for deposit in the applicable Campus Project Capital Improvement Reserve Account the greater of the amount specified in the Authority’s Annual Budget as being required by the Trust Agreement to be so deposited or an amount not less than the following percentages of Revenues collected with respect to each such Campus Project during the fiscal year: (i) in the second fiscal year after completion of the Campus Project, and in each of the next seven fiscal years, 2.5%, (ii) in each of the next five fiscal years, 5%, and (iii) in each year thereafter, 7.5%.

Multipurpose Reserve Fund. The Multipurpose Reserve Fund is funded from the Revenue Fund at the discretion of the Authority to the extent provided in any Supplemental Trust Agreement or as directed in a certificate of an Authorized Officer of the Authority. Amounts not subject to the lien of the Trust Agreement may be deposited by the Authority in the Multipurpose Reserve Fund at any time. In recent years, the Multipurpose Reserve Fund has been funded at \$1,400,000 per year from assessments on System Projects; however, the assessment for this deposit was suspended for fiscal year 2021 to provide fiscal relief to the State Universities, but resumed in fiscal year 2022. The Authority may apply amounts in the Multipurpose Reserve Fund to any lawful purpose.

Campus Project Operating Reserves. The Contract requires each State University with a Campus Project (with the exception of non-residential Projects for which the requirement may be waived) to maintain within its trust fund for the Projects a minimum balance as an operating reserve. See “SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS – The Contract; *Trust Funds and Reserves of State Universities.*” Pursuant to the Authority’s Annual Budget, and at such time or times in each fiscal year as may be specified in the Annual Budget, commencing with the second full Fiscal Year after completion of a Campus Project, the applicable State University is required to add to the balance in such trust fund held as an operating reserve the amount, if any, necessary to cause such reserve amount to equal the following percentages of the operating expenses for the Campus Project for the fiscal year prior to the year in which the deposit is to be made: (i) in the second full fiscal year after completion of the Campus Project, 1%, (ii) in the third year, 2%, (iii) in the fourth year, 3%, (iv) in the fifth year, 4%, and (v) in the sixth year and thereafter, 5%.

Moneys held in the operating reserve may be expended by a State University for the payment of extraordinary and unexpected operating, maintenance and repair costs or to meet budgetary shortfalls with respect to the applicable Campus Project resulting from an unexpected decline in use of the Campus Project, damage to or destruction of a portion of the Campus Project or any other unexpected occurrence with respect to the Campus Project. Moneys withdrawn from the operating reserve must be replenished by the State University by the end of the next fiscal year after such withdrawal, in addition to the annual deposits described above.

The Contract

The Authority and the BHE have entered into the Contract in order to provide Revenues and Pledged Funds for the payment of debt service on the Bonds. The BHE, acting in the name of the Commonwealth, is authorized by the Act to enter into the Contract and to offer the services of the various State Universities. The Trust Agreement assigns to the Trustee all rights of the Authority under the Contract to receive Revenues payable to the Authority thereunder.

Annual Budget and the Fixing of Rents and Fees. The Contract requires the Authority to submit its Annual Budget to the BHE by February 1 of each year detailing, among other things, projected costs of operating, maintaining and repairing the Projects, the Authority’s projected debt service costs, the Authority’s projected operating and administrative costs, any projected required deposits to reserves, any projected payments to the Commonwealth pursuant to the Act and any additional reserves the Authority may propose to create or augment consistent with the Trust Agreement. The Contract also requires the Authority to include in its Annual Budget a fixing of fees, rents, rates and other charges for the use of the Projects by the State Universities. The fees, rents, rates and other charges for the use of the Projects are required to be sufficient, in the aggregate, together with other available moneys, to cover all of the costs (including debt service) and transfers to reserves as aforesaid allocable to the Projects. When fixing rents and fees in the case of a Campus Project that is not a Campus Residence Hall Project, such fees, rents, rates and other charges are required by the Contract to be fixed so as to be sufficient, in the aggregate, to cover all of the debt service and operating costs and transfers to reserves described above, provided that, in the case of operating and maintenance costs, the fees, rents, rates and other charges need only be sufficient to cover costs that are borne directly by the Authority. Under the Act and the Contract, the fixing or revision of fees, rents, rates and other charges by the Authority requires the prior approval of the BHE. However, if the BHE does not approve the Authority’s proposed schedule of fees, rents, rates and charges by March 31 in a particular year and if the BHE has not proposed an alternative schedule of fees, rents, rates and charges by March 1 in such year that will produce sufficient revenues to pay debt service and other required costs described above, the Authority may proceed to fix fees, rents, rates and other charges without BHE approval if necessary to provide sufficient revenues to pay debt service and other required costs as described above. Under the Contract, the State Universities remain responsible for collecting rents and for the day-to-day operation of the Authority’s projects, though the Authority reserves the power to contract with third parties for the operation of particular Projects.

Pledged Funds. As additional security for all Bonds, the BHE under the Contract pledges a portion of each State University's non-appropriated funds or other revenues legally available to the State University, including without limitation tuition, fees and other charges (the "Trust Funds") in an amount equal to 25% of the average annual aggregate debt service costs allocable to such State University's Projects. The aggregate amount of Trust Funds of a particular State University that are pledged are referred to herein as the "Pledged Trust Funds" of the State University. As of June 30, 2021, the aggregate amount of Pledged Trust Funds pledged by each of the various State Universities ranged from \$581,553 to \$4,668,185.

The BHE under the Contract also pledges the entirety of the annual appropriations made by the Legislature on behalf of each State University ("Pledged Appropriations") to secure Bonds. The pledge of appropriations and the payment mechanisms associated with it are sometimes referred to as an "appropriation intercept." See "SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS – Commonwealth Appropriation Intercept." Pledged Trust Funds and Pledged Appropriations are collectively referred to herein as "Pledged Funds."

The Contract requires the BHE to make payments from Pledged Funds if and to the extent Revenues related to a particular State University and other moneys received by the Authority or otherwise available pursuant to the Trust Agreement in connection with the Projects of such State University are insufficient to pay debt service on the Bonds allocable to such Projects and the Authority's expenses in connection with such Bonds or such Projects. Upon receipt from the Authority or the Trustee of notice of any such insufficiency relating to a particular State University, the BHE is required, as promptly as practicable, to pay to the Trustee, or to cause the applicable State University to pay to the Trustee, from the Pledged Funds of such State University the amount of such insufficiency. Pledged Funds may also be used to replenish the Debt Service Reserve Fund in the event of a withdrawal precipitated by such a deficiency. The Pledged Trust Funds of one State University may not be used to make payments on behalf of any other State University. However, if the Pledged Trust Funds of the applicable State University have been exhausted and the Pledged Appropriations of such State University are insufficient to cover the insufficiency, the BHE is required to pay to the Trustee, or cause the Trustee to be paid, the amount of the remaining insufficiency from the Pledged Appropriations of all of the State Universities, ratably, according to the percentage of outstanding Bonds then allocable to each particular State University. In order to comply with the provisions of the Contract or to effectuate the pledge of Pledged Funds, the BHE is required to take all actions necessary or desirable to effectuate transfers from funds made available for expenditure on behalf of an applicable State University pursuant to an appropriation or other spending authorization in the Commonwealth's annual operating budget, including supplemental and deficiency budgets.

Under the Contract, the BHE and/or any State University is permitted to grant a lien on Pledged Funds on a parity with the pledge made to the holders of the Bonds if the BHE or the applicable State University, as the case may be, certifies in writing to the Authority that the total revenues available for expenditure by the applicable State University during each of the three most recently completed fiscal years (including the Pledged Funds, but excluding any Revenues, in respect of such State University) were not less than 200% of the maximum annual debt service requirements on all outstanding debt obligations allocable to such State University, all other outstanding debt obligations issued by the Authority to finance or refinance Projects for such State University and any debt obligation being issued in connection with the creation of such parity pledge.

The Contract requires the Authority to keep an accurate account of the sufficiency of available funds to pay debt service on its outstanding indebtedness, including without limitation Pledged Funds and to provide the BHE and the Comptroller with reports as to the sufficiency of available funds to pay debt service no later than September 30, in the case of payments due November 1, and no later than January 31, in the case of payments due May 1. See "SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS – Commonwealth Appropriation Intercept." If such report is not received by the Comptroller during the month of September or January, as the case may be, the Contract requires the Comptroller to prevent any amounts from being expended from the appropriations account of any State University until such time as the Comptroller has determined whether there is an insufficiency of available funds to pay debt service. If such report indicates that there is an insufficiency of funds available to pay debt service, or if, in the absence of a report, the Comptroller ascertains that there is such an insufficiency, the Comptroller shall, within five days, but not later than the last business day in February (in the case of a May 1 debt service payment) or October 10 (in the case of a November 1 debt service payment), transfer amounts, without further allotment, from the appropriation account of one or more State Universities, as appropriate, to cure such insufficiency in accordance with the provisions of this section.

See Appendix D – “SUMMARY OF LEGAL DOCUMENTS – Summary of Contract for Financial Assistance, Management and Services; *Payments from Pledged Funds.*”

Trust Funds and Reserves of State Universities. The Contract requires each State University to hold all revenues derived from Projects separate and apart from all other moneys and to deposit all revenues derived from Projects into a trust fund held by such State University. State Universities that have Campus Projects also are required, pursuant to the Contract, to maintain a minimum balance as an operating reserve within such trust fund for the Projects (with the exception of non-residential Projects for which the requirement may be waived). See “SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS – Other Reserves; *Campus Project Operating Reserves.*” Such trust funds are held by the State Universities in trust for the Authority and are distinct from the Pledged Trust Funds described above which consist of the State Universities’ own assets and which are pledged as additional security for the Bonds. Such trust funds are accounted for in the financial statements of the individual State Universities and not in the financial statements of the Authority.

The Contract also requires each State University to make a deposit into the Capital Improvement Reserve Fund held under the Trust Agreement in the amount and at the times specified in the Authority’s Annual Budget. See “SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS – Other Reserves; *Capital Improvement Reserve Fund*” above.

Commonwealth Appropriation Intercept

As additional security for all Bonds, the Act and the Contract provide for an intercept of legislative appropriations to the State Universities, if the Authority lacks sufficient funds to pay debt service. See “SECURITY FOR AND SOURCE OF PAYMENT FOR THE BONDS – The Contract; *Pledged Funds.*”

The Authority is required to keep an accurate account of the sufficiency of available funds to pay debt service on its outstanding indebtedness, including without limitation Pledged Funds, and to provide the BHE and the Comptroller with reports as to the sufficiency of available funds to pay debt service no later than September 30, in the case of payments due November 1, and no later than January 31, in the case of payments due May 1. If such report is not received by the Comptroller by September 30 or January 31, as the case may be, the Act requires the Comptroller to prevent any amounts from being expended from the appropriation account of any State University until such time as the Comptroller has determined whether there is an insufficiency of available funds to pay debt service. If such report indicates or, in the absence of such report, if the Comptroller determines that such an insufficiency exists, the Comptroller must transfer amounts, without further allotment, from such State University’s appropriations account to cure such insufficiency within five days, but in any event no later than the applicable deposit date (October 10 in the case of a November 1 debt service payment and the last business day of February in the case of a May 1 debt service payment). If the Pledged Trust Funds of the applicable State University have been exhausted and the Pledged Appropriations of such State University are insufficient to cover the insufficiency, the BHE is required to pay to the Trustee, or cause the Trustee to be paid, the amount of the remaining insufficiency from the Pledged Appropriations of all of the State Universities, ratably, according to the percentage of outstanding Bonds then allocable to each particular State University.

In addition, the Trustee is required to give notice directly to the BHE and the Comptroller if there is an insufficiency of funds on any such deposit date. See Appendix D – “SUMMARY OF LEGAL DOCUMENTS – Summary of the Trust Agreement; *Pledged Funds.*”

Total Budgeted Appropriations for the System of Public Higher Education. The following table sets forth appropriation information for the system of public higher education for fiscal years 2012-2022 as enacted in the original budgets for the related fiscal years. The Commonwealth makes budgetary adjustments over the course of each fiscal year which have resulted in increases and decreases to the original budgeted amounts. The Commonwealth is not obligated to continue to appropriate such money on an annual basis, and the Legislature may fail to make or may reduce appropriations in the future. Commonwealth appropriations for State Universities are disbursed evenly throughout the year to cover payroll costs.

Total Budgeted Appropriations for the System of Public Higher Education
(Fiscal 2012 – 2022)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Bridgewater	\$33,860,038	\$33,860,038	\$40,591,669	\$40,591,669	\$42,461,139	\$43,592,400	\$44,027,968	\$45,569,315	\$48,394,114	\$51,141,209	\$52,628,005
Fitchburg	23,467,647	23,467,647	27,430,823	27,430,823	28,474,577	29,109,894	29,400,755	30,430,027	32,009,925	33,197,515	33,771,458
Framingham	21,266,256	21,466,256	24,964,332	25,164,332	26,466,879	27,637,347	27,913,495	29,890,701	31,341,005	32,545,150	33,193,587
Mass. College of Art	13,405,202	13,405,202	16,353,460	16,353,460	17,201,537	17,899,354	18,078,201	18,711,090	19,665,615	20,413,215	20,783,873
Mass. College of Liberal Arts	12,559,859	12,559,859	14,779,296	14,779,296	15,523,258	16,233,085	16,319,534	16,888,607	17,745,143	18,354,298	18,734,535
Mass. Maritime Academy	12,330,691	12,330,691	14,734,703	14,734,703	15,541,878	16,344,745	16,344,745	16,929,177	18,335,358	18,974,172	19,355,243
Salem	34,614,021	34,614,021	41,482,180	41,482,180	43,129,420	44,004,594	44,444,281	46,000,203	48,463,307	50,183,983	51,050,658
Westfield	20,139,642	20,139,642	24,829,786	24,829,786	26,034,463	26,875,492	27,094,027	28,117,028	29,515,559	30,992,952	31,621,476
Worcester	<u>19,941,794</u>	<u>19,941,794</u>	<u>24,128,143</u>	<u>24,128,143</u>	<u>25,276,495</u>	<u>26,368,898</u>	<u>26,632,372</u>	<u>27,564,727</u>	<u>28,923,383</u>	<u>30,471,800</u>	<u>31,201,398</u>
Total State Universities	<u>191,585,150</u>	<u>191,785,150</u>	<u>229,294,392</u>	<u>229,494,392</u>	<u>240,109,646</u>	<u>248,065,809</u>	<u>250,255,378</u>	<u>260,100,875</u>	<u>274,393,409</u>	<u>286,274,294</u>	<u>292,340,233</u>
Community Colleges	<u>208,154,311</u>	<u>208,154,311</u>	<u>225,670,016</u>	<u>249,348,859</u>	<u>260,880,694</u>	<u>271,266,283</u>	<u>276,593,627</u>	<u>284,643,883</u>	<u>295,291,787</u>	<u>309,400,797</u>	<u>316,842,347</u>
University of Massachusetts	<u>422,761,193</u>	<u>418,107,753</u>	<u>478,891,873</u>	<u>519,005,373</u>	<u>537,807,373</u>	<u>509,492,447</u>	<u>515,460,371</u>	<u>522,557,080</u>	<u>561,534,794</u>	<u>563,554,919</u>	<u>571,194,919</u>
Total	<u>\$822,500,654</u>	<u>\$818,047,214</u>	<u>\$933,856,281</u>	<u>\$997,848,624</u>	<u>\$1,038,797,713</u>	<u>\$1,028,824,539</u>	<u>\$1,042,309,376</u>	<u>\$1,067,301,838</u>	<u>\$1,131,219,990</u>	<u>\$1,159,230,010</u>	<u>\$1,180,377,499</u>

Source: Commonwealth of Massachusetts enacted budget, as summarized for the current fiscal year at <http://www.mass.gov/bb/gaa>.

THE AUTHORITY

General

The Authority was created in 1963 as a body politic and corporate and a public instrumentality placed in the Commonwealth's Department of Education, but not subject to the supervision or regulation of that Department or of any other department, commission, board, bureau or agency of the Commonwealth except as specifically provided in the Act.

The Authority was established for the general purpose of aiding and contributing to the performance of the educational and other purposes of the Massachusetts state colleges by providing dormitories, dining commons and other buildings, structures and facilities designed primarily for housing, feeding, medical care, parking, athletics and cultural and extracurricular and other student life activities and services primarily (i) for the use of the colleges, their students, staff and their dependents, (ii) for lease to or use by an organization or association of students or others, the activities of which are a part of the activities at one or more state colleges and subject to regulation by the BHE, or (iii) for lease to or use by any other entity the activities of which are approved by the BHE as furthering the purposes of one or more of the state colleges. Under the Act, the term "state colleges" includes the public institutions of higher education in the state university segment and the community college segment. The state university segment includes: Bridgewater, Fitchburg, Framingham, Salem, Westfield and Worcester State Universities, Massachusetts College of Liberal Arts, Massachusetts College of Art and Design, and Massachusetts Maritime Academy. The community college segment includes: Berkshire, Bristol, Bunker Hill, Cape Cod, Greenfield, Holyoke, Massachusetts Bay, Massasoit, Middlesex, Mount Wachusett, North Shore, Northern Essex, Quinsigamond, Roxbury, and Springfield Technical Community Colleges. The Series 2022A Bonds, the Trust Agreement and the Contract relate only to the state university segment. Authority financings for the community college segment are undertaken under an entirely separate credit structure.

Under the Act, the Authority must obtain a written request made by authority of the BHE and written approval from the Commonwealth's Secretary of Administration and Finance and Commissioner of Higher Education before initiating a project. The Act also requires the Authority to obtain the written approval of the BHE prior to refunding any of its outstanding bonds or notes.

The Authority is empowered, among other things, to acquire, construct, remove, demolish, add to, alter and do other work upon any building or structure and to provide and install furnishings, furniture, equipment and other facilities therein. The Act authorizes the Authority, among other things, to acquire property from the Commonwealth or others (but the Authority has no eminent domain power), to rent or lease as lessor or lessee any portion of a project, to operate projects, to employ experts and other persons, to enter into contracts, to borrow money to finance and refinance projects it undertakes and to issue and sell its revenue bonds and notes therefor payable solely from its revenues.

Pursuant to Section 156 of Chapter 131 of the Acts of 2010 ("Section 156"), the Authority is also authorized to provide supplemental financing for certain state university and community college projects under the Act that were authorized for funding by the Commonwealth pursuant to Chapter 258 of the Act of 2008.

The Act does not limit the amount of debt of the Authority that may be issued or outstanding. The Act requires approval by the Treasurer and Receiver-General of the Commonwealth and the Secretary of Administration and Finance of the Commonwealth of the sale and terms of bonds or notes sold by the Authority.

Members, Officers and Staff

The Authority consists of nine members appointed by the Governor of the Commonwealth, three of whom are to be appointive members of the BHE. Pursuant to the Act, each member continues in office for a term expiring on June thirtieth in the sixth calendar year after the calendar year in which the term of office of such member began, except that a person appointed to fill a vacancy in any such membership shall serve only for the unexpired term. Members serve until a successor is appointed and qualified. The members of the Authority are sometimes referred to as the Authority's board. The Authority annually elects a chairman and vice-chairman from its members and also elects a secretary-treasurer and may elect an assistant secretary-treasurer, neither of whom need be a member. There are currently three vacancies. The present members of the Authority are listed below.

Michael Fallon, Chair (member since 2017). Mr. Fallon, President of The Fallon Company, is responsible for the strategic direction and growth of the firm across its expanding national footprint; overseeing operations in all markets, which currently include Boston, Charlotte and Raleigh, N.C., Jacksonville, Fla., and Alexandria, Va.; and managing its real estate investment portfolio. Mr. Fallon brings expertise in real estate development, permitting, acquisition, and financing, as well as experience with State and Federal regulatory agency real estate and marine permitting. Previously, Mr. Fallon served as Materials Expediter and subsequently as an Engineer for Turner Construction of Boston, involved in the scheduling, fabrication, and construction of all major structural components. Mr. Fallon holds a Bachelor of Arts degree in International Relations and European Business and Economics from Boston University, and a Master's Degree in Finance from Bentley University.

James M. Karam, Vice Chair (member since 2014). Mr. Karam is Vice President of First Bristol Corporation of Fall River, Massachusetts, a firm that develops and manages large scale commercial real estate projects throughout New England. Mr. Karam serves as President of the Board of Directors of the Fall River Boys and Girls Club, Treasurer of the Board of Directors of the Fall River Office of Economic Development and board member of the Saint Anne's Hospital. He is a graduate of Providence College.

John J. Burns, Secretary-Treasurer (member since 2016). Mr. Burns is President of Black Brook Realty Corporation. He also serves as Chairman, Board of Trustees, Milford Regional Medical Center, and is a member of the Boards of Trustees of the Tri-County Medical Associates and of Salem State University, and of the Board of Overseers of Babson College. He is also a past Chairman of the Hopkinton Chamber of Commerce, the Hopkinton Board of Assessors, the Hopkinton Education Foundation, and the Milford Regional Healthcare Foundation, as well as a past member of the Board of Directors for the Beacon Society of Boston, for the Strata Bank, for the Service Bank Corporation, MHC, and for Marathon Mortgage. He is the current Corporator of the Middlesex Savings Bank and a past President of the Crohn's and Colitis Foundation New England Chapter. Mr. Burns holds a Bachelor of Science in Business Administration from Salem State College.

Rosalind Gorin (member since 2018). Ms. Gorin is the third generation to lead her family's 105-year old real estate company, HN Gorin, Inc., a real estate investment and development company that acquires, develops, manages, and owns commercial, multi-family residential, industrial, and retail real estate.

James A. Peyser (member since 2018). As Secretary of Education, Mr. Peyser directs the Executive Office of Education. He is Governor Baker's top advisor on education and helps shape the Commonwealth's education reform agenda. Prior to his appointment as Secretary, he served as the Managing Director at NewSchools Venture Fund; as Chairman of the Massachusetts Board of Education; as advisor to Governors Bill Weld, Jane Swift and Mitt Romney; and as Under Secretary of Education and Special Assistant to Governor Weld for Charter Schools. He previously spent seven years as Executive Director of the Pioneer Institute for Public Policy Research. Secretary Peyser holds a Master of Arts in Law and Diplomacy from The Fletcher School (Tufts University) and a Bachelor of Arts from Colgate University.

Barbara Stern (member since 2018). Ms. Stern has spent her professional career leading transformation in human resources, diversity and inclusion, talent management, and organizational development. She was Global Director of Talent Management and Human Resources at McKinsey & Company through 2017; previously she served as Chief of Staff for the CEO of Harvard Pilgrim Health Care.

In addition to its Executive Director, the Authority employs capital project and financial management personnel for the purpose of managing its overall affairs. The Authority's staff, 11 in total, is responsible for management of facility planning, design and construction, strategic asset management, financial management, including overseeing operating budgets and advising the Authority in connection with setting rates and user fees, and implementing operating procedures. The present key staff members are listed below.

Edward H. Adelman, Executive Director and Assistant Secretary-Treasurer. Mr. Adelman joined the Authority as its Director of Capital Projects in 2002; in 2005, he was promoted to the position of Executive Director, where he is responsible for managing the real estate portfolio of 55 residence halls that have the capacity to house approximately 17,000 students on nine campuses, coordinating strategic and other planning to ensure future capacity and occupancy, overseeing assessments and disbursements to service \$1.2 billion of debt, and directing the issuance of new money and refunding bonds. Since 1979, Mr. Adelman has managed capital project planning, design and construction for public agencies and academic institutions, including Babson College, Brandeis University and

Salem State University. Mr. Adelman is a registered architect in Massachusetts and a member of the American Institute of Architects, College of Fellows. He received a Bachelor of Architecture degree from Cornell University and a Master of Architecture degree from Kent State University.

Janet L. Chrisos, Deputy Director. Ms. Chrisos joined the Authority in 2005 as Capital Projects Coordinator having worked for the Authority as a consultant since 2003. In 2007, she was promoted to Director of Capital Projects and then to Deputy Director in 2013. Ms. Chrisos manages the Authority's project management staff and all design and construction activities of the Authority from project planning through delivery. She is also responsible for development of the multi-year integrated capital plan incorporating projected housing needs of the nine state universities, anticipated facility renewal requirements and university capital improvement requests. Ms. Chrisos has 30 years of construction project management experience as an employee for General Electric and as a consultant to manufacturing, construction and higher educational clients, including Hewlett Packard and Salem State University. She has a Bachelor of Science degree in mechanical engineering from the University of Massachusetts.

Jennifer Gonzalez, Deputy Director, Administration and Finance. Ms. Gonzalez joined the Authority in February 2020, and is responsible for managing the Authority's financial controls, insurance program, human resources, information technology, accounting, reporting, debt and rate-setting process and providing oversight and direction for the administrative and financial operations of the Authority. Ms. Gonzalez has been serving public issuers since 2000, when she began working on debt financing, continuing disclosure, and capital planning while employed by a major financial advisory firm. She joined the Massachusetts School Building Authority as Director of Finance in 2012, and was appointed Chief Financial Officer in 2015. Subsequently, she served as the Chief Financial Officer for the University of Massachusetts Building Authority and Treasurer/Collector for the Town of Watertown. She has been on the board of Boston Women in Public Finance since 2014. Jennifer has an Associate of Science in Business Administration from the Community College of Rhode Island, a Bachelor of Science in Accounting from Rhode Island College, and a Juris Doctor from Roger Williams University School of Law. She is a member of the Massachusetts bar.

The Authority also engages the services of several advisors, including Bowditch & Dewey, LLP, general counsel; CohnReznick LLP, certified public accountants; and Darov & Associates, project counsel. Various architects, engineers, project managers and cost estimators are engaged from time to time to assist in project activities.

Authority Operations

The Authority's principal operations consist of financing and constructing Projects at the State Universities and overseeing their operation and maintenance. Under the Contract, each State University is required to operate and maintain the Projects located on its campus and to keep them in good order and repair. The State Universities collect rents and fees from students for the use of the Projects, procure all necessary equipment, materials and supplies, and make necessary repairs. The Authority establishes the operating budget for each of its Projects, including the fees, rents, rates and charges for their use, and maintains close oversight over the operations and maintenance of Projects. Under the Contract, the Authority retains the right to contract directly with a third party to operate and maintain its Projects, except for Projects with respect to which the Authority has neither legal title nor a leasehold interest. See "SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS – Commonwealth-owned Projects."

Each year the Authority sets the fees, rents, rates and other charges for the use of its Projects and approves operating budgets for its Projects providing for the payment of all of the projected costs of operating and maintaining the Projects, projected debt service costs, the Authority's projected operating and administrative costs, and any projected required deposits to reserves. Under the Act, the Authority's fees, rents, rates and charges must be sufficient to pay all costs of its Projects, including maintenance, operations, financing and administration (and the funding of reserves and capital renewal). The annual setting of Project fees, rents, rates and charges is subject to the approval of the BHE, but if the BHE does not approve the Authority's proposed schedule of charges by March 31 of a particular year, the Authority may proceed to fix charges without BHE approval. See "SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS – The Contract; *Annual Budget and the Fixing of Rents and Fees*" and "THE BOARD OF HIGHER EDUCATION."

The Authority regularly updates a strategic plan to determine the number, type and location of facilities to support the State Universities, as well as a facility renewal plan to maintain quality facilities over time. Once the

need for a project is determined, the staff of the Authority oversees feasibility studies that determine the revenue and expense associated with the construction and operation of the proposed facility. Once financial feasibility is determined, the project is approved by the Authority and the BHE and a project manager on the staff of the Authority is assigned to coordinate master planning and architectural design services. The planning and design process is closely coordinated with a construction management firm to control budget and schedule. Detailed design and construction site activity is managed through the use of an owner's project manager, a qualified individual or professional firm that provides quality control and assurance and assists in ensuring compliance with contract documents, budget and schedule. Throughout the study, planning and construction period the Authority prepares monthly reports to track the progress of each project which are reviewed by the design and construction committee of the Authority board on a monthly basis and by the full board. After completion of a facility, the Authority continues to assist with its operation and management through the review of occupancy reports, the preparation of budgets, the development of rent assessments, the payment of debt service, the payment of insurance premiums and the annual review of all facilities to schedule facility renewal projects.

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Management's Discussion and Analysis

The following table sets forth the receipts and disbursements related to Authority Projects during fiscal years 2017 through 2021. The table combines receipts and disbursements of the various State Universities and of the Authority and, because it presents cash receipts and disbursements with no accruals of revenues or expenses, it has not been prepared in a manner consistent with either the Authority's or the State Universities' financial statements, which are prepared in accordance with generally accepted accounting standards.

Authority Project Receipts and Disbursements ⁽¹⁾ Unaudited

	Fiscal 2017 Actual	Fiscal 2018 Actual	Fiscal 2019 Actual	Fiscal 2020 Actual	Fiscal 2021 Actual
Combined Beginning Fund Balance⁽²⁾	<u>\$47,933,557</u>	<u>\$46,489,320</u>	<u>\$50,618,424</u>	<u>\$55,612,795</u>	<u>\$43,210,417</u>
Building Receipts					
Room rents	121,113,210	123,708,658	123,333,401	97,280,242	60,285,668
Non-residential Campus Project fees	23,456,102	23,026,494	26,533,227	25,069,953	4,536,875
Other Receipts	<u>4,386,168</u>	<u>5,986,837</u>	<u>5,308,678</u>	<u>7,136,099</u>	<u>1,979,336</u>
	<u>\$148,955,480</u>	<u>\$152,721,989</u>	<u>\$155,175,306</u>	<u>\$129,486,293</u>	<u>\$66,801,879</u>
Other Receipts					
Investment earnings	3,548,412	2,592,563	2,282,211	1,982,895	4,130,022
Debt Service Reserve Fund releases ⁽³⁾	-	-	-	-	16,211,820
Federal support	-	-	-	8,049,539	17,310,542
Transfers from Capitalized Interest Accounts	-	-	242,844	350,473	298,222
State University contributions	1,025,564	1,247,564	1,664,408	5,111,256	5,083,825
Build America Bond subsidy	<u>2,201,230</u>	<u>2,199,263</u>	<u>2,337,727</u>	<u>2,144,246</u>	<u>1,999,325</u>
	<u>\$6,775,206</u>	<u>\$6,039,390</u>	<u>\$6,527,189</u>	<u>\$17,638,409</u>	<u>\$45,033,757</u>
Total Receipts	<u>\$155,730,686</u>	<u>\$158,761,379</u>	<u>\$161,702,495</u>	<u>\$147,124,702</u>	<u>\$111,835,636</u>
Building Disbursements					
Residence hall operations and staff ⁽⁴⁾	26,177,347	24,848,865	23,959,039	24,410,608	21,462,930
Facility maintenance and repair ⁽⁴⁾	8,317,741	11,045,906	8,175,954	8,178,165	8,987,105
Facility renewal	8,564,648	5,049,429	6,621,187	8,457,061	8,269,492
Utilities ⁽⁴⁾	10,830,798	10,756,803	10,912,392	10,297,288	9,524,041
Administration ⁽⁴⁾	<u>1,424,856</u>	<u>1,100,571</u>	<u>967,179</u>	<u>744,078</u>	<u>720,707</u>
	<u>\$55,315,390</u>	<u>\$52,801,573</u>	<u>\$50,635,750</u>	<u>\$52,087,199</u>	<u>\$48,964,275</u>
Debt Service					
Parity Bonds	<u>97,005,308</u>	<u>96,104,503</u>	<u>100,500,214</u>	<u>101,662,398</u>	<u>48,104,439</u>
	<u>\$97,005,308</u>	<u>\$96,104,503</u>	<u>\$100,500,214</u>	<u>\$101,662,398</u>	<u>\$48,104,439</u>
Other Disbursements					
Authority operating expenses and insurance	2,834,299	3,539,423	3,196,222	3,359,034	3,468,684
Housing Grant Scholarship Program ⁽⁴⁾	<u>2,019,926</u>	<u>2,186,776</u>	<u>2,375,938</u>	<u>2,418,449</u>	<u>3,770,616</u>
	<u>\$4,854,225</u>	<u>\$5,726,199</u>	<u>\$5,572,160</u>	<u>\$5,777,483</u>	<u>\$7,239,300</u>
Total Disbursements	<u>\$157,174,923</u>	<u>\$154,632,275</u>	<u>\$156,708,125</u>	<u>\$159,527,080</u>	<u>\$104,308,014</u>
Net Change	<u>(1,444,237)</u>	<u>4,129,104</u>	<u>4,994,370</u>	<u>(12,402,378)</u>	<u>\$7,527,622</u>
Combined Ending Fund Balance	<u>\$46,489,320</u>	<u>\$50,618,424</u>	<u>\$55,612,795</u>	<u>\$43,210,417</u>	<u>\$50,738,039</u>

Source: Authority.

⁽¹⁾ Totals may not add due to rounding.

⁽²⁾ Fund balance includes the trust funds (operating reserves) held by the State Universities, the Capital Improvement Reserve Funds, and certain supplementary reserves held by the Authority. The debt service, debt service reserve, rebate, and project funds maintained under the Trust Agreement are excluded.

⁽³⁾ Debt Service Reserve Fund corpus release to provide fiscal relief to the State Universities due to COVID-19.

⁽⁴⁾ Denotes disbursements made directly by the State Universities before Revenues are transferred to the Authority for deposit in the Revenue Fund under the Trust Agreement.

Specific reference is made to the Authority's audited financial statements for the year ended June 30, 2021, included as Appendix B to this Official Statement, and to the audited financial statements for each of the State Universities for the year ended June 30, 2021 which have been filed with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access system ("EMMA"). Revenues and expenses related to the Authority's Projects are reported as auxiliary enterprise income and expenses in the financial statements of the individual State Universities. The Authority's financial statements include the revenues paid to the Authority by the State Universities, which are used by the Authority to defray its debt service costs, certain operating and insurance premium costs for the Projects and the Authority's own operating expenses, and certain deposits to reserves. The financial statements of the Authority for the year ended June 30, 2021 have been examined by CohnReznick LLP, certified public accountants, to the extent and for the periods indicated in its report thereon.

Such financial statements have been included in reliance upon the report of CohnReznick LLP and the authority of such firm as experts in accounting and auditing. CohnReznick LLP has not been requested to consent, nor has it consented, to inclusion of its report in this Official Statement. CohnReznick LLP has not been engaged to perform and has not performed, since the date of its report referenced herein, any procedures on the financial statements included in that report. CohnReznick LLP has also not performed any procedures relating to this Official Statement.

The foregoing table summarizes a number of trends in Authority operations and developments over the past several years, including the following:

Receipts. Room Rents – These are the revenues for the Authority’s residence hall projects. To ensure affordability and full occupancy, Authority room rents are typically maintained at or below the off-campus market rental rates in the applicable geographic area. Increases in revenue from year to year reflect the increased number of beds. In addition, regular modest increases to room rents permit the Authority to fund increases in operating expenses (salaries and utilities) and debt service and additions to capital improvement reserves. Room rent revenue in fiscal year 2020 was impacted by the early closure of the residence halls in the spring of 2020 as a result of the COVID-19 pandemic. Occupancy during fiscal year 2021 was lower than previous years in part due to lower density for public health purposes and some classes being taught remotely. See “COVID-19” herein.

Non-residential Project fees – These are the amounts collected to fund debt service (as well as insurance and reserves, in the case of Authority-owned projects) for non-residential projects. These projects include new construction and improvements to or renovations of campus center, dining, athletic and parking facilities, which improve the overall campus environment for student recruitment and retention. In limited circumstances, they also include other types of facilities on campus for which the Authority provides supplemental financing pursuant to Section 156, such as academic facilities. The source of this fee revenue to pay debt service includes fees generated from the use of the financed facilities, an assessment on student fees, and assessments charged to the State Universities payable from any available funds of the University, as specified in the Contract. The changes from year to year reflect the financing schedules of student activity facilities.

Other Receipts – This includes primarily revenue from summer room rental, conferences, commissions, and miscellaneous sources. The reduced amount in fiscal year 2021 reflects reduced summer room rentals and conferences during the summer of 2020 due to the impact of the COVID-19 pandemic.

Investment earnings – This category includes interest earnings on investments. Year-to-year changes are a function of the amounts invested and the effective interest rates.

Transfers from Capitalized Interest Accounts – These figures reflect capitalized interest which is used to pay debt service before the revenues of a given Project are sufficient to cover all of its associated costs.

State University contributions – These figures include funding from the State Universities in order to support the residence life programs at the campuses. Prior to fiscal year 2020, the majority of these contributions supported initial operations of new residence halls. Since fiscal year 2020, some State Universities contributed campus funds or federal aid to support the operations or reserve balances in the residence hall trust funds to offset reduced room rent receipts resulting from the COVID-19 pandemic. See “COVID-19” herein.

Build America Bond subsidy – These figures represent credit payments received by the Authority from the United States Treasury pursuant to the American Recovery and Reinvestment Act of 2009 as a result of designating certain Bonds issued in 2009 and 2010 as Build America Bonds. The credit payments were to equal 35% of the interest payable on such Bonds, but were reduced by 7.2% in federal fiscal year 2014, 7.3% in fiscal year 2015, 6.8% in fiscal year 2016, 6.9% in fiscal year 2017, 6.6% in fiscal year 2018, 6.2% in fiscal year 2019, 5.9% in fiscal year 2020, and 5.7% in fiscal years 2021 and 2022 due to federal government sequestration.

Disbursements. Residence hall operations and staff – These amounts include salary and benefit costs for the staff who manage, operate and maintain the residence halls. Year-to-year increases reflect the use and occupancy of the new residence halls as well as funding for new collective bargaining agreements.

Facility maintenance and repair – These are the amounts spent for routine upkeep of the residence halls and for annual contracts for service and operations support.

Facility renewal – These figures reflect the use of Capital Improvement Reserve Funds to fund planned renewal and unexpected repair projects at Authority facilities.

Utilities – These figures represent the annual expense of utilities for Authority projects. Year-to-year increases reflect increases in utility rates and the increases in consumption to support new residence halls.

Housing Grant Scholarship Program – Starting in fiscal year 2005, in an effort to maintain the affordability of residence hall room rents, the Authority implemented a general rent increase sufficient to fund a \$300,000 housing grant scholarship program. This program has grown each year and has recently been increasing at approximately the same rate as the average rent increase.

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Debt Service Obligations

The following table sets forth for each year ending May 1 the amounts required for the payment of debt service for all outstanding Bonds.

Year Ending May 1	Existing Debt Service on Outstanding Bonds*	Principal of the Series 2022A Bonds	Interest on the Series 2022A Bonds	Total Debt Service on the Series 2022A Bonds	Total Combined Debt Service*
2022	\$50,763,681 [†]	\$-	\$-	\$-	\$50,763,681
2023	91,496,425	2,245,000	6,015,347	8,260,347	99,756,772
2024	90,282,438	3,075,000	4,854,550	7,929,550	98,211,988
2025	90,227,337	4,845,000	4,700,800	9,545,800	99,773,137
2026	89,690,635	5,110,000	4,458,550	9,568,550	99,259,185
2027	89,464,875	5,245,000	4,203,050	9,448,050	98,912,925
2028	89,643,939	6,090,000	3,940,800	10,030,800	99,674,739
2029	84,557,671	6,385,000	3,636,300	10,021,300	94,578,971
2030	81,870,171	6,810,000	3,317,050	10,127,050	91,997,221
2031	78,685,482	7,255,000	2,976,550	10,231,550	88,917,032
2032	76,315,404	7,605,000	2,613,800	10,218,800	86,534,204
2033	76,768,966	4,250,000	2,233,550	6,483,550	83,252,516
2034	72,183,195	4,460,000	2,021,050	6,481,050	78,664,245
2035	69,071,200	4,685,000	1,798,050	6,483,050	75,554,250
2036	67,488,706	4,430,000	1,563,800	5,993,800	73,482,506
2037	63,651,572	4,610,000	1,386,600	5,996,600	69,648,172
2038	62,321,325	4,795,000	1,202,200	5,997,200	68,318,525
2039	54,099,231	4,985,000	1,010,400	5,995,400	60,094,631
2040	45,570,022	5,185,000	811,000	5,996,000	51,566,022
2041	36,947,389	5,385,000	603,600	5,988,600	42,935,989
2042	20,412,381	5,605,000	388,200	5,993,200	26,405,581
2043	22,486,251	340,000	164,000	504,000	22,990,251
2044	14,281,082	355,000	150,400	505,400	14,786,482
2045	7,931,895	370,000	136,200	506,200	8,438,095
2046	7,930,942	385,000	121,400	506,400	8,437,342
2047	7,933,833	400,000	106,000	506,000	8,439,833
2048	7,935,261	415,000	90,000	505,000	8,440,261
2049	4,185,073	430,000	73,400	503,400	4,688,473
2050	813,363	450,000	56,200	506,200	1,319,563
2051	806,788	470,000	38,200	508,200	1,314,988
2052	-	485,000	19,400	504,400	504,400
Total	\$1,555,816,533	\$107,155,000	\$54,690,448	\$161,845,448	\$1,717,661,981

* Excludes debt service on the Refunded Bonds. Excludes the receipt of any Federal subsidies on the Series 2009C and Series 2010A Build America Bonds. Net of capitalized interest on the Series 2021A Bonds in FY2022 and FY2023.

[†] Excludes debt service payment made on November 1, 2021.

Project Delivery and Capital Improvement Program

In addition to the standard public procurement procedures, the Authority is permitted to use an alternate means of procurement for design and construction management services which has resulted in improved quality and reduced time and cost of delivering new and renovated facilities. The Authority's procurement methodology is considered exemplary in the public sector in its ability to provide high-quality, cost-effective facilities in critical timeframes while providing for the public solicitation of architectural design and construction management services and for the public bidding of trade contractor work.

The Authority maintains a facility renewal plan to identify the required periodic reinvestment necessary to maintain its facilities, including the estimated cost, desired frequency and anticipated funding source for these projects. Since 2002, the Authority has reduced estimated deferred maintenance needs from \$49.3 million to \$29 million in 2021. The implementation of facility renewal and adaption projects has resulted in the reduction of the need for debt funding of repair projects in the future. Typical renewal projects include the repair, replacement or extended use of building exterior components, mechanical systems and interior finishes. Specifically, these include replacement of roofing and windows, re-pointing of masonry and repainting of exterior trim; replacement of domestic water heaters, plumbing fixtures, boilers, electrical equipment and fixtures, fire alarm systems and elevators; repainting of interior walls and ceilings, replacement of flooring and repair of doors and hardware. Typical adaption projects include the provision of sprinkler systems and the improvement of access for individuals with disabilities.

The continuous improvement in facility condition and the expedited procurement model achieve best practices in facility renewal, reduce deferred maintenance, improve quality and cost control and mitigate the need for future borrowings.

Projects Financed by Bonds

Since 1999, the Authority has financed approximately \$743.8 million for new residence hall capacity and approximately \$290.5 million for repairs and major renovations at numerous State Universities with bond proceeds. Such projects have included hazardous material abatement, fire safety improvements, access for the physically disabled, sprinklers and fire alarms, elevator replacement, bathroom renovations, mechanical, electrical and plumbing upgrades, masonry and roof repairs, common area improvements, interior finishes, and exterior and interior renewals. The Authority also has financed approximately \$137.3 million of student life projects and \$216.8 million to support projects owned by the Commonwealth with bond proceeds. These amounts do not include the estimated impact of the Series 2022A Bonds.

Commonwealth-Owned Projects

The Authority's residence halls and certain parking structures and property acquisitions are owned by the Authority and, in some cases, located on land that the Authority has leased from the Commonwealth. Approximately 50 student life facilities (or portions of such facilities) constitute Commonwealth-owned Projects, including: a parking facility and an student center at Bridgewater State; a dining hall, campus center and athletic fields at Fitchburg State; athletic fields, and a campus center at Framingham State; a dining hall and art gallery at the Massachusetts College of Art and Design; tennis courts, a gymnasium and the Ashland Street Facility at the Massachusetts College of Liberal Arts; parking lots and athletic facilities at Salem State; and a dining hall and a campus center at Westfield State. Under limited circumstances, the Authority may also provide supplemental financing for certain Commonwealth-owned academic facilities. To date, these projects include science centers at Framingham and Westfield State, a Center for Design + Media at Massachusetts College of Art and Design, and a wellness (athletic) center at Worcester State.

The Authority has no responsibility for the operation or maintenance of Commonwealth-owned Projects, although the Authority has agreed in the Contract to maintain certain insurance policies with respect to such Projects upon written request of the Commissioner of the Division of Capital Asset Management and Maintenance of the Commonwealth. The Authority's fees, rents, rates and charges with respect to Commonwealth-owned Projects generally consist of an assessment on student fees sufficient to pay the Authority's debt service costs and direct administrative costs, without regard to the Project's overall operating costs and without any requirement of maintaining operating or capital improvement reserves.

Demand for Authority Residence Facilities

Actual occupancy of the Authority's residence halls for the fall 2021 semester was 74.1% of design capacity, after having added over 6,315 new beds since fall 2003. After the campuses were closed in March 2020 due to the COVID-19 pandemic and related public health mitigation efforts, actual occupancy of the Authority's residence halls for the fall 2020 semester was 47.1% of design capacity. Consistent with historic trends of lower occupancy in the spring than in the fall, the occupancy for the spring 2021 semester was 38.8% of design capacity. See "COVID-19" herein. The predictable schedule, quality and funding of facility improvement projects reduces the likelihood of substantial unanticipated project requirements and their attendant inconvenience and expense. The revenue stream from the System Projects directly funds a system capital improvement reserve, and the revenue stream from the Campus Projects, implemented after 1999, directly funds a designated capital improvement reserve for these projects. For further information relating to demand for Authority residence facilities, see Appendix A – "STATE UNIVERSITIES SELECTED FINANCIAL AND STATISTICAL INFORMATION."

THE BOARD OF HIGHER EDUCATION

The BHE is established under Chapter 15A of the General Laws of the Commonwealth. The purpose of the BHE is to define the mission of and coordinate the system of public higher education of the Commonwealth. The system includes, in addition to the State Universities, the five-campus University of Massachusetts and 15 community colleges. See "THE STATE UNIVERSITIES" herein for additional information on the State Universities. The University of Massachusetts, with campuses in Amherst, Boston, Dartmouth, Lowell and Worcester, offers four-year undergraduate programs and a broad range of graduate degrees. The 15 community colleges serve each region of the Commonwealth and offer two-year programs leading to associate degrees. Each institution in the system of public higher education is governed by a separate board of trustees. Under Chapter 15A, the BHE is responsible for working with each of the boards of trustees to hold the system accountable for achieving its goals and measuring its performance.

In addition to its powers under Chapter 15A, the BHE has certain powers with respect to the Authority under the Act. Among other things, the Authority may not initiate any project except upon written request made by authority of the BHE and may not issue refunding bonds or notes without the prior written approval of the BHE. The Authority's power to establish rules and regulations ensuring the use and occupancy of its projects and to fix and revise fees, rents, rates and other charges sufficient to cover all the costs of its projects is also subject to approval of the BHE. If the BHE does not approve the Authority's proposed schedule of fees, rents, rates and charges, the Authority may proceed without BHE approval. The BHE has the power under the Act to convey or lease to the Authority certain property owned by the Commonwealth, to provide utilities and services necessary for the operation and maintenance of Authority projects and to cooperate with the Authority in carrying out the purposes of the Authority.

The BHE consists of 13 members, nine of whom are appointed by the Governor of the Commonwealth, three of whom are chosen as described below to represent public institutions of higher education and one of whom is the Secretary of Education of the Commonwealth, serving *ex officio*. The Governor appoints one of the members to be the chairman. Of the members appointed by the Governor, at least one must be a representative of organized labor, one must be a representative of the business community, and one must be a full-time undergraduate student at an institution within the higher education system. These appointed members are also to reflect regional geographic representation. Of the three members chosen to represent public institutions of higher education, one must be a member of the board of trustees of the University of Massachusetts, selected by such board, one must be a member of the board of trustees of one of the State Universities, chosen by a vote of the chairs of the boards of trustees of the State Universities, and one must be a member of the board of trustees of a community college, chosen by a vote of the chairs of the boards of trustees of the community colleges. Three of the board members appointed by the Governor serve for terms that are coterminous with that of the Governor. The remaining appointed members serve five-year terms, except the student member, who serves for a one-year term. Appointments to the student position are cycled among community college, state university and University of Massachusetts students every three years. No member may be appointed for more than two consecutive full terms, and a student member may serve only one term. Under state law, members of the BHE whose terms have expired continue to serve until a successor is appointed.

The present members of the BHE and the expiration date of their terms are as follows:

	First Appointed	Expiration of Term
Chris Gabrieli, Chair	2015	Coterminus with Governor
Sheila M. Harrity, Ed.D, Vice Chair	2015	Coterminus with Governor
Ann Christensen	2019	2024
Veronica Conforme	2019	2023
Alex Cortez	2018	2021
Patty Zillian Eppinger	2019	Coterminus with Governor
Bill Walczak	2021	n/a
Paul Mattera, J.D.	2016	n/a
Judy Pagliuca	2019	2026
James A. Peyser, Secretary of Education	--	<i>Ex Officio</i>
Michael O'Brien	2018	n/a
Paul F. Toner, J.D.	2010	2020
Cameron Costa (student)	2021	2022

The Commonwealth's Secretary of Education appoints a Commissioner of Higher Education, who must be nominated by a two-thirds vote of the BHE. The Commissioner of Higher Education serves as the executive and administrative head of the Commonwealth's Department of Higher Education and as the secretary to the BHE and its chief executive officer and the chief school officer for higher education. The Commissioner is responsible for carrying out the policies established by the BHE. The Commissioner serves at the pleasure of the BHE and may be removed by majority vote of the BHE. The current Commissioner is Carlos E. Santiago.

Budget Process

The board of trustees of each institution of public higher education in the Commonwealth submits operating and capital budget requests annually to the BHE. The BHE uses the data to prepare operating and capital outlay budgets for the statewide system of public higher education. The BHE submits its operating budget to the Budget Director in the Executive Office for Administration and Finance and also to the House and Senate Committees on Ways and Means. The Legislature appropriates funds for the public higher education system in the Commonwealth's annual operating budget in various line items for each institution. Capital budget requests of the various State Universities are reviewed by the BHE and the Commonwealth's Division of Capital Asset Management, and then by the Executive Office for Administration and Finance, which maintains a rolling five-year capital finance plan for the Commonwealth. Capital outlay authorization requests are filed with the Legislature periodically by the Governor.

THE STATE UNIVERSITIES

General

The State Universities are nine Massachusetts institutions of higher learning under the jurisdiction of the BHE. Each institution is under the direct administration of its own board of trustees. The State Universities are Bridgewater, Fitchburg, Framingham, Salem, Westfield and Worcester State Universities, the Massachusetts College of Art and Design, the Massachusetts College of Liberal Arts, and the Massachusetts Maritime Academy. State law empowers the State Universities generally to provide educational programs, research, extension and continuing education services in the liberal, fine and applied arts and sciences and other related disciplines through the master's degree level and to offer doctoral programs in cooperation with the University of Massachusetts.

Bridgewater State University is located on a 278-acre campus in the town of Bridgewater, 28 miles south of Boston. The University was founded as a teacher-training institution in 1840 and now offers 43 graduate degree programs, five graduate certificate programs and 52 undergraduate programs with 90 concentrations.

Fitchburg State University, located in North Central Massachusetts, was founded in 1894. Originally a teacher-training institution, today the University offers more than 50 undergraduate programs in 23 academic disciplines, and more than 30 pre-professional and graduate programs. Its offerings emphasize career-orientated learning that is firmly grounded in the liberal arts. The University features small class sizes, hands-on professional education, and an accessible faculty dedicated to teaching.

Framingham State University was founded in 1839 as the first public normal school in America. The University now offers a wide variety of programs in fields ranging from business to the sciences to fashion. In recent years, the University has begun positioning itself as a leader in the areas of STEM (Science, Technology, Engineering, and Mathematics) education as employers increasingly seek to hire graduates with these skill sets. The University offers 39 undergraduate majors and 35 graduate programs with the breadth of programs offered reflecting diverse faculty expertise.

The Massachusetts College of Art and Design, the only publicly supported professional college of the arts in the United States, was established in 1873 and is presently located on campuses on Longwood and Huntington Avenues in the city of Boston. It grants Bachelor of Fine Arts degrees in 24 concentrations and offers Master of Fine Arts and Master of Science in art education degrees.

Massachusetts College of Liberal Arts ("MCLA") is the Commonwealth's designated public liberal arts college. The College is located in Berkshire County on a 26-acre campus in the city of North Adams in northwestern Massachusetts. It was founded in 1894 and offers Bachelor of Arts and Bachelor of Science degrees in 22 academic disciplines complemented by 44 areas of concentration. MCLA offers graduate programs (M.Ed. and CAGS) in Education and launched a Professional Master of Business Administration ("PMBA") graduate program in 2010. As the Commonwealth's designated public liberal arts college, MCLA is a member of the Council for Public Liberal Arts Colleges ("COPLAC").

The Massachusetts Maritime Academy was founded in 1891 and is now the largest maritime academy in the United States. It is located on 55 acres in the village of Buzzards Bay on Cape Cod. Bachelor of Science degrees are offered in seven fields, including the traditional marine engineering and marine transportation programs that prepare cadets for qualification as licensed merchant marine officers able to sail the biggest merchant ships afloat or handle tug boats in local harbors. The Academy also grants Master of Science degrees in facilities management and emergency management.

Salem State University is located in the city of Salem on five campuses totaling 115 acres. Established in 1854, it grants Bachelor of Arts and Bachelor of Science degrees in 32 disciplines. At the graduate level, the University grants eight Master's degrees. Continuing education courses are also available for credit or non-credit.

Westfield State University was founded as a teacher-training institution in 1838 by noted educator and social reformer Horace Mann. The school was the first public co-educational college in America that accepted students without consideration of race, gender or class background. The University is located in the city of Westfield, a few miles west of Springfield, in the Connecticut River valley. It occupies a 256-acre campus and grants Bachelor of Arts and Bachelor of Science degrees in 32 majors as well as Master of Arts, Master of Science, Master of Public Administration, and Master of Education degrees. Certificates of advanced graduate study are also available.

Worcester State University was established in 1874 and is located on a 57-acre campus in the city of Worcester. It offers 60 undergraduate majors and minors, 29 master's degrees, post-baccalaureate certificates, and graduate programs, and real-time access to online, noncredit professional training. It grants Bachelor of Arts or Bachelor of Science degrees in 24 disciplines and a Bachelor of Science in education. It also grants Master of Science degrees in seven disciplines, Master of Occupational Therapy, Master of Education in 10 disciplines, and a certificate of graduate studies in psychology.

Certain financial and statistical information about the State Universities is provided in Appendix A. For additional information about the State Universities, specific reference is made to the audited financial statements for each of the State Universities for the fiscal year ended June 30, 2021. Copies of such financial statements have been filed with the MSRB through EMMA.

Amounts Paid by State Universities to the Authority

Under the Contract, all moneys received by a State University as payment of fees, rents, rates or other charges for the use and occupancy of a Project of the Authority are held in trust for the Authority in a trust fund at that State University. The moneys in the trust fund are expended by the State University in accordance with the Authority's annual operating budget and are remitted to the Authority or to the Trustee at such times and in such amounts as may be directed by the Authority.

The following table shows the amounts paid to the Authority by each of the State Universities in each of the fiscal years 2017 through 2021 and the estimated amounts in fiscal year 2022. The amounts received by the Authority were used to pay debt service on the Bonds and all other expenses of the Authority. Amounts shown exclude debt service paid from capitalized interest on certain projects, earnings on the Debt Service Fund and Debt Service Reserve Fund, and Build America Bond interest subsidies. During fiscal years 2021 and 2022, the Authority was able to reduce assessments and provide fiscal relief to the Universities while continuing to satisfy all of its debt service and other funding obligations by refunding debt, using amounts on deposit in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement to pay debt service costs, and reducing or eliminating certain other funding requirements for operations and reserves. See "COVID-19" herein.

<u>State University</u>	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Estimated Fiscal 2022</u>
Bridgewater	\$ 18,623,435	\$ 18,658,426	\$ 19,696,073	\$ 19,612,568	\$ 6,034,998	\$ 11,070,678
Fitchburg	10,859,589	11,465,652	12,498,210	13,090,595	3,644,709	9,178,993
Framingham	13,661,232	14,073,798	13,826,253	14,166,745	4,435,820	10,802,240
Mass. College of Art and Design	8,840,244	8,931,440	9,698,391	9,847,586	2,648,659	8,044,544
Mass. College of Liberal Arts	3,169,485	3,209,520	3,409,103	3,547,136	1,594,123	2,631,960
Mass. Maritime Academy	8,432,995	8,491,603	8,681,794	8,714,403	2,555,002	6,213,818
Salem	17,210,080	17,587,120	17,931,396	17,728,903	4,848,504	12,822,054
Westfield	13,129,477	12,968,155	13,433,023	14,326,150	4,677,282	10,250,575
Worcester	<u>9,603,706</u>	<u>9,633,642</u>	<u>9,812,128</u>	<u>9,752,716</u>	<u>4,360,392</u>	<u>5,798,927</u>
Total	<u>\$ 103,530,243</u>	<u>\$ 105,019,356</u>	<u>\$ 108,986,371</u>	<u>\$ 110,786,802</u>	<u>\$ 34,799,489</u>	<u>\$ 76,813,789</u>

Source: Authority

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Pledged Trust Funds

The following table sets forth, for each State University, the amount of Pledged Trust Funds (which is an amount equal to 25% of the average annual principal and interest due on the State University's allocable share of debt service on Bonds) as of June 30, 2021. The table does not include the estimated impact of the issuance of the Series 2022A Bonds. See "SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS – The Contract; *Pledged Funds*."

State University	Pledged Trust Funds Authority-owned Projects	Pledged Trust Funds Commonwealth-owned	Total Pledged Trust Funds
		Projects	
Bridgewater	\$ 4,465,416	\$ 202,769	\$ 4,668,185
Fitchburg	1,504,723	897,906	2,402,629
Framingham	2,645,118	611,403	3,256,521
Mass. College of Art and Design	1,772,320	692,253	2,464,573
Mass. College of Liberal Arts	492,860	88,693	581,553
Mass. Maritime Academy ⁽¹⁾	1,397,385	264,732	1,662,117
Salem	3,011,046	321,824	3,332,870
Westfield ⁽¹⁾	2,133,984	379,535	2,513,519
Worcester	2,082,733	205,338	2,288,071
Total	\$ 19,505,585	\$ 3,664,453	\$ 23,170,038

Source: Authority. Totals may not add due to rounding.

⁽¹⁾ Subordinate to the lien granted to Bank of America, N.A. in connection with the loan obtained from the Massachusetts Health and Educational Facilities Authority financed by said Authority's Variable Rate Demand Revenue Bonds, Capital Asset Program Issue, Series M-2 (Pool 2).

COVID-19

COVID-19 is a new respiratory disease caused by a novel coronavirus that has not previously been seen in humans. The new coronavirus is highly contagious, and reported illness caused by the virus ranges from mild symptoms to death. On March 10, 2020, the Governor of Massachusetts declared a state of emergency to support the Commonwealth's response to the outbreak of COVID-19. Since then, the Governor and his administration have taken action through a series of orders and advisories intended to reduce the spread of COVID-19. Certain of these orders had a significant impact on the local economy and on the operations of the State Universities and the Authority, including, but not limited to: an order mandating that all non-essential businesses and organizations close their physical facilities and workspaces to customers; a stay-at-home advisory; an order limiting the size of gatherings in public and private venues; and an advisory from the Department of Higher Education and the Department of Public Health strongly recommending that all public and private colleges and universities pursue strategies to reduce the need for students, faculty and staff to be on campus, including suspending in-person classes and shifting to remote learning. The Governor ended the state of emergency on June 15, 2021. Mask requirements remain in place in certain spaces, such as on public transportation. See the following link on the Commonwealth's website for more information regarding the status of COVID-19, infection and vaccination rates, and related public health mitigation efforts in Massachusetts: <https://www.mass.gov/covid-19-updates-and-information>.

One of the Governor's emergency orders provided for public boards, such as the Authority's board, to meet remotely. On June 16, 2021, the Governor signed into law an extension of the authorization for public boards to meet remotely beyond the state of emergency until April 1, 2022. The Authority's board has been meeting remotely since the state of emergency was declared, and Authority staff worked remotely during the state of emergency. There were no material impacts to the Authority's operations while conducting its business remotely.

The State University campuses took steps to comply with the advisory relating to public and private colleges and universities referenced above, including a shift to online instruction. There were no changes to the

assessments by the Authority for fiscal year 2020. The Universities utilized reserves, campus contributions, and federal aid to fund operations for the remainder of academic year 2019-2020. The Authority issued the Series 2020A Bonds on July 1, 2020 in part to refund Bonds maturing in fiscal years 2021 and 2022 to provide fiscal relief to the State Universities as they faced or were likely to face lower occupancy and a reduction in revenues in those fiscal years. As a result, debt service assessments were reduced by approximately 50% in fiscal year 2021 and 25% in fiscal year 2022. All nine State Universities reopened the residence halls for the fall 2020, spring 2021, and fall 2021 semesters with public health procedures in place for testing and quarantine. Enrollment declined by 2,623 or 6.7% from fall 2019 to fall 2020. Occupancy in residence halls declined from 87.7% in fall 2019 to 42.9% in fall 2020. Fall 2021 occupancy improved to 12,531 or 74.1%. Typically, there is lower occupancy in the spring semester compared to the fall semester in the same academic year. In addition to the debt service assessment, operating and reserve assessments to the Universities were also reduced to more closely align expenses with the lower revenue. In the interest of having academic year 2021-2022 be as normal as possible while protecting the health and safety of the campus communities, the nine State Universities required the COVID-19 vaccine for all students. All of the State Universities are opening the residence halls for the spring 2022 semester, but, in response to the recent surge in COVID-19 infections, some campuses have delayed the start of in person classes until late January and one campus has provided for students to move in on a staggered schedule from January through February 2022.

All of the State Universities have received or anticipate receiving direct federal aid in the aggregate amount of \$18.0 million under the CARES Act (aka Higher Education Emergency Relief Funds (HEERF)), which may be used to help address costs incurred by the State Universities as a result of the pandemic. Additional direct federal aid was designated for higher education institutions through the CRRSA Act (HEERF II) passed December 27, 2020, which allocated \$41.3 million in institutional aid for the State Universities. On March 11, 2021, the American Rescue Plan Act of 2021 (ARP Act aka HEERF III) was signed into law, which included \$51.9 million in institutional aid for the State Universities. All three Acts also included additional amounts beyond those noted above that were required to be used for student grants. The aggregate amount of funding for student aid and institutional aid from the three Acts totals \$199.9 million for the nine State Universities.

The spread of COVID-19 and the public health mitigation efforts in response to the pandemic have caused, and are expected to continue to cause, severe disruption in the global, national and local economies. In addition, people altered their behavior to adapt to these measures and to respond to the spread of the virus. The extent and duration of the impact within the Commonwealth and with respect to the State Universities and the Authority is not yet fully known. Consequently, the following are some of the potential impacts that are not yet known: the extent to which the State Universities and the Authority will incur additional costs; the manner and extent to which student enrollment, on-campus activities and the use of the residential and other facilities financed by the Authority will be affected and any resulting revenue impacts; and the manner and extent to which the state budget and, consequently, state appropriations for the State Universities will be impacted. For these reasons, historical trends reflected elsewhere in this Official Statement may not be indicative of results since the COVID-19 outbreak and for the foreseeable future.

LEGAL MATTERS

All legal matters related to the authorization and issuance of the Series 2022A Bonds are subject to the approval of Hinckley, Allen & Snyder LLP, Boston, Massachusetts, Bond Counsel to the Authority. The approving opinion of Bond Counsel, substantially in the forms attached hereto as Appendix E, will be delivered on the date of delivery of the Series 2022A Bonds. Certain matters will be passed upon for the Authority by its counsel, Bowditch & Dewey, LLP, Boston, Massachusetts. Certain matters will be passed upon for the Underwriters, by their counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.

LITIGATION

There is no litigation of any nature now pending or, to the knowledge of the Authority, threatened seeking to restrain or enjoin or restraining or enjoining the issuance, sale, execution or delivery of the Series 2022A Bonds or in any way contesting the validity of the Series 2022A Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof, or of the Contract, or any proceedings of the Authority or of the BHE taken with respect thereto, or of the pledge of any moneys or security provided for the payment of the Series 2022A Bonds or the existence or powers of the Authority or the titles of its officers to their offices.

LEGALITY FOR INVESTMENT

As declared by the Act, the Series 2022A Bonds are securities in which all public officers and public bodies of the Commonwealth and its political subdivisions, all Massachusetts savings banks, insurance companies, trust companies in their commercial departments, and, within the limits set by Section 54 of Chapter 172 of the General Laws of the Commonwealth, banking associations, investment companies, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereto be authorized to invest in bonds or other obligations of a similar nature, may properly and legally invest funds, including capital, in their control or belonging to them. The Series 2022A Bonds are securities which may properly and legally be deposited with and received by any state or municipal officer or any agency or political subdivision of the Commonwealth for any purpose for which the deposit of bonds or other obligations of the Commonwealth is now or may hereto be authorized by law.

TAX EXEMPTION

In the opinion of Hinckley, Allen & Snyder LLP, Bond Counsel to the Authority (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series 2022A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is of the further opinion that interest on the Series 2022A Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2022A Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2022A Bonds. Failure to comply with these requirements may result in interest on the Series 2022A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2022A Bonds. The Authority has covenanted to comply with such requirements to ensure that interest on the Series 2022A Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Series 2022A Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Series 2022A Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Series 2022A Bonds. Prospective Series 2022A Bondholders should be aware, however, that the Series 2022A Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Series 2022A Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion as to the taxability of the Series 2022A Bonds, their transfer or the income therefrom, including any profit made on the sale thereof, or any other tax consequences arising with respect to the Series 2022A Bonds under the laws of any state other than Massachusetts.

To the extent the issue price of any maturity of the Series 2022A Bonds is less than the amount to be paid at maturity of such Series 2022A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2022A 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 2022A Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. In general, the issue price of a particular maturity of the Series 2022A Bonds is the first price at which a substantial amount of such maturity of the Series 2022A Bonds is sold to the public. The original issue discount with respect to any maturity of the Series 2022A Bonds accrues daily over the term to maturity of such Series 2022A 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 2022A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2022A Bonds. Series 2022A Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Series 2022A Bonds with original issue discount, including the treatment of purchasers who do not purchase such Series 2022A Bonds in the original offering to the public at the issue price established therefor.

Series 2022A Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Series 2022A Bonds, or, in some cases, at the earlier redemption date of such Series 2022A Bonds (“Premium Bonds”), will be treated as having amortizable bond premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Series 2022A Bondholder’s basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Series 2022A Bondholder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

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 2022A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2022A Bonds.

Prospective Series 2022A Bondholders should be aware that from time to time legislation is or may be proposed which, if enacted into law, could result in interest on the Series 2022A Bonds being subject directly or indirectly to federal income taxation, or otherwise prevent Series 2022A Bondholders from realizing the full benefit provided under current federal tax law of the exclusion of interest on the Series 2022A Bonds from gross income. To date, no such legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law. Further, no assurance can be given that any pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the market value and marketability of, or the tax status of interest on, the Series 2022A Bonds. Prospective Series 2022A Bondholders are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

Although Bond Counsel is of the opinion that interest on the Series 2022A Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2022A Bonds may otherwise affect the federal tax liability of a Series 2022A Bondholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Series 2022A Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Series 2022A Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of these other tax consequences will depend upon the particular tax status of the Series 2022A Bondholder or the Series 2022A Bondholder’s other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other consequences, and Series 2022A Bondholders should consult with their own tax advisors with respect to such consequences.

Opinion of Bond Counsel

On the date of delivery of the Series 2022A Bonds, the Underwriters of the Series 2022A Bonds will be furnished with the opinion of Bond Counsel substantially in the applicable form shown in “Proposed Form of Opinion of Bond Counsel” attached hereto as Appendix E.

RATINGS

Moody’s Investors Service, Inc. (“Moody’s”) has assigned the Series 2022A Bonds an enhanced rating of “Aa2,” with a stable outlook, based in part on the Pledged Appropriations. See “SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS – The Contract; *Pledged Funds*” and “SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS – Commonwealth Appropriation Intercept.” S&P Global Ratings (“S&P”) has assigned the Series 2022A Bonds a rating of “AA-,” with a stable outlook. Such ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings may be obtained from the rating agency furnishing the same. There is no assurance that a particular rating will continue for any given period of time or that a rating will not be revised or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any revision or withdrawal of the rating could have an adverse effect on the market price of the Series 2022A Bonds.

MUNICIPAL ADVISOR

Acacia Financial Group, Inc. is acting as municipal advisor to the Authority in connection with the issuance of the Series 2022A Bonds.

UNDERWRITING

The underwriters identified on the cover page hereof (the “Underwriters”), represented by Jefferies LLC, have agreed to purchase the Series 2022A Bonds from the Authority at a price of \$129,481,617.96 (which amount represents the principal amount of the Series 2022A Bonds, plus original issue premium of \$22,749,851.82, less an underwriting discount of \$423,233.86). The Underwriters may offer and sell the Series 2022A Bonds to certain dealers and others (including dealers depositing bonds into investment trusts) at prices lower than the public offering prices (or yields higher than the offering yields) stated on the inside cover hereof. The purchase contract provides that the Underwriters will purchase all of the Series 2022A Bonds, and the obligation to make such purchase is subject to certain terms and conditions set forth in the purchase contract.

In addition, certain of the Underwriters have entered into distribution agreements with other broker-dealers (that have not been designated by the Authority as Underwriters) for the distribution of the Series 2022A Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may, including with respect to this transaction, provide, a variety of these services to the Authority and to persons and entities with relationships with the Authority, for which they received or will receive customary fees and expenses. Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against the Authority and its affiliates in connection with such activities.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Authority (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationship with the Authority. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research reviews in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

VERIFICATION OF MATHEMATICAL CALCULATIONS

American Municipal Tax-Exempt Compliance Corporation d/b/a AMTEC, of Avon, Connecticut, and Michael Torsiello, C.P.A. (an independent Certified Public Accountant) of Morrisville, North Carolina (together, the “Verification Agents”) will deliver to the Authority on or before the date of delivery of the Series 2022A Bonds their verification report indicating that they have verified, in accordance with the standards established by the American Institute of Certified Public Accountants the mathematical accuracy of certain computations showing the adequacy of the cash and the maturing principal of and interest on certain government obligations held in the refunding escrow fund to provide for the payment of the principal of and interest and redemption premiums, if any, on the Refunded Bonds. The verification report will state that the Verification Agents have no obligation to update the report because of events occurring, or data or information coming to their attention, subsequent to the date of the report.

CONTINUING DISCLOSURE

The Authority and the BHE will undertake to provide annual reports and notices of certain events. A description of these undertakings is set forth in Appendix F attached hereto.

Certain of the Authority's and State Universities' financial statements and annual financial information and operating data, though filed on a timely basis, did not appear under all of the applicable CUSIP numbers on EMMA. In addition, after the publication and timely filing of all of the original audited financial statements required to be filed for fiscal year 2018, five of the State Universities published restated audited financial statements for fiscal year 2018 which were not filed. All corrective filings have been made.

MISCELLANEOUS

All quotations from and summaries and explanations of the Act, Chapter 15A, the Trust Agreement and the Contract contained herein do not purport to be complete and reference is made to said laws and documents for full and complete statements of their provisions. The Appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Act, the Trust Agreement and the Contract may be obtained upon request directed to the Massachusetts State College Building Authority, 10 High Street, Suite 201, Boston, Massachusetts 02110, Attention: Executive Director.

Any statements in this Official Statement involving estimates or 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 Authority and the purchasers or holders of any of the Series 2022A Bonds.

The execution and delivery of this Official Statement by its Executive Director have been duly authorized by the Authority.

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

By: /s/ Edward H. Adelman
Edward H. Adelman
Executive Director

February 2, 2022

STATE UNIVERSITIES SELECTED FINANCIAL AND STATISTICAL INFORMATION**State University Revenue Sources**

To illustrate the relative importance of State University revenue sources in recent years, the following table sets forth revenues for each of the State Universities for fiscal years 2018 through 2021. Fees collected by State Universities for the use of Authority projects are included in auxiliary enterprise income in the table below and on the financial statements of the individual State Universities. Tuition receipts are generally remitted to the Commonwealth, and the tuition figures below include such remitted receipts. Recent state budgets have authorized the Massachusetts College of Art and Design and the Massachusetts Maritime Academy to retain all tuition and fees received by such institutions rather than remitting tuition to the state treasury. The Massachusetts College of Liberal Arts has been similarly authorized to retain out-of-state tuition and fees. The figures for state support in the table below include all unrestricted funds received by the State Universities from the Commonwealth, including appropriations and fringe benefit support, less tuition remitted to the Commonwealth.

	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>
<u>Bridgewater State</u>				
Tuition and fees	\$111,057,593	\$114,269,850	\$116,055,084	\$110,514,093
Grants and contracts	21,621,193	23,343,212	24,848,570	25,010,749
State support	58,883,631	65,098,681	67,350,219	70,562,036
Auxiliary enterprises	26,441,631	26,754,128	18,277,013	15,422,689
Other revenues	1,568,141	665,907	320,740	19,482,162
Scholarship allowance (credit)	<u>(14,691,947)</u>	<u>(15,462,598)</u>	<u>(26,239,591)</u>	<u>(27,135,063)</u>
Total revenues	<u>\$204,880,242</u>	<u>\$214,669,180</u>	<u>\$200,612,035</u>	<u>\$213,856,666</u>
<u>Fitchburg State</u>				
Tuition and fees	\$49,533,454	\$51,779,802	\$50,508,655	\$49,534,322
Grants and contracts	8,605,188	8,741,473	12,945,616	15,686,580
State support	39,403,569	43,794,742	44,088,228	45,829,701
Auxiliary enterprises	10,675,346	10,503,522	10,628,321	8,582,870
Other revenues	3,209,372	2,915,667	3,493,690	2,541,253
Scholarship allowance (credit)	<u>(7,722,510)</u>	<u>(7,527,347)</u>	<u>(6,792,063)</u>	<u>(6,182,413)</u>
Total revenues	<u>\$103,704,419</u>	<u>\$110,207,859</u>	<u>\$114,872,447</u>	<u>\$115,992,313</u>
<u>Framingham State</u>				
Tuition and fees	\$44,796,259	\$45,694,570	\$45,306,315	\$41,927,145
Grants and contracts	8,030,560	10,270,352	7,910,707	7,252,762
State support	37,753,236	42,832,614	44,146,319	45,364,246
Auxiliary enterprises	16,001,360	15,897,282	13,064,000	6,416,628
Other revenues	3,661,029	3,629,359	7,530,480	13,043,442
Scholarship allowance (credit)	<u>(9,568,815)</u>	<u>(9,709,072)</u>	<u>(9,920,408)</u>	<u>(8,800,319)</u>
Total revenues	<u>\$100,673,629</u>	<u>\$108,615,105</u>	<u>\$108,037,413</u>	<u>105,203,904</u>
<u>Massachusetts College of Art and Design</u>				
Tuition and fees	\$36,956,558	\$37,500,957	\$39,411,574	\$34,955,541
Grants and contracts	3,555,441	3,583,606	3,950,831	4,305,010
State support	27,398,873	29,797,353	30,614,576	30,857,673
Auxiliary enterprises	14,268,030	14,551,817	12,600,274	9,567,811
Other revenues	7,172,580	9,840,946	4,827,309	5,681,807
Scholarship allowance (credit)	<u>(11,219,086)</u>	<u>(10,906,294)</u>	<u>(10,574,690)</u>	<u>9,543,061</u>
Total revenues	<u>\$78,132,396</u>	<u>\$84,368,385</u>	<u>\$80,829,874</u>	<u>\$75,824,781</u>

	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>
<u>Mass. College of Liberal Arts</u>				
Tuition and fees	\$15,041,472	\$14,501,828	\$15,341,267	\$12,711,389
Grants and contracts	5,992,334	5,688,772	6,242,830	6,050,124
State support	22,048,689	24,153,955	24,898,435	25,824,653
Auxiliary enterprises	8,076,303	7,804,273	6,787,391	4,871,395
Other revenues	1,409,283	1,709,874	1,650,305	2,852,706
Scholarship allowance (credit)	<u>(5,312,365)</u>	<u>(5,081,277)</u>	<u>(6,124,775)</u>	<u>(4,605,276)</u>
Total revenues	<u>\$47,255,716</u>	<u>\$48,777,425</u>	<u>\$48,795,453</u>	<u>\$47,704,991</u>
<u>Massachusetts Maritime Academy</u>				
Tuition and fees	\$28,848,256	\$30,198,475	\$32,780,952	\$30,629,712
Grants and contracts	2,582,533	3,722,518	4,379,202	3,488,263
State support	22,815,958	24,925,617	25,826,590	26,361,024
Auxiliary enterprises	21,331,705	22,250,945	14,259,733	11,946,140
Other revenues	594,672	935,074	1,908,776	1,748,024
Scholarship allowance (credit)	<u>(5,987,062)</u>	<u>(6,135,868)</u>	<u>(6,497,996)</u>	<u>(7,344,855)</u>
Total revenues	<u>\$70,186,062</u>	<u>\$75,896,761</u>	<u>\$72,657,257</u>	<u>\$66,828,308</u>
<u>Salem State</u>				
Tuition and fees	\$88,009,192	\$87,523,360	\$84,392,502	\$80,468,545
Grants and contracts	19,472,136	19,900,630	18,107,485	19,842,915
State support	60,128,013	65,735,152	66,736,681	67,962,635
Auxiliary enterprises	23,423,196	22,569,201	24,082,551	12,100,426
Other revenues	1,748,687	1,163,364	7,395,232	12,765,171
Scholarship allowance (credit)	<u>(18,442,753)</u>	<u>(19,331,472)</u>	<u>(18,637,194)</u>	<u>(18,694,682)</u>
Total revenues	<u>\$174,338,471</u>	<u>\$177,560,235</u>	<u>\$182,077,257</u>	<u>\$174,445,010</u>
<u>Westfield State</u>				
Tuition and fees	\$55,554,507	\$57,377,085	\$56,967,200	\$53,243,430
Grants and contracts	13,540,086	13,114,205	12,765,510	12,905,962
State support	35,255,242	39,022,622	40,097,220	41,889,628
Auxiliary enterprises	28,304,371	26,579,581	21,158,360	8,590,132
Other revenues	4,843,559	4,631,229	7,371,734	9,594,747
Scholarship allowance (credit)	<u>(10,701,997)</u>	<u>(10,967,197)</u>	<u>(10,391,561)</u>	<u>(10,236,061)</u>
Total revenues	<u>\$126,795,768</u>	<u>\$129,757,525</u>	<u>\$127,968,463</u>	<u>\$115,987,838</u>
<u>Worcester State</u>				
Tuition and fees	\$47,455,790	\$49,364,735	\$48,742,481	\$46,997,815
Grants and contracts	12,637,198	12,763,645	13,156,982	11,566,478
State support	35,415,371	39,400,435	41,086,913	42,192,196
Auxiliary enterprises	12,960,428	13,291,511	10,966,151	7,223,975
Other revenues	1,265,178	1,468,693	3,063,947	8,436,228
Scholarship allowance (credit)	<u>(9,262,374)</u>	<u>(9,426,624)</u>	<u>(9,090,786)</u>	<u>(8,458,224)</u>
Total revenues	<u>\$100,471,591</u>	<u>\$106,862,395</u>	<u>\$107,925,688</u>	<u>\$107,958,468</u>

Source: University Financial Statements

Enrollment

The following table sets forth enrollment information for the system of public higher education for the fall semesters of 2017 through 2021 on the basis of full-time equivalent students and headcount. Both degree and non-degree students are included.

	<u>Fall 2017</u>	<u>Fall 2018</u>	<u>Fall 2019</u>	<u>Fall 2020</u>	<u>Fall 2021</u>
<u>Full-Time Equivalent</u>					
Bridgewater	9,086	9,047	8,976	8,619	7,897
Fitchburg	4,667	4,745	4,659	4,469	4,169
Framingham	4,537	4,405	4,333	3,983	3,598
Mass. College of Art and Design	1,839	1,820	1,863	1,675	1,707
Mass. College of Liberal Arts	1,401	1,288	1,320	1,063	889
Mass. Maritime Academy	1,781	1,786	1,791	1,650	1,559
Salem	7,105	6,778	6,260	5,803	5,564
Westfield	5,497	5,345	5,081	4,652	4,270
Worcester	<u>4,954</u>	<u>4,930</u>	<u>4,850</u>	<u>4,596</u>	<u>4,224</u>
State Universities	<u>40,867</u>	<u>40,144</u>	<u>39,133</u>	<u>36,510</u>	<u>33,878</u>
Community Colleges	<u>50,396</u>	<u>47,535</u>	<u>45,495</u>	<u>39,855</u>	<u>37,244</u>
University of Massachusetts	<u>63,597</u>	<u>64,296</u>	<u>64,883</u>	<u>64,937</u>	<u>63,669</u>
Total	<u>154,860</u>	<u>151,975</u>	<u>149,511</u>	<u>141,302</u>	<u>134,790</u>
 <u>Headcount</u>					
Bridgewater	11,019	10,990	10,881	10,651	9,942
Fitchburg	7,075	7,199	7,252	6,728	6,674
Framingham	5,691	5,565	5,463	4,876	4,495
Mass. College of Art and Design	2,064	2,087	2,095	1,894	1,907
Mass. College of Liberal Arts	1,588	1,452	1,507	1,202	994
Mass. Maritime Academy	1,780	1,802	1,792	1,637	1,531
Salem	8,702	8,338	7,706	7,242	7,131
Westfield	6,237	6,101	5,798	5,395	5,013
Worcester	<u>6,434</u>	<u>6,217</u>	<u>6,204</u>	<u>5,724</u>	<u>5,417</u>
State Universities	<u>50,590</u>	<u>49,751</u>	<u>48,698</u>	<u>45,349</u>	<u>43,104</u>
Community Colleges	<u>83,397</u>	<u>79,948</u>	<u>76,327</u>	<u>67,685</u>	<u>64,988</u>
University of Massachusetts	<u>73,368</u>	<u>73,388</u>	<u>73,656</u>	<u>74,044</u>	<u>73,131</u>
Total	<u>207,355</u>	<u>203,087</u>	<u>198,681</u>	<u>187,078</u>	<u>181,223</u>

Source: Massachusetts Department of Higher Education
Totals may not add due to rounding.

Tuition and Fees

The following are the tuition rates and fees for Massachusetts residents for each of the State Universities, the Community Colleges and the University of Massachusetts for the academic years 2017-2018 through 2021-2022. Fees which are payable by some students but not others, including fees for the use of Authority residence halls and other Authority projects, are not included.

	Academic Year <u>2017-2018</u>		Academic Year <u>2018-2019</u>		Academic Year <u>2019-2020</u>		Academic Year <u>2020-2021</u>		Academic Year <u>2021-2022</u>	
	<u>Tuition</u>	<u>Fees</u>	<u>Tuition</u>	<u>Fees</u>	<u>Tuition</u>	<u>Fees</u>	<u>Tuition</u>	<u>Fees</u>	<u>Tuition</u>	<u>Fees</u>
Bridgewater	\$910	\$9,102	\$910	\$9,658	\$910	\$9,822	\$910	\$9,822	\$910	\$9,822
Fitchburg	970	9,184	970	9,384	970	9,534	970	9,684	970	9,684
Framingham	970	8,950	970	9,550	970	10,130	970	10,410	970	10,410
Mass. College of Art and Design	1,030	11,670	1,030	12,170	1,030	12,670	1,030	13,170	1,030	13,170
Mass. College of Liberal Arts	1,030	9,106	1,030	9,530	1,030	9,900	1,030	10,276	1,030	10,276
Mass. Maritime Academy	1,714	6,684	1,782	7,946	1,836	8,182	1,890	8,424	1,946	8,570
Salem	910	9,368	910	9,972	910	10,374	910	10,764	910	10,764
Westfield	970	8,746	970	9,460	970	9,880	970	10,170	970	10,170
Worcester	970	8,562	970	9,192	970	9,192	970	9,616	970	9,616
State Universities*	<u>\$986</u>	<u>\$9,023</u>	<u>\$990</u>	<u>\$9,618</u>	<u>\$994</u>	<u>\$9,901</u>	<u>\$998</u>	<u>\$10,151</u>	<u>\$1,001</u>	<u>\$10,149</u>
Community Colleges*	<u>\$732</u>	<u>\$5,299</u>	<u>\$731</u>	<u>\$5,648</u>	<u>\$732</u>	<u>\$5,833</u>	<u>\$732</u>	<u>\$6,047</u>	<u>\$731</u>	<u>\$6,088</u>
University of Massachusetts*	<u>\$14,346</u>	<u>\$389</u>	<u>\$14,710</u>	<u>\$441</u>	<u>\$15,073</u>	<u>\$556</u>	<u>\$15,093</u>	<u>\$606</u>	<u>\$15,093</u>	<u>\$609</u>

Source: Board of Higher Education

* Represents the average, weighted by number of students

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Room Rates of Residence Facilities at State Universities

The following table shows the range of annual rates charged for the Authority's residence facilities for the academic years 2017-2018 through 2021-2022. The Authority conducts a biennial market evaluation to ensure that rents are at or below the cost of off-campus housing in the area served by each university. In addition, a program for housing financial aid makes about \$2.0 million available annually as part of financial aid for students with need. See "THE AUTHORITY – Management's Discussion and Analysis; Debt Service – *Housing Grant Scholarship Program*." Regular modest rent increases are implemented to ensure adequate funding for debt service, operating cost increases and to fund capital improvements:

<u>State University</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>
Bridgewater	\$7,510-8,862	\$7,698-9,128	\$7,948-9,425	\$8,099-10,024	\$8,100-10,220
Fitchburg	\$6,044-8,273	\$6,331-8,666	\$6,331-9,034	\$6,600-10,000	\$6,600-10,000
Framingham	\$7,280-9,880	\$7,560-10,160	\$7,840-10,440	\$8,040-13,640	\$8,040-13,640
Mass. College of Art and Design	\$8,820-12,320	\$9,261-13,378	\$9,358-13,378	\$9,360-13,860	\$9,210-14,280
Mass. College of Liberal Arts	\$6,050-6,250	\$5,000-6,550	\$5,000-6,850	\$6,900-7,100	\$7,040-7,340
Mass. Maritime Academy	\$7,340	\$7,560	\$7,790	\$8,004	\$8,200
Salem	\$7,870-11,160	\$8,110-11,490	\$8,350-11,820	\$8,680-12,530	\$8,680-12,000
Westfield	\$6,110-9,260	\$4,380-9,540	\$4,510-9,830	\$6,800-10,120	\$7,700-9,700
Worcester	\$7,646-8,746	\$7,778-8,878	\$7,778-8,878	\$7,878-9,278	\$7,878-9,278

Source: Authority

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Occupancy as a Percentage of Design Capacity at Residence Facilities of State Universities

The following table shows for the academic years 2016-2017 through 2020-2021 and for fall 2021 the occupancy rates of the Authority's residence facilities at State Universities expressed as a percentage of design capacity. Actual occupancy can exceed 100% of design capacity when, for example, a double room is occupied by three students and/or when lounge spaces are converted to residence space (consistent with prevailing codes). This level of occupancy has been achieved while adding approximately 6,337 additional beds to the system since the fall of 2003.

	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020*</u>	<u>2020-2021**</u>	<u>Fall 2021</u>
Bridgewater	96.4%	94.8%	94.8%	95.7%	37.1%	83.5%
Fitchburg	96.0	92.1	84.8	76.2	50.3	60.4
Framingham	93.8	92.9	89.9	87.9	32.8	66.2
Mass. College of Art and Design	99.2	99.0	96.2	99.9	65.0	98.8
Mass. College of Liberal Arts	77.4	74.4	70.8	73.4	46.3	45.7
Mass. Maritime Academy	104.6	102.0	101.8	101.3	57.3	98.3
Salem	96.3	95.7	89.9	79.0	36.5	66.2
Westfield	99.2	93.9	86.0	82.2	37.5	69.4
Worcester	<u>92.3</u>	<u>95.5</u>	<u>96.0</u>	<u>95.6</u>	<u>50.4</u>	<u>81.1</u>
State University Average	<u>95.8%</u>	<u>93.9%</u>	<u>90.5%</u>	<u>87.7%</u>	<u>42.9%</u>	<u>74.1%</u>

Source: Authority

* The 2019-2020 academic year occupancy reflects actual occupancy prior to the actions taken to protect public health. See also "COVID-19" herein.

** The 2020-2021 academic year reflects lower occupancy due in part to many buildings limiting the number of students per room and keeping some space available for quarantine. Some classes were taught remotely, so the demand for on-campus housing was reduced as a result. See also "COVID-19" herein.

Total Number of Residence Hall Beds by State University

The following table shows the total number of residence hall beds by State University for the academic years 2016-2017 through 2021-2022:

	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>
Bridgewater	3,295	3,295	3,294	3,294	3,304	3,298
Fitchburg	1,580	1,712	1,712	1,706	1,705	1,705
Framingham	1,996	1,978	1,978	1,972	1,972	1,972
Mass. College of Art and Design	919	919	890	919	919	919
Mass. College of Liberal Arts	1,045	1,045	1,026	1,026	1,026	1,026
Mass. Maritime Academy	1,411	1,411	1,411	1,411	1,449	1,434
Salem	2,282	2,282	2,282	2,282	2,282	2,282
Westfield	2,752	2,752	2,752	2,752	2,760	2,680
Worcester	<u>1,577</u>	<u>1,577</u>	<u>1,577</u>	<u>1,577</u>	<u>1,584</u>	<u>1,584</u>
Total State Universities	<u>16,857</u>	<u>16,971</u>	<u>16,922</u>	<u>16,939</u>	<u>17,001</u>	<u>16,900</u>

Source: Authority

State Higher Education Admissions Data

The following table sets forth freshman application, acceptance and the percentage registered information for the system of public higher education for fall 2018 through fall 2021. This information is based solely on fall semester statistics.

	Fall 2018			Fall 2019			Fall 2020			Fall 2021		
	<u>Applied</u>	<u>Accepted</u>	<u>% Registered</u>	<u>Applied</u>	<u>Accepted</u>	<u>% Registered</u>	<u>Applied</u>	<u>Accepted</u>	<u>% Registered</u>	<u>Applied</u>	<u>Accepted</u>	<u>% Registered</u>
Bridgewater	6,068	5,339	29.50%	9,025	7,668	21.57%	9,554	7,756	18.48%	8,856	7,603	18.87%
Fitchburg	3,234	2,810	25.40%	2,902	2,564	26.29%	2,998	2,638	25.06%	3,414	2,911	19.48%
Framingham	5,706	4,182	18.30%	5,945	4,415	17.58%	5,695	4,572	13.45%	5,117	4,288	13.53%
Mass. College of Art and Design	2,566	1,724	21.10%	3,087	1,784	21.47%	2,677	1,881	17.65%	2,433	1,914	20.32%
Mass. College of Liberal Arts	1,931	1,423	18.40%	1,754	1,432	19.90%	1,355	1,188	14.39%	1,371	1,247	13.39%
Mass. Maritime Academy	759	676	59.20%	774	707	57.14%	785	726	45.04%	1,109	1,002	32.04%
Salem	6,562	5,558	20.00%	5,825	4,985	20.28%	6,557	5,688	17.53%	6,287	5,659	16.61%
Westfield	4,302	3,702	27.10%	4,455	3,883	26.86%	4,049	3,743	22.39%	3,629	3,424	23.48%
Worcester	4,076	3,173	28.10%	3,896	3,145	28.17%	4,047	3,279	24.64%	3,446	3,078	24.59%
Total State Universities	<u>35,204</u>	<u>28,587</u>	<u>24.80%</u>	<u>37,663</u>	<u>30,583</u>	<u>23.27%</u>	<u>37,717</u>	<u>31,471</u>	<u>19.64%</u>	<u>35,662</u>	<u>31,126</u>	<u>19.15%</u>
Community Colleges	41,198	36,339	44.09%	37,997	34,923	44.21%	33,718	30,047	39.75%	32,208	27,325	43.31%
University of Massachusetts	<u>75,787</u>	<u>49,631</u>	<u>21.90%</u>	<u>78,607</u>	<u>52,745</u>	<u>22.00%</u>	<u>77,223</u>	<u>53,831</u>	<u>19.78%</u>	<u>80,633</u>	<u>58,681</u>	<u>17.54%</u>
Total	<u>152,189</u>	<u>114,557</u>	<u>29.66%</u>	<u>154,267</u>	<u>118,251</u>	<u>28.89%</u>	<u>148,658</u>	<u>115,349</u>	<u>24.95%</u>	<u>148,503</u>	<u>117,132</u>	<u>23.98%</u>

State University Faculty Levels

The following table sets forth for each State University the number of full-time faculty members for the fall semester of the academic years 2016-2017 through 2020-2021.

	Academic Year <u>2016-2017</u>	Academic Year <u>2017-2018</u>	Academic Year <u>2018-2019</u>	Academic Year <u>2019-2020</u>	Academic Year <u>2020-2021</u>
Bridgewater	362	357	355	361	337
Fitchburg	204	203	200	206	200
Framingham	198	197	200	198	189
Mass. College of Art and Design	112	111	114	121	114
Mass. College of Liberal Arts	91	87	90	89	87
Mass. Maritime Academy	83	89	88	88	96
Salem	349	340	325	318	293
Westfield	226	228	232	233	226
Worcester	<u>204</u>	<u>211</u>	<u>207</u>	<u>208</u>	<u>203</u>
Total	<u>1,829</u>	<u>1,823</u>	<u>1,811</u>	<u>1,822</u>	<u>1,745</u>

Source: Integrated Postsecondary Education Data System

FINANCIAL STATEMENTS OF THE AUTHORITY

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**Massachusetts State College Building Authority
(A Component Unit of the
Commonwealth of Massachusetts)**

**Financial Statements
(With Supplementary Information)
and Independent Auditor's Reports**

June 30, 2021 and 2020

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Massachusetts State College Building Authority
(A Component Unit of the Commonwealth of Massachusetts)

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Independent Auditor's Report

To the Board
Massachusetts State College Building Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Massachusetts State College Building Authority (the "Authority"), a component unit of the Commonwealth of Massachusetts, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Matters**Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and other postemployment benefit schedules on pages 4 to 17, and 60 to 66, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The statistical section contained on pages 67 to 71 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 do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2021, on our consideration of the Authority'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 solely 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 effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Boston, Massachusetts
December 15, 2021

**Massachusetts State College Building Authority
(A Component Unit of the Commonwealth of Massachusetts)**

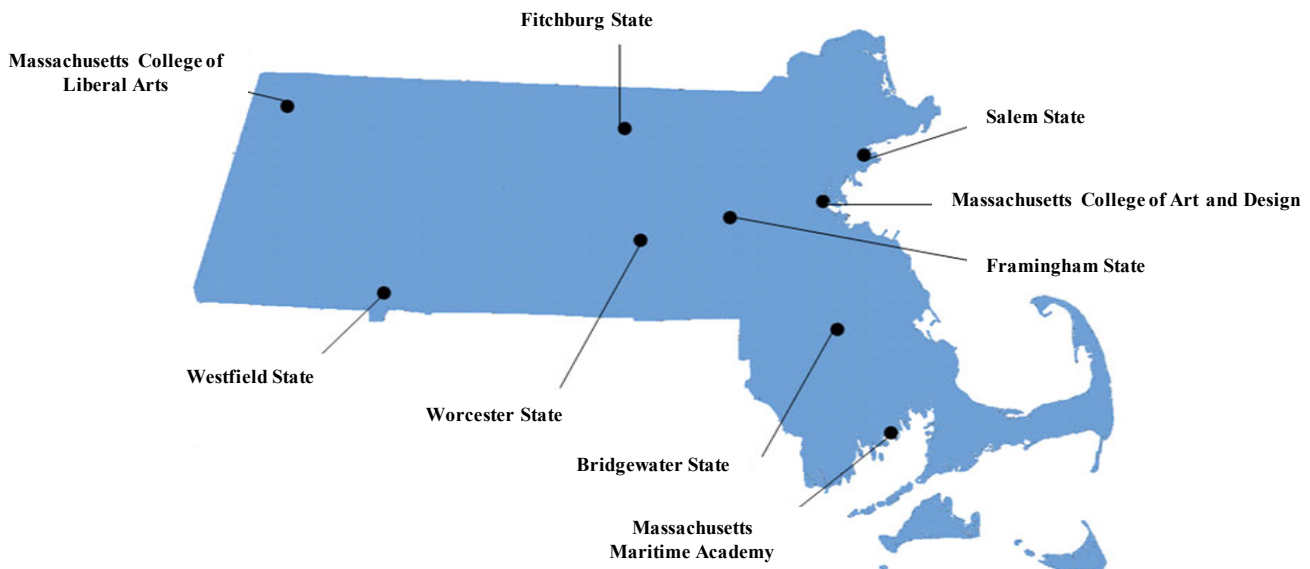
**Management's Discussion and Analysis
For the Years Ended June 30, 2021 and 2020
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The following discussion and analysis provide management's overview of the financial position of the Massachusetts State College Building Authority (the "Authority") as of June 30, 2021 and 2020, and the results of its operations and cash flows for the years then ended. This management's discussion and analysis is unaudited and should be read in conjunction with the Authority's audited financial statements and notes, which are attached hereto.

Introduction

The Massachusetts State College Building Authority is a public instrumentality of the Commonwealth of Massachusetts charged with financing, designing, constructing, and overseeing the management of revenue-funded facilities - housing, dining, athletic, parking, and other student activity facilities - for the nine State Universities. Recent amendments to the enabling legislation expand the mission of the Authority to include the fifteen Community Colleges, as well as enabling the Authority to finance certain academic facility projects located at the State Universities and Community Colleges. The Authority was created pursuant to Chapter 703 of the Acts of 1963 (the "Act") of the Commonwealth of Massachusetts.

The State University segment of the public institutions of higher education includes Bridgewater, Fitchburg, Framingham, Salem, Westfield, and Worcester State Universities, Massachusetts College of Liberal Arts, Massachusetts College of Art and Design, and Massachusetts Maritime Academy. The community college segment includes the following institutions: Berkshire, Bristol, Bunker Hill, Cape Cod, Greenfield, Holyoke, Massachusetts Bay, Massasoit, Middlesex, Mount Wachusett, North Shore, Northern Essex, Quinsigamond, Roxbury, and Springfield Technical Community Colleges.



As required by statute, the offices of the Authority are in Boston, Massachusetts. The nine board members of the Authority are appointed by the Governor; three members must be appointive members of the Commonwealth's Board of Higher Education.

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As further described below, fiscal year 2021 was unique for a number of reasons. The Authority issued the Series 2020A Bonds on July 1, 2020 in part to refund Bonds maturing in fiscal years 2021 and 2022 to provide fiscal relief to the State Universities as they faced the potential for lower occupancy and reduced revenues in those fiscal years due to the COVID-19 outbreak. As a result, the FY 2021 aggregate debt service assessment was reduced by \$52.8 million (approximately 50%), and the FY 2022 aggregate debt service assessment was reduced by \$28.2 million (approximately 25%). All nine State Universities reopened the residence halls for the fall 2020 and spring 2021 semesters with public health procedures in place for testing and quarantine. In addition to the debt service assessment, operating and reserve assessments to the Universities were reduced to more closely align expenses to the reduced revenue. The Authority released \$15.8 million from the debt service reserve to fund a portion of the fall 2020 interest payment, and \$400,000 to fund a portion of the spring 2021 interest payment, which further reduced the amount that needed to be assessed to the Universities. For the fall 2021 semester, all nine campuses required residential students to be vaccinated, subject to medical and religious exemptions.

All of the State Universities have received or anticipate receiving direct federal aid in the aggregate amount of \$18.0 million under the CARES Act (aka Higher Education Emergency Relief Funds (HEERF)), which may be used to help address costs incurred by the State Universities as a result of the pandemic. Additional direct federal aid was designated for higher education institutions through the CRRSA Act (HEERF II) passed December 27, 2020, which allocated \$41.3 million in institutional aid for the State Universities. On March 11, 2021, the American Rescue Plan Act of 2021 (ARP Act aka HEERF III) was signed into law, which included \$51.9 million in institutional aid for the State Universities. All three Acts also included amounts that were required to be used for student grants. The aggregate amount of funding for student aid and institutional aid from the three Acts totals \$199.9 million for the nine State Universities. The Universities are using the federal funds to support their operations.

The FY21 financial statements, and the related significant variances from prior years, reflect a deliberate, structured approach by the Authority to provide short term financial flexibility to the campuses, in order to allow them to concurrently prioritize the public health needs of their community while maintaining financial stability. The extent of the impact to the State Universities and the Authority is not yet fully known and is expected to vary greatly depending on the duration and breadth of the COVID-19 pandemic, which remain uncertain. Consequently, the following are some of the potential impacts that are not yet known: the extent to which the State Universities and the Authority will incur additional costs; the manner and extent to which student enrollment, on-campus activities and the use of the residential and other facilities financed by the Authority will be affected and any resulting revenue impacts; and the manner and extent to which the state budget and, consequently, state appropriations for the State Universities will be impacted. For these reasons, comparison of FY21 to prior years may not be indicative of results since the COVID-19 outbreak and for the foreseeable future.

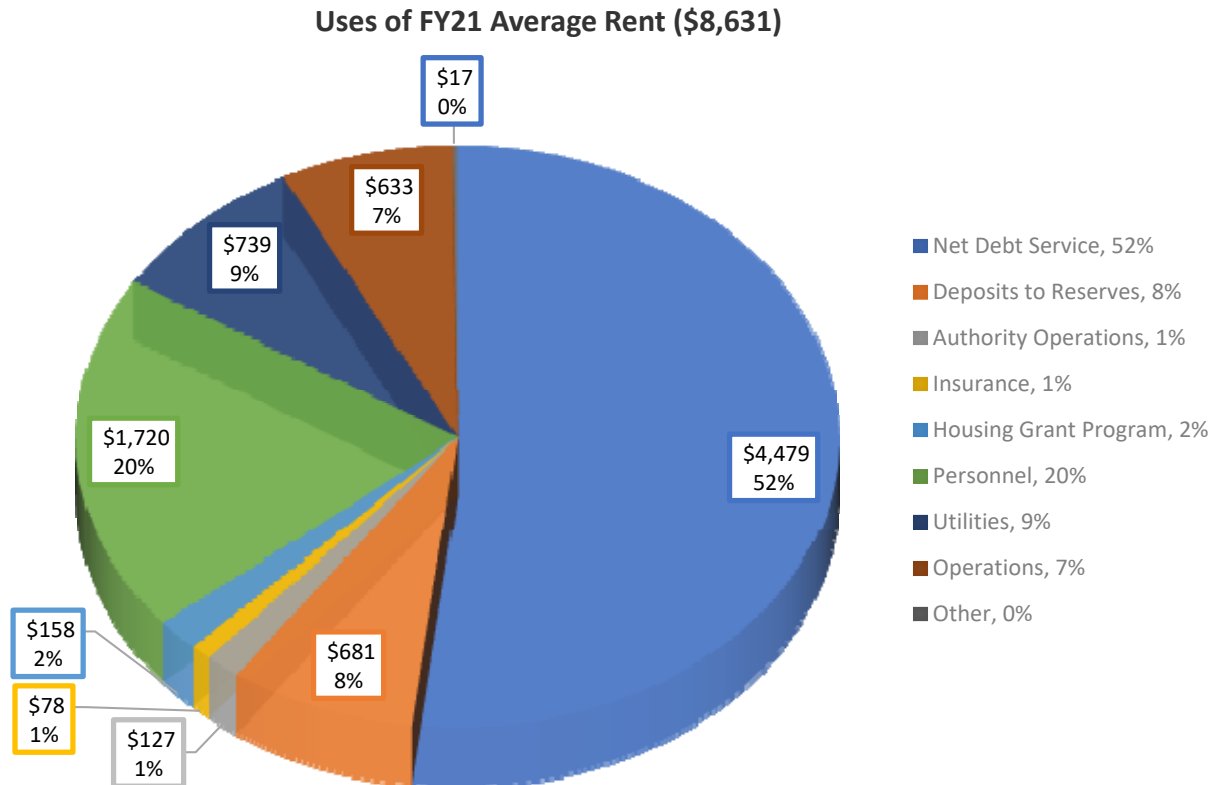
Revenue

The Authority receives no appropriation from the Commonwealth; all revenues to support facility design, construction, and operation are derived from the rents and fees paid by students for the use of these facilities and services. Pursuant to the Act and a Contract for Financial Assistance, Management and Services between the Commonwealth acting by and through the Board of Higher Education ("BHE") (the "Contract"), the Authority annually sets and assesses rents and fees sufficient to provide for the payment of all costs of its facilities. The average budgeted rent in academic year 2020/21 was

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\$8,631 and included maintenance, operation, administration, reserves and to pay debt service on revenue bonds issued to finance its projects.



Enrollment and Occupancy

The State Universities certify residence hall occupancy to the Authority and to the Commonwealth's Department of Higher Education on a semi-annual basis. For the academic years 2020/21 and 2019/20, the number of students housed in on-campus housing owned by the Authority was 42.9% and 87.7% of design occupancy, respectively. This reduction reflects the impact of COVID-19, students choosing to learn remotely during the pandemic and the temporary conversion of some double rooms to single occupancy to improve social distancing.

At the beginning of the spring 2021 semester, approximately 6,594 students resided in the 55 residential complexes owned by the Authority. These facilities can house 47% of fall 2021 full-time undergraduate students and comprise about 4.5 million square feet of space on the nine State University campuses. In addition, the Authority owns three parking structures that provide spaces for 2,114 vehicles.

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The following table shows average annual residence hall occupancy from academic year 2011/12 through 2020/21. During this period, the authority increased design occupancy by 19%, or over 2,600 beds.

<u>State University</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>
Bridgewater	100.0%	98.9%	94.6%	99.2%	96.7%	96.0%	95.0%	94.8%	95.8%	37.1%
Fitchburg	100.0%	100.8%	99.6%	103.1%	101.0%	96.4%	92.0%	84.8%	76.2%	50.3%
Framingham	100.0%	100.3%	100.3%	97.9%	97.9%	93.8%	93.0%	89.9%	87.9%	32.8%
Mass. College of Art and Design	100.0%	99.3%	99.2%	98.6%	98.2%	99.2%	99.0%	96.2%	100.0%	65.0%
Mass. College of Liberal Arts	94.0%	91.1%	85.8%	85.7%	78.6%	77.4%	74.0%	70.8%	73.5%	46.3%
Mass. Maritime Academy	106.0%	107.9%	111.2%	92.5%	100.5%	104.6%	102.0%	101.8%	101.3%	57.3%
Salem	102.0%	106.7%	105.9%	106.8%	99.7%	96.3%	96.0%	89.9%	79.0%	36.5%
Westfield	106.0%	101.1%	98.1%	98.3%	102.4%	99.2%	94.0%	86.0%	82.2%	37.5%
Worcester	103.0%	101.9%	101.1%	86.6%	94.0%	92.3%	96.0%	96.0%	95.7%	50.4%
Average Occupancy	101.4%	101.0%	99.1%	97.5%	97.6%	95.8%	94.0%	90.5%	87.7%	42.9%
Design Occupancy	14,344	15,290	15,717	16,458	17,289	16,857	16,957	16,922	16,939	17,001

Financial Statements

The Authority's financial statements (pages 18 to 23 of this report) have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB").

The *Statement of Net Position (Deficiency in Net Position)* presents assets and deferred outflows of resources, less liabilities and deferred inflows of resources, with the residual balance being reported as *net position (deficiency in net position)*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the Authority's net position changed during the fiscal year presented. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., the payment for accrued compensated absences, or the receipt of amounts due from state colleges and others for services rendered).

The *Statement of Cash Flows* is reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations as major classes of operating receipts (e.g., income from contracts for financial assistance, management and services) and disbursements (e.g., cash paid to employees, contractors, consultants, or vendors for services). GASB Statements 34 and 35 require this method to be used.

The notes to the financial statements describe significant accounting policies adopted by the Authority and provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Highlights

- The total assets of the Authority declined from \$1.21 billion at June 30, 2020 to \$1.15 billion at June 30, 2021. This decline largely relates to depreciation exceeding investment in new capital assets on Authority-owned facilities by \$34.9 million and the reduction in cash and investments related to the

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reduction in assessment revenue to the campuses. Details of capital assets are provided on pages 33 and 34.

- Total liabilities remained consistent at \$1.27 billion. This stability reflects an increase in bonds payable of \$4.4 million offset by a reduction in interagency payables of \$4.7 million.
- FY21 operating revenues decreased \$60.5 million from FY20. This decrease is due to a planned reduction to campus assessments of \$60.3 million to provide cash flow stability and flexibility to the campuses to prioritize public health and long-term fiscal stability in the face of COVID-19.

Financial Analysis

Statements of Net Position (Deficiency in Net Position)

The Authority's net position reflects its investment in capital assets, including land, buildings, furniture and equipment, less accumulated depreciation and related outstanding debt used to acquire those assets. These assets provide on-going services to the State Universities and consequently they are generally not available to be used to liquidate liabilities. In fiscal year 2002, the Authority began depreciating its capital assets in accordance with GASB Statements 34 and 35. At that time, the initial accumulated depreciation of \$81.45 million represented the depreciation on its capital assets dating back to 1963. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets in accordance with guidelines established by the Commonwealth. The Authority's net position is as follows:

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Summary - Statements of Net Position at June 30, 2021, 2020, and 2019

	Fiscal year ended June 30,		
	2021	2020	2019
Current assets	\$ 52,053,315	\$ 72,453,924	\$ 87,632,827
Capital assets, net	824,697,853	859,554,400	289,040,639
Other noncurrent assets	270,093,453	277,965,122	886,078,640
Total assets	<u>1,146,844,621</u>	<u>1,209,973,446</u>	<u>1,262,752,106</u>
Deferred outflows of resources	<u>39,530,081</u>	<u>31,359,579</u>	<u>41,263,105</u>
Current liabilities	45,453,331	68,131,342	81,737,089
Noncurrent liabilities	1,221,173,747	1,198,028,518	1,257,506,644
Total liabilities	<u>1,266,627,078</u>	<u>1,266,159,860</u>	<u>1,339,243,733</u>
Deferred inflows of resources	<u>5,041,280</u>	<u>5,497,765</u>	<u>5,904,838</u>
Net position:			
Net investment in capital assets	(93,658,605)	(52,345,420)	(44,021,651)
Restricted			
Unrestricted	<u>8,364,949</u>	<u>22,020,820</u>	<u>2,888,291</u>
Deficiency in net position	<u>\$ (85,293,656)</u>	<u>\$ (30,324,600)</u>	<u>\$ (41,133,360)</u>

Current assets include cash related to project spending, debt service, and Authority operations, current accounts receivable, and prepaid expenses.

- For the year ended June 30, 2021, current assets decreased \$20.4 million or 28.2% from the prior year. Unrestricted cash decreased by \$3.6 million, reflecting a reduction in assessment for capital reserves while restricted cash and investments declined by \$6.4 million driven by capital project spending of bond proceeds and campus funds at a greater rate than new bond proceeds and new campus funds were received and the use of debt service reserve funds to offset the temporary reduction to campus assessments. The Authority sustains a capital reserve program consistent with the requirements of the Contract to ensure adequate reserves for building renewal. This reserve program is funded through annual assessments based on building age. Total capital reserves were \$31.7 million at June 30, 2021.

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Capital assets include land, buildings and furniture and equipment, net of depreciation. Due to the reduction in Authority capital spending on Authority-owned assets in recent years, capital assets have decreased \$34.9 million, or 4.1% in FY21 and \$26.5 million, or 3.0%, in FY20. Further detail of capital assets is discussed on pages 33 and 34.

Other non-current assets include the non-current portion of restricted cash and investments, including debt service reserve funds, pension reserves, and long-term accounts receivable related to debt service on University-owned assets.

- Debt service reserve fund balances are represented in the restricted cash and cash equivalents and restricted investments line items. For the year ended June 30, 2021, total debt service reserve fund balances decreased by \$13.3 million, or 16%. This decrease reflects the use of debt service reserve funds to offset the planned reduction in assessment revenue.

Net accounts receivable related to university-owned assets were reduced by \$1.3 million from the year ended June 30, 2020 to June 30, 2021. This decrease is due to the 2020A restructuring, which minimized principal payments due in FY21. Other than the 2020A refunding, no new debt was issued in FY21 for campus owned assets.

Deferred outflow of resources includes deferred outflows for pensions and net other post-employment benefits ("OPEB") liability (\$1.2 million) and deferred losses on refunding of debt (\$38.3 million). Total deferred outflows for resources was \$39.5 for the year ended June 30, 2021, a decrease of \$8.2 million or 26.0%. This decrease was driven by a reduction in the deferred losses of prior refundings mainly due to the 2020A taxable refunding.

Total liabilities include debt service, accounts payable, payroll related liabilities, liabilities related to university funds held by the Authority, and the net pension and OPEB liability of the Authority.

- For the year ended June 30, 2021, total liabilities increased \$467 thousand, or .04%.
- Beginning with FY15, the Authority implemented GASB 68 which requires the Authority to report the net pension liability which is the difference between the total pension liability and the value of the assets available in the pension plan's trust to pay pension benefits. The Commonwealth calculated the Authority's proportional share of the Commonwealth's net pension liability in FY21 to be \$4.3 million compared to \$3.9 million in FY20. The Authority invests its retirement trust fund with the Commonwealth's Pension Reserve Investment Trust. This investment was valued at \$6.6 million as of June 30, 2021, which is \$2.3 million greater than the liability assigned to the Authority by the Commonwealth.

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- Beginning in FY18, the Authority implemented GASB 75 which requires the Authority to report the OPEB liability, which is the difference between the total liability and the value of the assets available to pay other postemployment benefits. As of June 30, 2020, the liability is \$1.6 million. As of June 30, 2021, the liability is \$1.7 million.
- University-owned student activity facilities are not carried as capital assets of the Authority. Project funds associated with University-owned assets are carried as interagency payable liabilities of the Authority. Debt associated with university-owned facilities is carried as receivables due from the college. Interest payments received from the colleges are reflected as Interest income - interagency.
- Debt administration is discussed further on page 16.
- A deficiency in total net position exists primarily due to depreciation exceeding new capital asset investment by \$35 million, an increase of deferred loss on refunding of \$8.1 million, and the use of debt service reserve funds to fund interest payments. The deficiency in net position at June 30, 2021 increased by \$55 million compared to the net position at June 30, 2020.

Statements of Revenues, Expenses and Changes in Net Position

Authority revenue is primarily derived from assessments of state college residence hall rents and student activity fees pursuant to the Contract, in which the BHE commits the state colleges to meet the statutory and financial obligations related to the projects undertaken by the Authority. The assessments provide the revenue sufficient to fund annual debt service requirements associated with bonds issued to finance capital projects, capital improvement reserve deposits, insurance premiums, and Authority operating expenses.

Summary - Operating and Non-Operating Revenues and Expense

	Fiscal year ended June 30,		
	2021	2020	2019
Total operating revenues	\$ 32,023,051	\$ 92,496,233	\$ 90,772,308
Total operating expenses	49,949,064	48,605,316	49,014,849
Operating income	(17,926,013)	43,890,917	41,757,459
Nonoperating expenses, net	(37,043,043)	(33,082,157)	(40,206,232)
Increase (decrease) in net position	(54,969,056)	10,808,760	1,551,227
Restatement			
Net position - beginning of the year	(30,324,600)	(41,133,360)	(42,684,587)
Net position - end of the year	<u>\$ (85,293,656)</u>	<u>\$(34,124,600)</u>	<u>\$ (41,133,360)</u>

Operating revenues include contracts for assistance, management and services, management fees on campus owned projects, and other miscellaneous revenue.

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- For the year ended June 30, 2021, operating income (expense) decreased \$61.8 million, or 141%. This reflects a planned decrease in campus assessments for both debt service and capital reserves to provide cash flow flexibility to manage the impact of COVID-19. This reduction was one-time for FY21 and offset by the use of debt service reserve funds to pay debt service.
- Miscellaneous revenue includes management fees on campus-owned projects, revenue from a laundry operation contract, and other one-time revenue. This decreased by \$160 thousand from FY20 to FY21 due to a decrease in management fees.

Non-operating expenses, net include other revenue including investment income on project funds and reserves, net transfers between the Authority and the State Universities in support of capital projects, and interest subsidy from the U.S. Treasury relating to the Authority's outstanding Build America Bonds.

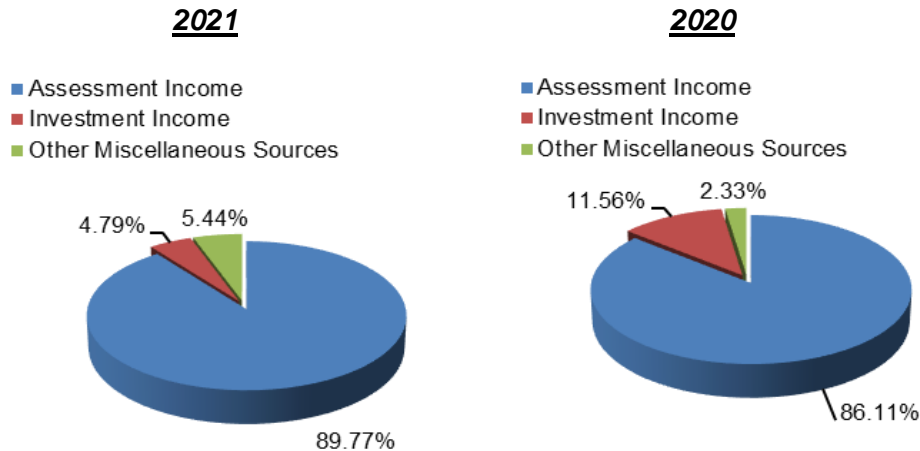
- For the year ended June 30, 2021, net investment income decreased \$10.6 million, an 86% decrease. This reduction reflects a one-time \$3.8 million gain in FY20, as well as a decrease in unrealized gains from FY20 to FY21 related to a decrease in total investable assets.
- The 2020A refunding is reflected in the decrease in interest expense of \$9.4 million or 17.8%, the decrease of corresponding interest income - interagency of \$1.9 million or 26%, the reduction in Build America Bonds subsidy of \$686 thousand, and the increase in bond issuance costs of \$843 thousand, or 59%.

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The charts below compare total revenue for FY21 with FY20:

Summary - Total Revenue Fiscal Years 2021 and 2020



Operating expenses include depreciation, insurance premium costs and operating expenses associated with Authority operations.

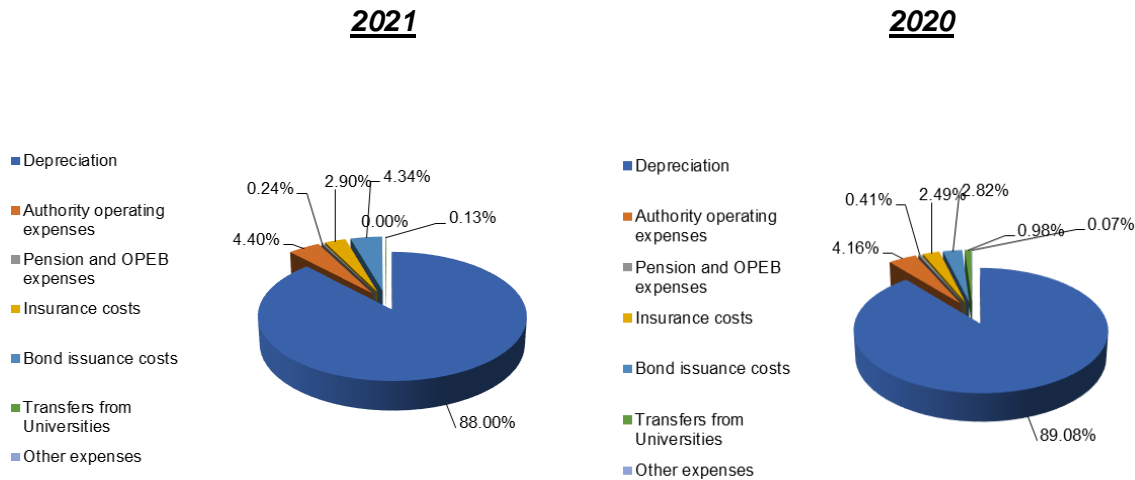
- For the year ended June 30, 2021, the \$1.3 million or 2.8% increase in operating expenses is driven by increases in depreciation of \$956 thousand or 2.1%, and insurance costs by \$257 thousand, or 20.4%, and authority operating expenses of \$175 thousand, or 8%, due to the transition of capitalizable salaries to the operating budget. All other operating expenses were stable to the prior year.
- Net non-operating expenses include annual interest expense incurred on the Authority's debt obligations, less investment income used to offset debt service requirements, bond issuance costs, and other one-time expenses.
 - In the year ended June 30, 2021, the Authority had interest expense of \$43.5 million, a 17.8% decrease from the prior year, due to savings on the 2020A refunding and no new debt issued.
 - In the year ended June 30, 2021, bond issuance costs were \$2.3 million, related to the 2020A refunding.

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The charts below compare total expenses, excluding interest expense, for FY21 with FY20:

Summary - Total Expenses (excluding Interest Expense) Fiscal Years 2021 and 2020



Statements of Cash Flows

Authority cash in-flows are primarily generated from assessments received from the state colleges and proceeds from bond issuances. Cash out-flows are primarily from continued payments for additions to Authority capital assets, payments for additions to University-owned assets, and payment of principal and interest on Authority debt.

Summary - Statements of Cash Flows

	Fiscal year ended June 30,		
	2021	2020	2019
Cash received from operations	\$ 33,133,337	\$ 92,517,691	\$ 90,693,937
Cash expended for operations	(4,431,405)	(4,493,936)	(2,610,797)
Net cash provided by operations	28,701,932	88,023,755	88,083,140
Net cash provided by (used in) capital and related financing activities	(54,492,435)	(113,386,093)	(92,040,591)
Net cash provided by (used in) investing activities	27,915,507	11,434,722	(8,146,118)
Net increase (decrease) in cash and cash equivalents	2,125,004	(13,927,616)	(12,103,569)
Cash and cash equivalents, beginning of year	57,737,208	71,664,824	83,768,388
Cash and cash equivalents, end of year	\$ 59,862,212	\$ 57,737,208	\$ 71,664,819

- Cash and cash equivalents were \$59.9 million at June 30, 2021 compared to \$57.7 million at June 30, 2020. This increase is due to increased debt service reserve funds held in cash equivalents instead of investments at June 30, 2021 offset by the spending of bond proceeds, and campus funds, combined with no new debt issued.

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Cash provided by operations includes cash received for contract revenue from campus and other miscellaneous revenues. Cash provided by operations also includes cash spent on insurance, operating, and Authority expenses.

- Cash provided by operations decreased by \$59.3 million, or 67% due to a reduction in assessment revenue.

Cash used in capital and related financing activities includes proceeds and cash paid related to bond issuances and refunding, payments for capital assets, payments and transfers for interagency payments and receipts between the Authority and the Universities, and principal and interest paid on capital debt.

- In FY21, net cash used in capital and related financing activities was \$54.5 million compared to \$113.4 million in FY20. This decrease is attributed to the impact of the 2020A refunding on FY21 relative to the impact of the 2019C refunding on FY20. In addition to the impact of proceeds from the bond issuance, the 2020A refunding resulted in a decrease of \$32.4 million less cash flow from principal and interest on capital debt. In addition, a decrease in capital asset spending as well as proceeds from the sale of capital assets led to a net cash outflow for capital assets of \$9.5 million, a decrease from \$22.4 million in FY20.

Cash provided by investing activities includes proceeds from sales and maturities of investments, purchases of investments, and interest earned on investments.

- For the year ended June 30, 2021, net cash provided by investing activities increased by \$16.5 million, reflecting the sale and use of debt service reserve investments to supplement the campus assessment revenues for debt service payments, and the increase of debt service reserve funds held in cash equivalent investment vehicles. Cash flows from interest on investing activities increased \$3.8 million due to one-time investment earnings from FY20 received in FY21.

Capital Assets

The Authority's investment in capital assets as of June 30, 2021 was \$824.7 million, net of accumulated depreciation, compared to \$859.6 million as of June 30, 2020 and \$886.1 million as of June 30, 2019. Capital assets include land, buildings and improvements thereon, furnishings and equipment. Capital assets comprised approximately 72% of total assets at June 30, 2021, 71% at June 30, 2020, and 71% at June 30, 2019. During the years ended June 30, 2021 and 2020, the Authority had additions to capital assets of \$13.6 million and \$18.4 million, respectively, in constructing new assets and improvements on assets already in service, inclusive of construction in progress. The major components of capital assets are presented below:

- Construction in progress represents the balance of additions to Authority assets for projects currently underway. The construction in progress balance was \$6.5 million at June 30, 2021 compared to \$23.5 million at June 30, 2020.
- The buildings and improvements balance were \$1.35 billion at June 30, 2021 compared to \$1.32 billion at June 30, 2020.

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- The furnishings and equipment balance was \$64.0 million at June 30, 2021, compared to \$62.3 million at June 30, 2020. The \$1.71 million increase in furnishings and equipment in FY21 was attributable to purchases across the state colleges.
- The Authority entered into a real estate transaction to sell land to the Commonwealth's Division of Capital Asset Management. This transaction resulted in \$2.2M reduction in land value and a related defeasance of \$2.4 million of bonds payable.
- The Authority has entered into various commitments for the purchase of equipment, construction of certain facilities and other improvements relating to both Authority assets and University-owned assets. As of June 30, 2021, such commitments were approximately \$17.2 million. This increase in commitments reflects a temporary decline in construction activity in spring FY20 due to COVID-19 and increase in activity in spring FY21 and into FY22.
- Additions to University-owned facilities have no effect on the Authority's capital assets. Project funds associated with university-owned assets are held as interagency payable liabilities of the Authority. As University-owned asset project funds are spent, the corresponding payable balances are reduced accordingly.

Debt Administration

The Act authorizes the Authority to issue bonds to finance the design and construction of residence facilities, dining commons, parking, athletic, cultural, and other student activity facilities at the state colleges. Also, under certain circumstances, the Authority may provide financing for certain projects that are managed by the Commonwealth. Authority bonds are special obligations of the Authority payable solely from revenues and certain pledged funds provided under the provisions of the Act, the Contract and the Trust Agreement between the Authority and trustee. Annually, the Authority collects assessments from each state college in amounts sufficient for the payment of, among other things, the debt service on the Authority's bonds. These assessments are primarily derived from the rents and fees on the Authority's facilities, and on University-owned facilities financed by the Authority, as annually set by the Authority. As additional security for the Authority's bonds, the Act and the Contract provide for an intercept of legislative appropriations to the state colleges, if the Authority otherwise lacks sufficient funds to pay debt service in full and on time. This intercept mechanism was clarified and streamlined by amendments to the Act in 2009 and 2011 and the Contract was amended to conform to the statutory changes.

As of June 30, 2021, the Authority had \$1.20 billion in principal amount of bonds outstanding compared to \$1.15 billion and \$1.18 billion at June 30, 2020 and 2019, respectively. The outstanding bond obligations carried unamortized premium balances of \$36.6 million, \$84.1 million, and \$112.4 million respectfully, as of June 30, 2021, 2020 and 2019. The \$51.8 million increase in bonds outstanding in fiscal year 2021 is attributable to the 2020A restructuring, and the elimination of most principal payments in FY21. All the outstanding bonds carry fixed interest rates payable semi-annually on May and November 1st. For all State University program bonds, principal is payable annually on May 1st, with a final maturity of 2049. Principal is payable semi-annually on May 1st and November 1st for the Community College Bonds, Series 2 issued in 2017 and Series 1 issued in 2014. The Authority's outstanding debt has no associated interest rate exchange agreements. Of the amount outstanding, \$100.9 million are taxable Build America Bonds for which the Authority was to receive a 35% interest rate subsidy directly from the U.S. Treasury. In federal fiscal years 2021, 2020 and 2019, a portion of

**Massachusetts State College Building Authority
(A Component Unit of the Commonwealth of Massachusetts)**

**Management's Discussion and Analysis
For the Years Ended June 30, 2021 and 2020
Unaudited**

the Authority's interest rate subsidy was reduced by approximately 5.7%, 5.9%, and 6.2%, respectively, due to the federal government budgetary sequestration. The Authority has no Commonwealth-guaranteed debt outstanding and no authorization to issue any.

The Authority's State University program bonds are rated Aa2 by Moody's and AA- by S&P Global as of June 30, 2021. The Community College Program, Series 1 and Series 2 bonds are not rated.

Requests for Information

The Authority's financial statements are designed to present readers with a general overview of the Authority's finances. Additional financial information, including official statements relating to the Authority's bonds, can be found on the Authority's website www.mscba.org. Questions concerning the financial statements or requests for additional financial information should be addressed to the Executive Director, Massachusetts State College Building Authority, 10 High Street, Suite 201, Boston, Massachusetts 02110.

Massachusetts State College Building Authority
(A Component Unit of the Commonwealth of Massachusetts)

Statements of Net Position (Deficiency in Net Position)
June 30, 2021 and 2020

	<u>Assets</u>	
	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 36,231,028	\$ 39,817,188
Restricted cash and cash equivalents	7,392,016	13,829,422
Accounts receivable, net	8,022,517	18,707,275
Prepaid expenses	407,754	100,039
	<u>52,053,315</u>	<u>72,453,924</u>
Total current assets		
Noncurrent assets		
Restricted cash and cash equivalents	16,239,168	4,090,598
Restricted investments, including amounts held by trustee	55,969,631	81,445,074
Restricted investments, retirement fund	6,625,831	5,334,437
Accounts receivable, net	191,258,823	187,095,013
Capital assets, net	824,697,853	859,554,400
	<u>1,094,791,306</u>	<u>1,137,519,522</u>
Total noncurrent assets		
Total assets	<u>1,146,844,621</u>	<u>1,209,973,446</u>
Deferred outflows of resources		
Deferred outflows for pensions	783,220	717,561
Deferred outflows for OPEB	424,244	429,320
Deferred losses on refunding of debt	38,322,617	30,212,698
	<u>39,530,081</u>	<u>31,359,579</u>
Total deferred outflows of resources		

Massachusetts State College Building Authority
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Statements of Net Position (Deficiency in Net Position)
June 30, 2021 and 2020

Liabilities and Net Position (Deficiency in Net Position)

	<u>2021</u>	<u>2020</u>
Current liabilities		
Accounts payable and accrued liabilities	\$ 11,671,791	\$ 11,434,508
Accrued payroll	251,005	233,485
Interagency payables	762,581	3,071,216
Compensated absences	175,957	134,281
Current portion of bonds payable	<u>32,591,997</u>	<u>53,257,852</u>
Total current liabilities	<u>45,453,331</u>	<u>68,131,342</u>
Noncurrent liabilities		
Compensated absences	168,605	118,313
Interagency payables	6,905,713	9,294,150
Bonds payable, net of current portion	1,208,139,929	1,183,094,762
MSCBA portion of net pension liability	4,302,195	3,935,112
MSCBA portion of net OPEB liability	<u>1,657,305</u>	<u>1,586,181</u>
Total noncurrent liabilities	<u>1,221,173,747</u>	<u>1,198,028,518</u>
Total liabilities	<u>1,266,627,078</u>	<u>1,266,159,860</u>
Deferred inflows of resources		
Deferred inflows for pensions	564,028	595,589
Deferred inflows for OPEB	<u>4,477,252</u>	<u>4,902,176</u>
Total deferred inflows of resources	<u>5,041,280</u>	<u>5,497,765</u>
Net position (deficiency in net position)		
Net investment in capital assets	(93,658,605)	(52,345,420)
Unrestricted (deficit)	<u>8,364,949</u>	<u>22,020,820</u>
Total net position (deficiency in net position)	<u>\$ (85,293,656)</u>	<u>\$ (30,324,600)</u>

See Notes to Financial Statements.

Massachusetts State College Building Authority
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Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues		
Income from contracts for financial assistance, management, and services	\$ 31,838,236	\$ 92,150,894
Other miscellaneous revenues	184,815	345,339
	<u>32,023,051</u>	<u>92,496,233</u>
Total operating revenues		
Operating expenses		
Insurance costs	1,512,604	1,255,933
Authority operating expenses	2,295,578	2,120,278
Depreciation	45,963,988	45,007,554
Pension and OPEB expenses	124,893	205,282
Other expenses	9,388	16,269
Amortization of deferred loss (gain) on receivables	42,613	-
	<u>49,949,064</u>	<u>48,605,316</u>
Total operating expenses		
Operating income (expense)	<u>(17,926,013)</u>	<u>43,890,917</u>
Nonoperating revenues (expenses)		
Net investment income	1,698,121	12,369,469
Interest income - interagency	5,398,318	7,291,176
Interest expense	(43,549,367)	(52,979,652)
Bond issuance costs	(2,268,147)	(1,424,327)
Net transfers to/from State Universities	(66,253)	(495,898)
Build America Bonds interest subsidy	1,461,384	2,147,963
Gain (loss) on sale of assets	213,031	-
Miscellaneous nonoperating revenue (expense)	69,870	9,112
	<u>(37,043,043)</u>	<u>(33,082,157)</u>
Net nonoperating revenues (expenses)		
Increase (decrease) in net position	(54,969,056)	10,808,760
Net position (deficiency in net position)		
Beginning of year	<u>(30,324,600)</u>	<u>(41,133,360)</u>
Net position (deficiency in net position)		
End of year	<u>\$ (85,293,656)</u>	<u>\$ (30,324,600)</u>

See Notes to Financial Statements.

Massachusetts State College Building Authority
(A Component Unit of the Commonwealth of Massachusetts)

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Cash received from contracts for financial assistance, management, and services	\$ 31,838,236	\$ 92,150,894
Other miscellaneous receipts (expenses)	1,295,101	(740,336)
Payments for insurance costs	(1,820,319)	(1,254,179)
Payments for operating expenses	(1,090,565)	(639,445)
Payments to employees	(1,264,766)	(1,244,704)
Payments for other expenses	<u>(255,755)</u>	<u>(248,475)</u>
Net cash provided by operating activities	<u>28,701,932</u>	<u>88,023,755</u>
Cash flows from capital and related financing activities		
Proceeds from bond issuance	395,735,000	233,620,000
Cash paid to bond trustee related to advanced refunding	(351,796,143)	(208,928,305)
Build America Bonds interest subsidy	1,495,730	2,156,194
Payments of bond issuance costs	(2,268,147)	(1,424,327)
Payments for capital assets	(12,237,771)	(22,441,978)
Proceeds from sale of capital assets	2,520,936	-
Proceeds from sale of assets	213,031	-
Miscellaneous receipts (expenditures)	69,862	9,112
Collections of debt service receivables	8,744,190	21,689,314
Transfer of funds from State Universities	(66,253)	(495,898)
Payments from funds held for others	(4,615,944)	(13,183,534)
Funds received and held for others	316,961	620,020
Principal paid on capital debt	(45,528,659)	(68,798,068)
Interest paid on capital debt	<u>(47,075,228)</u>	<u>(56,208,623)</u>
Net cash used in capital and related financing activities	<u>(54,492,435)</u>	<u>(113,386,093)</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	58,696,792	68,103,161
Purchases of investments	(36,134,474)	(58,235,162)
Interest on investments	<u>5,353,189</u>	<u>1,566,723</u>
Net cash provided by investing activities	<u>27,915,507</u>	<u>11,434,722</u>
Net increase (decrease) in cash and cash equivalents	2,125,004	(13,927,616)
Cash and cash equivalents, beginning of year	<u>57,737,208</u>	<u>71,664,824</u>
Cash and cash equivalents, end of year	<u><u>\$ 59,862,212</u></u>	<u><u>\$ 57,737,208</u></u>

Massachusetts State College Building Authority
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Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (17,926,013)	\$ 43,890,917
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	45,963,988	45,007,554
Change in net pension liability	269,863	344,496
Change in unfunded net OPEB liability	(348,724)	(354,402)
Changes in assets and liabilities		
Accounts receivable	1,110,286	(1,085,675)
Prepaid expenses	(307,715)	1,754
Accounts payable and accrued liabilities	(169,241)	229,887
Accrued payroll and compensated absences	<u>109,488</u>	<u>(10,776)</u>
Net cash provided by operating activities	<u><u>\$ 28,701,932</u></u>	<u><u>\$ 88,023,755</u></u>

Massachusetts State College Building Authority
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Statements of Cash Flows
Years Ended June 30, 2021 and 2020

Supplemental cash flows information

Schedule of noncash investing, capital and financing activities

	<u>2021</u>
Acquisition of capital assets	\$ 13,628,377
Accounts payable thereon	
Beginning of year	2,017,957
End of year	(3,131,368)
Net interest incurred and earned, capitalized in construction in progress	<u>(277,195)</u>
Payments for capital assets	<u>\$ 12,237,771</u>
Contractor accounts payable related to State College capital projects on State College-owned property	<u>\$ 689,725</u>
Unrealized gain (loss) on investment securities	<u>\$ (1,621,731)</u>
	<u>2020</u>
Acquisition of capital assets	\$ 18,483,314
Accounts payable thereon:	
Beginning of year	6,193,928
End of year	(2,017,957)
Net interest incurred and earned, capitalized in construction in progress	<u>(217,307)</u>
Payments for capital assets	<u>\$ 22,441,978</u>
Contractor accounts payable related to State College capital projects on State College-owned property	<u>\$ 291,636</u>
Unrealized gain (loss) on investment securities	<u>\$ 8,035,853</u>

See Notes to Financial Statements.

Massachusetts State College Building Authority
(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements
June 30, 2021 and 2020

Note 1 - Summary of significant accounting policies

Organization

Massachusetts State College Building Authority (the "Authority") was created pursuant to Chapter 703 of the Acts of 1963 of the Commonwealth of Massachusetts (the "State" or the "Commonwealth"), as amended (the "Act"), as a body politic and corporate and a public instrumentality for the general purpose of providing dormitories, dining commons and other facilities primarily for use by students and staff of certain state colleges of the Commonwealth of Massachusetts and their dependents. Such facilities may be provided in collaboration with and for joint use by other agencies, boards, commissions, or authorities of the Commonwealth. The Act defines State Colleges as the state university and community college segments of the Commonwealth's public higher education system. The state universities include Bridgewater, Fitchburg, Framingham, Salem, Westfield and Worcester State Universities, Massachusetts College of Liberal Arts, Massachusetts College of Art and Design and Massachusetts Maritime Academy (collectively, the "State Universities"). The community colleges include Berkshire, Bristol, Bunker Hill, Cape Cod, Greenfield, Holyoke, Massachusetts Bay, Massasoit, Middlesex, Mount Wachusett, North Shore, Northern Essex, Quinsigamond, Roxbury and Springfield Technical (collectively, the "Community Colleges"). The Authority provides bond financing, design and construction management of new facilities, major renovations, adaption and capital repairs for its projects at the State Colleges. Annual obligations of the Authority include rent setting and oversight of State University residence hall operating budgets. The Authority's operations are primarily governed by a Contract for Financial Assistance, Management and Services with the Board of Higher Education of the Commonwealth ("BHE"), in which the BHE commits the State Colleges to meet the statutory and financial obligations related to the projects.

The Authority is a component unit of the Commonwealth of Massachusetts. Accordingly, the accompanying financial statements may not necessarily be indicative of the conditions that would have existed if the Authority had been operated as an independent organization. The Authority's financial statements are included in the Commonwealth's financial statements as a blended component unit.

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 accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board ("GASB"). 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 imposed by the provider have been met.

The Authority has determined that it functions as a Business-Type Activity, as defined by GASB.

The Authority's policy for defining operating activities in the statements of revenues, expenses, and changes in net position are those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as nonoperating activities in accordance with GASB Statement No. 35. These nonoperating activities include the Authority's net investment income and interest expense.

Massachusetts State College Building Authority
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Notes to Financial Statements
June 30, 2021 and 2020

Net position

GASB Statement No. 34 requires that resources be classified for accounting purposes into the following three net position categories:

- **Net investment in capital assets:** Capital assets, which are net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.
- **Restricted:**
 - Nonexpendable** - Net position which use is subject to externally imposed conditions that the Authority must maintain them in perpetuity.
 - Expendable** - Net position which use is subject to externally imposed conditions that can be fulfilled by the actions of the Authority pursuant to those conditions or that expire by the passage of time.
- **Unrestricted:** All other categories of net position. Unrestricted net position may be designated for specific purposes by action of the Authority's Board.

The Authority has adopted a policy of reviewing, on an individual basis, all restricted - expendable funds, for the purpose of determining the order in which restricted - expendable and unrestricted funds would be utilized.

In accordance with the requirements of the Act, the Authority's operations are accounted for in several trust funds. All of these trust funds have been consolidated and are included in these financial statements.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash equivalents

The Authority considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents.

Investments

Investments in marketable securities are stated at fair value. Realized and unrealized gains and losses are included in nonoperating revenues. Gains and losses on the disposition of investments are determined based on specific identification of securities sold or the average cost method. Investment income is recognized when earned and is generally credited to the trust fund holding the related assets. There were no significant realized gains or losses on investments during the years ended June 30, 2021 and 2020.

The Authority has no donor-restricted endowments.

Massachusetts State College Building Authority
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Notes to Financial Statements
June 30, 2021 and 2020

The Authority is currently authorized by its Board and the statutes of the Commonwealth to invest funds of the Authority. The Board shall establish investment policy, but delegate to the Finance and Audit Committee of the Authority to direct an investment advisor.

Accounts receivable

Accounts receivable are stated at the total amount of the future minimum payments to be received less unearned interest income. Interest income is recognized using the effective interest method. No allowance for doubtful accounts has been made as of June 30, 2021 and 2020, as management considers all amounts fully collectible.

Capital assets

The accompanying financial statements include the transactions of all of the Authority-owned capital assets, which include residence halls for approximately 17,000 students in 2021 and 2020, some with dining facilities as well as some with student activity facilities and land, at the State Universities.

Project costs include land acquisition, architectural and engineering services, construction, furnishings and equipment and related expenses for legal, accounting, and financial services. Such expenses have been incurred for the construction of new facilities and for capital improvements to existing facilities. Fire alarm system improvements, the installation of automatic sprinkler systems, the repair and replacement of roofs and windows, and improvements to make the facilities accessible for use by handicapped persons are examples of capital improvements to existing facilities undertaken by the Authority.

Real estate assets, including improvements, are generally stated at cost. Furnishings and equipment are stated at cost at date of acquisition. In accordance with the Authority's capitalization policy, only those items with a total project cost of more than \$50,000, and all furniture, fixtures and equipment, are capitalized. Interest costs on debt related to capital assets are capitalized during the construction period. Authority capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 40 years.

Bond issuance costs

Bond issuance costs are expensed as incurred. During fiscal 2021 and 2020, the Authority incurred \$2,268,147 and \$1,424,327, respectively, of bond issuance costs.

Fringe benefits

The Authority participates in the Commonwealth's fringe benefit programs, including health insurance, unemployment, pension and other postemployment benefits for which it is billed by the Commonwealth. Worker's compensation insurance is purchased as a separate policy within the Authority's insurance portfolio.

Other postemployment benefits

For purposes of measuring the net postemployment benefits other than pensions ("OPEB") liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, the information about the fiduciary net position reflects the entire OPEB liability. The Authority authorized the establishment of an OPEB trust to be funded in future years.

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Notes to Financial Statements
June 30, 2021 and 2020

Pension plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Massachusetts State Employees' Retirement System ("MSERS") and additions to/deductions from MSERS's fiduciary net position have been determined on the same basis as they are reported by MSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated absences

Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation is the amount earned and unused by all eligible employees through June 30 of each year. The accrued sick leave balance represents 20% of amounts earned at the end of the fiscal year. Upon retirement, these employees are entitled to receive payment for these accrued balances.

Interest expense and capitalization

The Authority may capitalize interest costs incurred during the construction period of qualifying property assets. The amount of interest costs capitalized on qualifying assets acquired with proceeds of tax-exempt borrowings consists of all interest costs of the borrowing less any interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowings from the date of the borrowing until the assets are ready for their intended use. Bond premiums are amortized to interest expense on a straight-line basis over the terms of the related bonds. Deferred losses on bond refundings are amortized to interest expense principally on the effective interest method over the terms of the old trust or new trust agreements, whichever is shorter. During fiscal 2021 and 2020, total interest costs were accounted for as follows:

	<u>2021</u>	<u>2020</u>
Total interest incurred	\$ 45,970,252	\$ 55,149,265
Amortization of bond premium	(5,642,023)	(5,040,655)
Amortization of deferred loss	3,501,226	3,149,244
Less: capitalized portion of interest incurred	<u>(280,088)</u>	<u>(278,202)</u>
Interest expense	<u>\$ 43,549,367</u>	<u>\$ 52,979,652</u>
Capitalized portion of interest incurred	\$ 280,088	\$ 278,202
Less interest income on unused funds from tax-exempt borrowings	<u>(2,893)</u>	<u>(60,895)</u>
Net capitalized interest	<u>\$ 277,195</u>	<u>\$ 217,307</u>

Income tax status

The Authority is a component unit of the Commonwealth and is, therefore, exempt from federal and state income taxes.

Massachusetts State College Building Authority
(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements
June 30, 2021 and 2020

Reclassifications

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 presentation.

Note 2 - Cash and cash equivalents and investments

Credit risk

Credit risk includes the risk that securities that the Authority has invested in will default.

The Authority's Trust Agreement stipulates that only certain highly rated securities are eligible investments. The Authority has a formal investment policy consistent with the Trust Agreement in which permissible investment obligations include: (i) certain direct or agency obligations which are unconditionally guaranteed by the United States of America; (ii) certain interest-bearing instruments issued by a banking institution with a long-term unsecured debt rating in one of the two highest long-term rating categories, (iii) commercial paper rated in the highest rating category; and (iv) obligations of state or local governments or authorities thereof rated in the two highest rating categories. The Authority is also required to comply with the Commonwealth of Massachusetts's deposit and investment policies which are principally defined in the Massachusetts General Laws, Chapter 29. The Authority's deposit and investment policies are generally consistent with those of the State Statutes.

Custodial credit risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits and/or investments may not be returned to it. The Authority does not have a formal policy with respect to the custodial credit risk.

The Authority has two primary commercial banking relationships: Citizens Bank, N.A. ("Citizens") is the Authority's primary depository bank, and U.S. Bank National Association ("U.S. Bank") is the Authority's trustee bank and holds all bond and related funds pursuant to the Trust Agreement. The Authority is party to a third party custodian agreement in which Citizens provides the Authority with collateral equal to the Authority's uninsured deposits and the custodian provides safekeeping services and holds the collateral on behalf of and for the benefit of the Authority. Pursuant to the agreement, eligible collateral is limited to only those obligations which are guaranteed as to the payment of principal and interest by the United States of America. All of the Authority's bank balances held by Citizens of \$36,944,978 and \$43,489,752 as of June 30, 2021 and 2020, respectively, were secured and fully collateralized pursuant to this agreement.

The Authority does not have a formal deposit policy for custodial credit risk with U.S. Bank. As of June 30, 2021 and 2020, the fair market value of the Authority's cash equivalent balances with U.S. Bank of \$22,917,234 and \$14,247,456, respectively, were exposed to custodial credit risk because they were uninsured and uncollateralized. These funds were invested in U.S. Bank money market deposit accounts and Fidelity Institutional Money Market Government Fund 57 ("Fund 57") as of June 30, 2021 and 2020. Fund 57 invests primarily in U.S. government securities, repurchase agreements, and may invest in reverse repurchase agreements guaranteed by U.S. Treasury obligations. Fund 57 seeks to preserve the investment value of \$1 per share and the investment securities maintain a weighted average maturity of 60 days or less. Fund 57 was not rated for average credit quality at June 30, 2021 and 2020.

Massachusetts State College Building Authority
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Notes to Financial Statements
June 30, 2021 and 2020

In addition to the commercial banking relationships, the Authority invests its retirement trust fund (Note 12) with the Massachusetts Pension Reserve Investment Trust ("PRIT"). PRIT consists of two investment funds, the Capital Fund and the Cash Fund. Each of these funds is managed, accounted for, and held separately by PRIT's custodian bank, Bank of New York ("BNY") Mellon. The Cash Fund consists of short-term investments, which are used to meet liquidity requirements. All Cash Fund earnings are reinvested. The Cash Fund maintains a stable net asset value of \$1.00 per unit. The Capital Fund is invested in the General Allocation Account, which invests in all asset classes of PRIT in accordance with its asset allocation plan and investment policy guidelines. The Capital Fund serves as the investment portfolio of PRIT and consists of the following investments at June 30, 2021 and 2020: General Allocation (holds units of other accounts), Domestic Equity, Core Fixed Income, Value-Added Fixed Income, International Equity, Emerging Markets, Real Estate, Real Assets, Timberland, Timber/Natural Resources, Hedge Funds and Private Equity Investments. The funds held in the amount of \$6,625,831 and \$5,334,437 as of June 30, 2021 and 2020, respectively, with PRIT are intended to be used to fund the net pension liability. These funds were not rated for average credit quality at June 30, 2021 and 2020.

The Authority's investments are held at U.S. Bank, Citizens and PRIT and are represented by the following at June 30, 2021 and 2020:

	2021		2020	
	Cost	Fair value	Cost	Fair value
U.S. Government Agencies	\$ 14,967,758	\$ 15,328,486	\$ 27,796,587	\$ 28,481,810
State taxable bonds	16,155,000	21,940,007	16,155,000	22,491,744
U.S. Treasuries	15,655,151	18,701,138	25,735,049	30,471,520
Mutual funds	5,607,773	6,625,831	5,264,277	5,334,437
	<u>\$ 52,385,682</u>	<u>\$ 62,595,462</u>	<u>\$ 74,950,913</u>	<u>\$ 86,779,511</u>

The Authority classifies its restricted cash and cash equivalents and investments between current and noncurrent classifications in the accompanying statements of net position (deficiency in net position) according to its plans for their use in liquidating associated liabilities. Investments with maturities of less than one year that are not required to be used to liquidate current liabilities are reflected as noncurrent assets in accordance with management's intention to reinvest the proceeds of those investments upon their maturity.

Investments held by the bond trustee represent project funds, as well as debt service and certain reserve funds.

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At June 30, 2021, the Authority's investments in debt securities by contractual maturities and credit quality ratings, based on Moody's Investors Service, Inc., are as follows:

Investment Type	Fair market value	Investment maturities (in years)				Credit rating
		Less Than 1	1-5	6-10	Greater than 10	
Fannie Mae Corporation ("FNMA") discount notes	\$ 7,598,480	\$ 7,598,480	\$ -	\$ -	\$ -	Aaa
Strip Coupon Bonds - U.S. Govt. Issues	-	-	-	-	-	Aaa
Federal Home Loan Mortgage Corp. MTN ("FHLMCMTN")						
U.S. Govt. Issues	7,064,975	7,064,975	-	-	-	Aaa
Federal Farm Credit Banks ("FFCB") U.S. Govt. Issues	665,031	-	665,031	-	-	Aaa
Various Massachusetts ST Bonds	21,940,007	-	-	3,943,934	17,996,073	Aa1
U.S. Government Securities - Treasury Notes	18,701,138	8,075	9,386,917	-	9,306,146	Aaa
Total	\$ 55,969,631	\$ 14,671,530	\$ 10,051,948	\$ 3,943,934	\$ 27,302,219	

At June 30, 2020, the Authority's investments in debt securities by contractual maturities and credit quality ratings, based on Moody's Investors Service, Inc., are as follows:

Investment Type	Fair market value	Investment maturities (in years)				Credit rating
		Less Than 1	1-5	6-10	Greater than 10	
Fannie Mae Corporation ("FNMA") discount notes	\$ 7,598,513	\$ 7,598,513	\$ -	\$ -	\$ -	Aaa
Strip Coupon Bonds - U.S. Govt. Issues	3,029,410	3,029,410	-	-	-	Aaa
Federal Home Loan Mortgage Corp. MTN ("FHLMCMTN")						
U.S. Govt. Issues	7,062,962	7,062,962	-	-	-	Aaa
Federal Farm Credit Banks ("FFCB") U.S. Govt. Issues	10,790,925	10,103,249	-	687,676	-	Aaa
Various Massachusetts ST Bonds	22,491,744	-	-	4,043,221	18,448,523	Aa1
U.S. Government Securities - Treasury Notes	30,471,520	10,315,830	9,647,087	-	10,508,603	Aaa
Total	\$ 81,445,074	\$ 38,109,964	\$ 9,647,087	\$ 4,730,897	\$ 28,957,126	

Certain investments are covered by the Securities Investor Protection Corporation ("SIPC") up to \$500,000, including \$250,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, debentures, certificates of deposit and money funds.

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The following Authority investments at June 30, 2021 and 2020 are held by US Bank as custodian and, therefore, are subject to custodial credit risk as follows:

	<u>2021</u>	<u>2020</u>
U.S. Government Agencies	\$ 15,328,486	\$ 28,481,810
State taxable bonds	21,940,007	22,491,744
U.S. Treasuries	<u>18,701,138</u>	<u>30,471,520</u>
	55,969,631	81,445,074
Less insured amounts	<u>(500,000)</u>	<u>(500,000)</u>
	<u><u>\$ 55,469,631</u></u>	<u><u>\$ 80,945,074</u></u>

The Authority's investments have been categorized based upon the fair value hierarchy in accordance with GASB 72 below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for an asset or liability.

The Authority's investments at fair value measurement are as follows at June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment Assets:				
U.S. Government Agencies	\$ 15,328,486	\$ -	\$ -	\$ 15,328,486
State taxable bonds	21,940,007	-	-	21,940,007
U.S. Treasuries	18,701,138	-	-	18,701,138
Mutual funds	<u>-</u>	<u>6,625,831</u>	<u>-</u>	<u>6,625,831</u>
Total investment assets	<u><u>\$ 55,969,631</u></u>	<u><u>\$ 6,625,831</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 62,595,462</u></u>

The Authority's investments at fair value measurement are as follows at June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment Assets:				
U.S. Government Agencies	\$ 28,481,810	\$ -	\$ -	\$ 28,481,810
State taxable bonds	22,491,744	-	-	22,491,744
U.S. Treasuries	30,471,520	-	-	30,471,520
Mutual funds	<u>-</u>	<u>5,334,437</u>	<u>-</u>	<u>5,334,437</u>
Total investment assets	<u><u>\$ 81,445,074</u></u>	<u><u>\$ 5,334,437</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 86,779,511</u></u>

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Note 3 - Accounts receivable

Accounts receivable include the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Debt service receivables	\$ 198,451,720	\$ 199,742,426
Interest receivable on investments	422,950	485,073
Investment income receivable	-	3,800,000
Other miscellaneous receivables	92,443	1,426,216
Build America Bonds interest subsidy receivable	<u>314,227</u>	<u>348,573</u>
	<u>\$ 199,281,340</u>	<u>\$ 205,802,288</u>

The Authority anticipates that all of its interest receivables will be collected within a one-year time frame.

The Commonwealth's policy for accounting for capital and renovation projects provides for the State University with ownership of the underlying asset to also own any related improvements to these facilities. Under this policy, the Authority recognizes as accounts receivable the minimum payments, net of unearned interest income, to be received from the State Colleges. Conversely, the State Colleges recognize a corresponding liability to the Authority.

During both fiscal 2021 and 2020, no accounts receivable, net of unearned interest income, were added in connection with projects at the State Universities.

The components of the Authority's debt service receivables in these State College-owned projects as of June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Total payments to be received	\$ 248,072,247	\$ 252,792,950
Less: Unearned income	<u>(49,620,527)</u>	<u>(53,050,524)</u>
Net debt service receivables in State College-owned projects	<u>\$ 198,451,720</u>	<u>\$ 199,742,426</u>

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The following table sets forth the total payments to be received under these agreements as of June 30, 2021:

<u>Year ending June 30:</u>		
2022	\$	12,750,901
2023		19,335,736
2024		19,947,267
2025		19,947,000
2026		18,546,536
2027 - 2031		84,610,613
2032 - 2036		48,731,592
2037 - 2041		16,104,969
2042 - 2046		6,989,146
2047 - 2051		<u>1,108,487</u>
Total	\$	<u><u>248,072,247</u></u>

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Note 4 - Capital assets

Capital assets activity for the year ended June 30, 2021 is as follows:

	2021		
	Totals June 30, 2020	Additions	Reclassifications and reductions
			Totals June 30, 2021
Land	\$ 21,569,817	\$ -	\$ (2,171,671)
Construction in progress	23,544,321	11,913,422	(28,999,805)
			6,457,938
Total not being depreciated	45,114,138	11,913,422	(31,171,476)
			25,856,084
Buildings and improvements	1,323,549,026	-	28,464,596
Furnishings and equipment	62,282,953	1,714,955	-
			63,997,908
Total depreciable assets	1,385,831,979	1,714,955	28,464,596
			1,416,011,530
Total capital assets	1,430,946,117	13,628,377	(2,706,880)
			1,441,867,614
Less accumulated depreciation:			
Buildings and improvements	(531,566,158)	(43,074,915)	185,944
Furnishings and equipment	(39,825,559)	(2,889,073)	-
			(574,455,129)
			(42,714,632)
Total accumulated depreciation	(571,391,717)	(45,963,988)	185,944
			(617,169,761)
Capital assets, net	\$ 859,554,400	\$ (32,335,611)	\$ (2,520,936)
			\$ 824,697,853

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Capital assets activity for the year ended June 30, 2020 is as follows:

	2020		
	Totals June 30, 2019	Additions	Reclassifications and reductions
			Totals June 30, 2020
Land	\$ 21,569,817	\$ -	\$ -
Construction in progress	10,886,351	16,116,346	(3,458,376)
Total not being depreciated	32,456,168	16,116,346	(3,458,376)
Buildings and improvements	1,319,161,589	929,061	3,458,376
Furnishings and equipment	60,845,046	1,437,907	-
Total depreciable assets	1,380,006,635	2,366,968	3,458,376
Total capital assets	1,412,462,803	18,483,314	-
Less accumulated depreciation:			
Buildings and improvements	(489,649,056)	(41,917,102)	-
Furnishings and equipment	(36,735,107)	(3,090,452)	-
Total accumulated depreciation	(526,384,163)	(45,007,554)	-
Capital assets, net	\$ 886,078,640	\$ (26,524,240)	\$ -

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The Authority has considered the requirements of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, and has noted no implications of this standard to the Authority's financial statements for the years ended June 30, 2021 and 2020.

The Authority has entered into various purchase commitments with contractors for the purchase of equipment, construction of certain facilities and other improvements. The amounts under commitment were approximately \$12,400,000 and \$8,900,000, respectively, as of June 30, 2021 and 2020.

Note 5 - Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consisted of the following at June 30, 2021 and 2020:

	2021	2020
Capital assets and construction payables	\$ 3,131,368	\$ 2,017,957
Accrued bond interest payable	7,701,264	8,806,240
Construction reserve payable	100,001	265,189
Contractor payables for State College-owned assets	689,725	291,636
Authority operating expenses	49,433	53,486
	<u>\$ 11,671,791</u>	<u>\$ 11,434,508</u>

Note 6 - Interagency payables

Under the provisions of the Community College Program Series 1 and Series 2, the State University Program Series 2019A, 2017C, 2017B, 2017A, 2015A, 2014C, 2014B, 2014A, 2012C, 2012A, 2010A, 2010B, 2009C, 2009B, 2009A, 2008A, 2006A, 2005A, 2003A and 1999A Trust Agreements (see Note 7), a portion of the bond proceeds, together with certain earnings thereon, are being or have been used to finance the costs of capital projects for certain of the State Colleges on State College-owned property. The State Colleges are required to pay to the Authority the amount necessary to pay the applicable portion of the bond issuance costs and bond principal and interest payments when they become due. The Authority has recorded accounts receivable from the State Colleges reflecting its net debt service receivables in these capital projects as discussed further in Note 3. The unspent bond proceeds for the costs of these projects and related bond amounts are included in the Authority's financial statements under restricted cash and cash equivalents, and restricted investments.

Certain of the State Colleges may also be required to commit additional funding for the projects over and above the amounts provided from bond proceeds. Such amounts (the "State College contributions") received from the State Colleges are also included in restricted cash and cash equivalents, and restricted investments. The Authority has recorded corresponding Interagency payables to the State Colleges for the unspent State College contributions, and unspent bond proceeds and related bond amounts. As capital and construction costs relating to these projects are incurred and paid, restricted cash and cash equivalents, and restricted investments, and the corresponding Interagency payables are reduced.

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As of June 30, 2021 and 2020, the Authority has an aggregate liability for Interagency payables of \$7,668,294 and \$12,365,366, respectively.

Note 7 - Bonds payable

The Authority issues debt to finance the design and construction of new facilities, major renovations and capital repairs for its projects at State Colleges, pursuant to the Act. The Authority has created separate bond programs for the State Universities and the Community Colleges. The Authority's outstanding debt is secured by revenues received by the Authority from State Colleges relating to Authority projects and other pledged funds. Prior to 1999, all of the Authority's bonds were guaranteed by the Commonwealth. The final series of guaranteed bonds (Series 2004B) were retired as of May 1, 2016. Pursuant to the Act, the Authority is precluded from issuing any additional bonds guaranteed by the Commonwealth. Interest on the Authority's debt is payable on May 1 and November 1 and principal is due annually on May 1. The Authority's outstanding debt for the State University Program is rated Aa2 and AA- by Moody's and S&P Global, respectively. The Authority's outstanding debt for the Community College Program is not rated.

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The following table summarizes the Authority's outstanding debt as of June 30, 2021:

	Issue date	Par amount	Interest rates (%)	Due May 1,	Effective interest rates (%)*	Par amount outstanding	Unamortized premiums	Total bonds payable
Project Revenue Bonds								
Refunding Series 2003B	03/05/2003	\$ 64,683,890	2.00 - 5.50	2003 - 2039	11.62%	\$ 61,231,169	\$ 3,573,928	\$ 64,805,097
Series 2009C, Build America Bonds	12/22/2009	60,550,000	4.58 - 5.93	2018 - 2040	5.82%	60,550,000	-	60,550,000
Series 2010B, Build America Bonds	12/17/2010	40,390,000	4.89 - 6.54	2020 - 2040	6.28%	40,390,000	-	40,390,000
Refunding Series 2011A	06/08/2011	13,610,000	2.00 - 5.00	2012 - 2025	5.00%	13,610,000	1,174,486	14,784,486
Series 2012A	01/04/2012	1,085,000	3.00 - 5.00	2013 - 2022	5.08%	1,085,000	51,881	1,136,881
Refunding Series 2012B	03/01/2012	2,855,000	3.00 - 5.00	2018 - 2022	5.11%	2,855,000	193,540	3,048,540
Series 2012C	12/20/2012	115,265,000	2.00 - 5.00	2014 - 2042	2.91%	115,265,000	5,663,020	120,928,020
Series 2014A	01/07/2014	16,595,000	2.00 - 5.00	2015 - 2025	5.00%	16,595,000	992,846	17,587,846
Series 2014B	12/17/2014	18,060,000	3.00 - 5.00	2016 - 2028	5.00%	18,060,000	2,192,617	20,252,617
Series 2014C	12/17/2014	7,695,000	3.00 - 5.00	2016 - 2034	5.00%	7,695,000	1,042,737	8,737,737
Refunding Series 2014D	12/17/2014	-	1.00 - 5.00	2015 - 2021	0.00%	-	-	-
Series 2015A	12/17/2015	13,185,000	2.00 - 5.00	2017 - 2036	4.77%	10,760,000	1,501,934	12,261,934
Refunding Series 2016A	02/25/2016	68,835,000	4.00	2019 - 2030	3.91%	68,835,000	9,174,215	78,009,215
Series 2017A	01/25/2017	17,540,000	3.00 - 5.00	2018 - 2037	3.72%	17,540,000	896,137	18,436,137
Series 2017B	12/21/2017	9,535,000	4.00 - 5.00	2019 - 2038	4.68%	9,535,000	1,362,997	10,897,997
Series 2017C	12/21/2017	6,615,000	2.10 - 3.61	2019 - 2038	3.37%	6,615,000	-	6,615,000
Refunding Series 2017D	12/21/2017	61,605,000	4.00 - 5.00	2019 - 2040	4.41%	61,605,000	7,143,056	68,748,056
Series 2019A	01/15/2019	14,695,000	3.38 - 5.00	2020 - 2039	2.01%	14,695,000	945,648	15,640,648
Refunding Series 2019B	01/15/2019	47,595,000	4.00 - 4.10	2019 - 2041	4.02%	47,595,000	733,654	48,328,654
Refunding Series 2019C	11/19/2019	229,055,000	1.69 - 3.37	2022 - 2043	2.81%	229,055,000	-	229,055,000
Refunding Series 2020A	07/01/2020	395,735,000	1.04 - 3.07	2022 - 2049	4.94%	395,735,000	-	395,735,000
Total Project Revenue Bonds		1,205,183,890				1,199,306,169	36,642,696	1,235,948,865
Community College Program Bonds								
Series 1	03/06/2014	3,000,000	4.25	2015 - 2034	3.54%	2,234,152	-	2,234,152
Series 2	01/20/2017	3,055,000	1.84 - 3.35	2021 - 2036	3.14%	2,548,909	-	2,548,909
Total Community College Program Bonds		6,055,000				4,783,061	-	4,783,061
Total Bonds		\$ 1,211,238,890				\$ 1,204,089,230	\$ 36,642,696	\$ 1,240,731,926

*Effective Interest Rates are calculated by dividing total interest paid during the year by the average outstanding balance of bonds payable.

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The following table summarizes the Authority's outstanding debt as of June 30, 2020:

	Issue date	Par amount	Interest rates (%)	Due May 1,	Effective interest rates (%)*	Par amount outstanding	Unamortized premiums	Total bonds payable
Project Revenue Bonds								
Refunding Series 2003B	03/05/2003	\$ 117,513,022	2.00 - 5.50	2003 - 2039	10.35	\$ 67,618,890	\$ 4,161,210	\$ 71,780,100
Series 2009C, Build America Bonds	12/22/2009	66,410,000	4.58 - 5.93	2018 - 2040	5.79	62,450,000	-	62,450,000
Series 2010B, Build America Bonds	12/17/2010	47,880,000	4.89 - 6.54	2020 - 2040	6.19	43,710,000	-	43,710,000
Refunding Series 2011A	06/08/2011	51,610,000	2.00 - 5.00	2012 - 2025	5.00	21,830,000	2,749,143	24,579,143
Series 2012A	01/04/2012	154,345,000	3.00 - 5.00	2013 - 2041	2.09	4,255,000	406,913	4,661,913
Refunding Series 2012B	03/01/2012	149,275,000	3.00 - 5.00	2018 - 2043	2.24	11,220,000	1,521,205	12,741,205
Series 2012C	12/20/2012	153,840,000	2.00 - 5.00	2014 - 2042	3.08	123,645,000	6,650,306	130,295,306
Series 2014A	01/07/2014	130,875,000	2.00 - 5.00	2015 - 2048	4.93	112,930,000	9,199,919	122,129,919
Series 2014B	12/17/2014	91,375,000	3.00 - 5.00	2016 - 2044	5.00	82,970,000	12,360,624	95,330,624
Series 2014C	12/17/2014	10,065,000	3.00 - 5.00	2016 - 2034	5.00	8,350,000	1,275,053	9,625,053
Refunding Series 2014D	12/17/2014	36,110,000	1.00 - 5.00	2015 - 2041	5.00	27,000,000	4,095,979	31,095,979
Series 2015A	12/17/2015	15,935,000	2.00 - 5.00	2017 - 2036	4.75	13,950,000	2,159,065	16,109,065
Refunding Series 2016A	02/25/2016	177,315,000	4.00 - 5.00	2019 - 2049	4.52	169,470,000	26,811,556	196,281,556
Series 2017A	01/25/2017	20,590,000	3.00 - 4.00	2018 - 2027	3.85	18,710,000	1,065,588	19,775,588
Series 2017B	12/21/2017	10,590,000	4.00 - 5.00	2019 - 2038	4.71	10,085,000	1,586,347	11,671,347
Series 2017C	12/21/2017	7,565,000	2.10 - 3.60	2019 - 2038	3.27	7,070,000	-	7,070,000
Refunding Series 2017D	12/21/2017	66,225,000	4.00 - 5.00	2019 - 2038	4.44	64,405,000	8,144,951	72,549,951
Series 2019A	01/15/2019	15,440,000	3.38 - 5.00	2020 - 2039	3.97	15,255,000	1,082,000	16,337,000
Refunding Series 2019B	01/15/2019	52,355,000	4.00	2019 - 2035	4.02	49,915,000	833,469	50,748,469
Refunding Series 2019C	11/19/2019	233,620,000	1.69 - 3.37	2021 - 2043	3.45	232,370,000	-	232,370,000
Total Project Revenue Bonds		1,608,933,022				1,147,208,890	84,103,328	1,231,312,218
Community College Program Bonds								
Series 1	03/06/2014	3,000,000	4.25	2015 - 2034	4.20	2,365,000	-	2,365,000
Series 2	01/20/2017	3,055,000	1.84 - 3.35	2021 - 2036	2.53	2,675,396	-	2,675,396
Total Community College Program Bonds		6,055,000				5,040,396	-	5,040,396
Total Bonds		\$ 1,614,988,022				\$ 1,152,249,286	\$ 84,103,328	\$ 1,236,352,614

*Effective Interest Rates are calculated by dividing total interest paid during the year by the average outstanding balance of bonds payable.

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The following table is the amortization schedule for the Authority's long-term debt:

Year ending June 30:	Total principal	Total interest	Total debt service
2022	\$ 26,938,668	\$ 46,219,482	\$ 73,158,150
2023	55,102,202	45,411,293	100,513,495
2024	55,632,907	43,410,065	99,042,972
2025	57,413,595	41,581,681	98,995,276
2026	58,717,666	39,691,901	98,409,567
2027-2031	316,242,554	151,628,692	467,871,246
2032-2036	303,665,152	85,191,588	388,856,740
2037-2041	224,661,486	35,473,210	260,134,696
2042-2046	89,020,000	8,897,019	97,917,019
2047-2050	16,695,000	923,136	17,618,136
Total	<u>\$ 1,204,089,230</u>	<u>\$ 498,428,067</u>	<u>\$ 1,702,517,297</u>
Plus: Unamortized premiums	<u>36,642,696</u>		
	<u><u>\$ 1,240,731,926</u></u>		

Defeasance of debt

From time-to-time, the Authority issues refunding bonds to defease outstanding bonds. The proceeds of the refunding bonds are placed in irrevocable trusts to provide for all future debt service on the refunded or defeased bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the accompanying financial statements. The differences between the reacquisition prices and net carrying amount of the bonds defeased with refunding debt are reported in the accompanying statements of net position (deficiency in net position) as deferred outflows of resources and charged annually to interest expense over the shorter of the remaining life of the refunded or refunding bonds principally using the effective interest method.

Refunding revenue bonds

The Refunding Series 2003B Bonds refunded the Authority's Series 1999A, 1999-1, and 2000-1 Bonds. These bonds were refinanced to achieve a total reduction of debt service at issuance of \$1,769,263 and a present value economic gain at issuance of \$729,611. The refunding resulted in a deferred outflow of resources at issuance of \$21,535,590, of which \$8,131,211 and \$9,458,789 were unamortized as of June 30, 2021 and 2020, respectively. During 2021, deferred losses of \$435,701 were recognized as a result of the 2020A bond refunding. In November 2011 and May 2010, the Authority exercised call options to fully redeem the remaining unpaid principal of the Series 1999-1 and 2000-1 Bonds, respectively. As of June 30, 2021, the assets held in escrow for the repayment of the remaining Series 1999A Bonds have an aggregate market value of \$62,861,788 with an unpaid principal balance, plus accreted interest, of \$77,899,053.

The Refunding Series 2011A Bonds refunded portions of the Authority's Series 2003A and 2004A Bonds. These bonds were refinanced to achieve a total reduction of debt service at issuance of \$3,518,799 and a present value economic gain at issuance of \$2,822,354. The refunding resulted in a deferred outflow of resources at issuance of \$2,638,154, of which \$392,498 and \$918,726 were unamortized as of June 30, 2021 and 2020, respectively. During 2021, deferred losses of \$345,943

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were recognized as a result of the 2020A bond refunding. During 2014, the Authority exercised the call option to fully redeem the related unpaid principal of these bonds.

The Refunding Series 2012B Bonds refunded portions of the Authority's Series 2003A, 2004A, 2005A, and 2006A Bonds. These bonds were refinanced to achieve a total reduction of debt service at issuance of \$20,587,474 and a present value economic gain at issuance of \$13,285,676. The refunding resulted in a deferred outflow of resources at issuance of \$14,347,581, of which \$86,185 and \$675,971 were unamortized as of June 30, 2021 and 2020, respectively. During 2020, deferred losses of \$7,675,715 were recognized as a result of the 2019C bond refunding. During 2021, deferred losses of \$503,602 were recognized as a result of the 2020A bond refunding. During 2016 and 2015, the Authority exercised the call options to fully redeem the related unpaid principal of the 2006A bonds and 2005A bonds, respectively.

The Refunding Series 2014D Bonds refunded portions of the Authority's Series 2005A and 2006A Bonds. These bonds were refinanced to achieve a total reduction of debt service at issuance of \$6,449,975 and a net present value economic savings at issuance of \$3,604,695. The refunding resulted in a deferred outflow of resources at issuance of \$244,383, of which \$0 and \$178,677 were unamortized as of June 30, 2021 and 2020, respectively. During 2021, deferred losses of \$178,677 were recognized as a result of the 2020A bond refunding. During 2016 and 2015, the Authority exercised the call options to fully redeem the remaining unpaid principal of the 2006A bonds and 2005A bonds, respectively.

The Refunding Series 2016A Bonds refunded portions of the Authority's Series 2008A and 2009A Bonds. These bonds were refinanced to achieve a total reduction of debt service at issuance of \$43,977,921 and a net present value economic savings at issuance of \$27,959,783. The refunding resulted in a deferred outflow of resources at issuance of \$18,147,495, of which \$4,586,005 and \$13,402,557 were unamortized as of June 30, 2021 and 2020, respectively. During 2021, deferred losses of \$7,958,732 were recognized as a result of the 2020A bond refunding. During 2019, the Authority exercised the call options to fully redeem the related unpaid principal of the 2009A bonds in the amount of \$107,980,000. During 2018, the Authority exercised the call options to fully redeem the related unpaid principal of the 2008A bonds in the amount of \$82,825,000. As of both the years ended June 30, 2021 and 2020, the assets held in escrow for the repayment of the remaining Series 2008A and 2009A Bonds have an aggregate market value of \$1, with the principal balance paid as of 2019.

The Refunding Series 2017D Bonds refunded portions of the Authority's Series 2009B Bonds. These bonds were refinanced to achieve a total reduction of debt service at issuance of \$19,934,951 and a net present value economic savings at issuance of \$12,745,369. The refunding resulted in a deferred outflow of resources at issuance of \$2,771,434, of which \$2,010,520 and \$2,292,518 were unamortized as of June 30, 2021 and 2020, respectively. During 2021, deferred losses of \$99,667 were recognized as a result of the 2020A bond refunding. During 2020, the Authority exercised the call options to fully redeem the related unpaid principal of the 2009B bonds in the amount of \$70,275,000. As of June 30, 2020, the assets held in escrow were fully used for the repayment of the remaining Series 2009B Bonds.

The Refunding Series 2019B Bonds refunded portions of the Authority's Series 2012A Bonds. These bonds were refinanced to achieve a total increase of debt service at issuance of \$2,891,916 and a net present value economic savings at issuance of \$133,946. The refunding resulted in a deferred outflow of resources at issuance of \$2,252,897, of which \$1,793,910 and \$2,037,974 were unamortized as of June 30, 2021 and 2020, respectively. During 2021, deferred losses of \$94,723

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were recognized as a result of the 2020A bond refunding. As of June 30, 2021 and 2020, the assets held in escrow for the repayment of the remaining Series 2012A Bonds have an aggregate market value of \$46,685,687 and \$48,994,046, respectively, with an unpaid principal balance of \$45,275,000 and \$46,535,000 at June 30, 2021 and 2020, respectively.

The Refunding Series 2019C Bonds refunded portions of the Authority's Series 2012A and 2012B Bonds. These bonds were refinanced to achieve a total reduction of debt service at issuance of \$29,159,706 and a net present value economic savings at issuance of \$22,116,569. The refunding resulted in a deferred outflow of resources at issuance of \$1,289,017, of which \$1,140,740 and \$1,247,485 were unamortized as of June 30, 2021 and 2020, respectively. During 2021, deferred losses of \$17,797 were recognized as a result of the 2020A bond refunding. As of June 30, 2021 and 2020, the assets held in escrow for the repayment of the remaining Series 2012A and 2012B Bonds have an aggregate market value of \$222,104,244 and \$228,766,515, respectively, with an unpaid principal balance of \$215,315,000 and \$215,315,000, respectively.

The 2020A Refunding Bonds refunded portions of the Series 2003B, 2009C, 2010B, 2011A, 2012A, 2012B, 2012C, 2014A, 2014B, 2014C, 2015A, 2016A, 2017A, 2017B, 2017C, 2017D, 2019A, 2019B, 2019C Bonds. Additionally, the 2020A Refunding Bonds refunded the entire 2014D Refunding Bonds Series. These bonds were refinanced to achieve a total increase in debt service at issuance of \$933,443 and a net present value economic savings at issuance of \$26,782,222. The refunding resulted in a deferred outflow of resources at issuance of \$21,245,986, of which \$20,181,548 was unamortized as of June 30, 2021. As of June 30, 2021, the assets held in escrow for the repayment of the remaining Series Bonds have an aggregate market value of \$333,381,800, with an unpaid principal balance of \$293,325,000.

On July 28, 2020, \$2,425,000 of the Series 2015A Project Revenue Bonds were cash defeased due to a sale of property to the Commonwealth through the Division of Capital Asset Management and Maintenance. The maturities defeased included portions of the May 1, 2021 to May 1, 2036 maturities. The coupon rates ranged from 2.00% to 5.00%. The defeasance escrow is invested in SLGS to the call date of November 1, 2024. As of June 30, 2021, the assets held in escrow for the repayment of the remaining Series Bonds have an aggregate market value of \$2,918,175, with an unpaid principal balance of \$2,320,000.

Debt service reserve fund investment agreements

In connection with the issuance of the Series 2003A Bonds, Series 2005A Bonds, Series 2006A Bonds, and Series 2009A Bonds, the Authority entered into debt service reserve fund investment agreements which provide for a guaranteed rate of return on the applicable debt service reserve funds to support the Authority's future debt service payments. The agreements provide for termination under certain circumstances as more fully described in the agreements. Termination of the agreements may generate a gain or loss to the Authority depending on the nature and circumstances of the termination. The 2012B Refunding Bonds refunded a portion of the Series 2005A Bonds which necessitated that a portion (\$1,800,000) of the original Series 2005A debt service reserve fund investment agreement be terminated. The funds received from this termination payment are being held in the Series 2005A Bonds Rebate Account. The 2014D Refunding Bonds refunded a portion of the Series 2005A Bonds which necessitated that a portion (\$1,069,938) of the original Series 2005A debt service reserve fund investment agreement be terminated. The funds received from this termination payment are being held in the Series 2005A Bonds Rebate Account. The 2016A Refunding Bonds refunded a portion of the Series 2008A Bonds and the Forward Delivery Agreement associated with those bonds was assigned by the provider proportionately to the 2016A Refunding Bonds. The 2016A Refunding Bonds refunded a portion of the Series 2009A

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Bonds. A portion (\$3,600,000) of the original Series 2009A debt service reserve fund was liquidated and used as a source of funds for the 2016A Refunding Bonds. On June 25, 2020, a forward delivery agreement termination letter was signed with SunTrust Bank for \$3.8 million. These funds were deposited to the debt service fund on July 1, 2020. The 2017D Refunding Bonds refunded a portion of the Series 2009B Bonds. A portion (\$940,998) of the Series 2014B debt service reserve fund was liquidated and used as a source of funds for the 2017D Refunding Bonds. The 2019B Refunding Bonds refunded a portion of the Series 2012A Bonds. The 2019C Refunding Bonds refunded portions of the Series 2012A and 2012B Bonds. The 2020A Refunding Bonds refunded portions of the Series 2003B, 2009C, 2010B, 2011A, 2012A, 2012B, 2012C, 2014A, 2014B, 2014C, 2015A, 2016A, 2017A, 2017B, 2017C, 2017D, 2019A, 2019B, 2019C Bonds. Additionally, the 2020A Refunding Bonds refunded the entire 2014D Refunding Bonds Series.

Unamortized bond premiums are reflected as an addition to the outstanding principal balance of the bonds payable and consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Unamortized balance, beginning	\$ 84,103,328	\$ 112,487,741
Current year additions	-	-
Unamortized premium on bonds refunded	(41,443,288)	(23,343,757)
Deceased premium refunded	(375,321)	-
Current year amortization	<u>(5,642,023)</u>	<u>(5,040,656)</u>
Unamortized balance, ending	<u>\$ 36,642,696</u>	<u>\$ 84,103,328</u>

Deferred losses on bond refundings are reflected as deferred outflows of resources in the accompanying statements of net position (deficiency in net position) and consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Balance, beginning	\$ 30,212,698	\$ 39,748,639
Current year additions	21,245,986	1,289,017
Current year refunded	(9,634,842)	(7,675,715)
Current year amortization	<u>(3,501,225)</u>	<u>(3,149,243)</u>
Balance, ending	<u>\$ 38,322,617</u>	<u>\$ 30,212,698</u>

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Note 8 - Long-term liabilities

Long-term liabilities at June 30, 2021 consisted of the following:

	2021				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Bonds payable, par	\$ 1,152,249,286	\$ 395,735,000	\$ (343,895,056)	\$ 1,204,089,230	\$ 26,938,668
Unamortized premiums	84,103,328	-	(47,460,632)	36,642,696	5,653,329
Total bonds payable	1,236,352,614	395,735,000	(391,355,688)	1,240,731,926	32,591,997
Interagency payables	12,365,366	608,596	(5,305,668)	7,668,294	762,581
Net pension liability	3,935,112	367,083	-	4,302,195	-
Net OPEB liability	1,586,181	71,124	-	1,657,305	-
Other liabilities					
Compensated absences	252,594	111,060	(19,092)	344,562	175,957
Total long-term liabilities	<u>\$ 1,254,491,867</u>	<u>\$ 396,892,863</u>	<u>\$ (396,680,448)</u>	<u>\$ 1,254,704,282</u>	<u>\$ 33,530,535</u>

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Long-term liabilities at June 30, 2020 consisted of the following:

	2020				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Bonds payable, par	\$ 1,179,398,596	\$ 233,620,000	\$ (260,769,310)	\$ 1,152,249,286	\$ 48,250,056
Unamortized premiums	112,487,741	-	(28,384,413)	84,103,328	5,007,796
Total bonds payable	1,291,886,337	233,620,000	(289,153,723)	1,236,352,614	53,257,852
Interagency payables	19,887,789	620,020	(8,142,443)	12,365,366	3,071,216
Net pension liability	4,121,111	-	(185,999)	3,935,112	-
Net OPEB liability	1,370,600	215,581	-	1,586,181	-
Other liabilities					
Compensated absences	234,218	53,245	(34,869)	252,594	134,281
Total long-term liabilities	<u>\$ 1,317,500,055</u>	<u>\$ 234,508,846</u>	<u>\$ (297,517,034)</u>	<u>\$ 1,254,491,867</u>	<u>\$ 56,463,349</u>

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Note 9 - Net position

The net investment in capital assets of (\$93,658,605) at June 30, 2021, includes the effect of deferring the recognition of the losses on bond refundings. The \$38,222,617 balance of the deferred outflows of resources on refunding of debt at June 30, 2021 will be amortized to interest expense over the terms of the old trust or new trust agreements, whichever is shorter, which will decrease the unrestricted net position and increase the net investment in capital assets over those periods (see Note 7).

Note 10 - Contingencies

Pending or threatened lawsuits against the Authority arise in the ordinary course of operations. In the opinion of management, no litigation is now pending, or threatened, that would materially affect the Authority's financial position.

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity. As of June 30, 2021, there was no significant impact to the Authority's operations; however, the Authority is not able to reliably estimate the length or severity of this outbreak. If the length of the outbreak and related effects on the Authority's operations continues for an extended period of time, there could be a loss of revenue and other material adverse effects on the Authority's financial position, results of operations and cash flows.

Note 11 - Operating expenses

The Authority's operating expenses for the years ended June 30, 2021 and 2020, on a natural classification basis, are comprised of the following:

	<u>2021</u>	<u>2020</u>
Insurance	\$ 1,512,604	\$ 1,231,698
Compensation	1,374,254	1,233,928
Supplies and service	930,712	902,619
Pension and OPEB expenses	124,893	205,282
Maintenance	-	24,235
Depreciation	45,963,988	45,007,554
Amortization of deferred loss (gain) on receivables	<u>42,613</u>	<u>-</u>
	<u><u>\$ 49,949,064</u></u>	<u><u>\$ 48,605,316</u></u>

Note 12 - Retirement plan

Substantially all of the Authority's full-time employees are covered by the Massachusetts State Employees' Retirement System ("MSERS"). MSERS, a public employee retirement system ("PERS"), is a cost-sharing multi-employer defined benefit plan that is administered by the Massachusetts State Retirement Board and covers substantially all non-student employees. The Commonwealth does not issue separately audited financial statements for the plan. The financial position and results of operations of the plan are incorporated into the Commonwealth's financial

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statements, a copy of which may be obtained from the Office of the State Comptroller, Commonwealth of Massachusetts, One Ashburton Place, Room 901, Boston, MA 02108.

MSERS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws ("MGL") establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The Authority for amending these provisions rests with the Legislature.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65; for certain hazardous duty and public safety positions, normal retirement is at age 55. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MSERS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MSERS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Member contributions for MSERS vary depending on the most recent date of membership:

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 to 1983	7% of regular compensation
1984 to June 30, 1996	8% of regular compensation
	9% of regular compensation except for State Police
July 1, 1996 to present	which is 12% of regular compensation
1979 to present	An additional 2% of regular compensation in excess of \$30,000

For active Authority employees covered by MSERS, the Authority is not required to make contributions to the Plan. For retired Authority employees, the Commonwealth computes the projected benefit obligation of the retired employee. The Authority is responsible to contribute any shortfall that exists as a result of this computation. The total amount paid by the Authority to the Massachusetts State Retirement Board amounted to \$203,754, \$215,188 and \$134,295 for the years ended June 30, 2021, 2020 and 2019, respectively, which equaled the required contributions each year.

At June 30, 2021, the Authority reported a liability of \$4,302,195 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the State's total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020. The Authority's proportion of the net pension liability was based on an effective contribution methodology which allocates total

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contributions amongst the employers in a consistent manner based on an employer's share of total covered payroll. At June 30, 2021, the Authority's proportion was 0.02507%.

At June 30, 2020, the Authority reported a liability of \$3,935,112 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the State's total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2019. The Authority's proportion of the net pension liability was based on an effective contribution methodology which allocates total contributions amongst the employers in a consistent manner based on an employer's share of total covered payroll. At June 30, 2020, the Authority's proportion was 0.02689%.

For the years ended June 30, 2021 and 2020, the Authority recognized pension expense of \$473,617 and \$559,684, respectively.

At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
	<u> </u>	<u> </u>
Changes of assumptions	\$ 243,928	\$ -
Net difference between projected and actual earnings on pension plan investments	236,494	-
Differences between expected and actual experience	136,890	27,838
Changes in proportion	<u>165,908</u>	<u>536,190</u>
Total	<u><u>\$ 783,220</u></u>	<u><u>\$ 564,028</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2022	\$ 33,997
2023	88,359
2024	95,635
2025	34,838
2026	<u>(33,637)</u>
Total	<u><u>\$ 219,192</u></u>

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At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	\$ 291,688	\$ -
Net difference between projected and actual earnings on pension plan investments	-	58,698
Differences between expected and actual experience	130,686	51,178
Changes in proportion	295,187	485,713
Total	<u>\$ 717,561</u>	<u>\$ 595,589</u>

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020. The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2019. These valuations used the following assumptions each measurement date, unless otherwise noted:

1. (a) 7.15% and 7.25% investment rates of return for the June 30, 2020 and 2019 measurement dates, respectively, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
2. Salary increases are based on analyses of past experience but range from 4.0% to 9.0% depending on group and length of service.
3. Mortality rates were as follows:
 - (i) Pre-retirement - reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016 and set forward 1 year for females.
 - (ii) Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016 and set forward 1 year for females.
 - (iii) Disability - the mortality rate reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016, set forward 1 year.
4. Experience studies were performed as follows:
 - (i) Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2016 for post-retirement mortality.

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Investment assets of MSERS are with the Pension Reserves Investment Trust ("PRIT") Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage.

Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2020 and 2019 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return	
		2020	2019
Global Equity	39.00%	4.80%	4.90%
Core Fixed Income	15.00%	0.70%	1.30%
Private Equity	13.00%	8.20%	8.20%
Portfolio Completion Strategies	11.00%	3.20%	3.90%
Real Estate	10.00%	3.50%	3.60%
Value Added Fixed Income	8.00%	4.20%	4.70%
Timberland/ Natural Resources	4.00%	4.10%	4.10%
Total	100.00%		

The discount rate used to measure the total pension liability for the measurement years ended June 30, 2020 and 2019 was 7.15% and 7.25%, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Authority's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.15% and 7.25% for the measurement years ended June 30, 2020 and 2019, respectively, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15% and 6.25%, respectively) or 1-percentage-point higher (8.15% and 8.25%, respectively) than the current rate for each year:

Measurement year ended	1% decrease	Discount rate	1% increase
June 30, 2019	\$ 5,237,762	\$ 3,935,112	\$ 2,822,060
June 30, 2020	5,668,408	4,302,195	3,179,275

Detailed information about the pension plan's fiduciary net position is available in the Commonwealth's financial statements.

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Note 13 - Retiree health plan

The Authority contributes to the Commonwealth's Group Insurance Commission ("GIC"), which manages a single-employer defined benefit postemployment healthcare plan for the Commonwealth and other governments within the Commonwealth. GIC provides medical benefits to retired employees of participating governments. Chapter 32A of the General Laws of the Commonwealth of Massachusetts assigns the authority to establish and amend benefit provisions to the GIC board of commissioners. The GIC does not issue separately audited financial statements. The financial position and results of operations of the plan are incorporated into the Commonwealth's financial statements, a copy of which may be obtained from the Office of the State Comptroller, Commonwealth of Massachusetts, One Ashburton Place, Room 901, Boston, MA 02108.

Under Chapter 32A, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Chapter 32A provides that contribution requirements of the plan members and the participating governments are established and may be amended by the GIC. Plan members or beneficiaries receiving benefits contribute anywhere from 0% to 20% depending on entry age.

Participating governments are contractually required to contribute at a rate assessed each year by GIC on a premium basis. The Authority's contributions to GIC for the years ended June 30, 2021, 2020 and 2019, were \$103,130, \$90,731 and \$153,937, respectively, which equaled the required contributions each year. Required contributions include contributions for the total health plan costs for both active and retired employees.

At December 31, 2020, the Authority's plan membership consisted of the following:

Retired members or beneficiaries currently receiving benefits	7
Active members	12
Inactive employees	<u>1</u>
Total plan members	<u><u>20</u></u>

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The Authority has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 and funds the plan on a pay-as-you-go basis. Employees are not required to make contributions to the plan. At June 30, 2021 and 2020, the Authority reported a net OPEB liability of \$1,657,305 and \$1,586,181, respectively. The components of the net OPEB liability were as follows:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Total OPEB liability	\$ 1,657,305	\$ 1,586,181
Plan fiduciary net position	<u>-</u>	<u>-</u>
Net OPEB liability	<u>\$ 1,657,305</u>	<u>\$ 1,586,181</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.00%</u>	<u>0.00%</u>

The Authority's OPEB liability was measured at June 30, 2020 and 2019, respectively, and the total OPEB liability used to calculate the net OPEB liability was measured by an actuarial valuation as of December 31, 2020 and December 31, 2018, respectively.

The changes in OPEB liability for the plan for the years ended June 30, 2021 and 2020 are as follows:

	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a) - (b)</u>
Balance at June 30, 2020	\$ 1,586,181	\$ -	\$ 1,586,181
Changes for the year:			
Service cost	103,730	-	103,730
Interest	58,628	-	58,628
Differences between expected and actual experience	(249,271)	-	(249,271)
Changes of assumptions	187,964	-	187,964
Contributions - employer	-	29,927	(29,927)
Benefit payments	<u>(29,927)</u>	<u>(29,927)</u>	<u>-</u>
Net changes	<u>71,124</u>	<u>-</u>	<u>71,124</u>
Balance at June 30, 2021	<u>\$ 1,657,305</u>	<u>\$ -</u>	<u>\$ 1,657,305</u>

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	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2019	\$ 1,370,600	\$ -	\$ 1,370,600
Changes for the year:			
Service cost	94,823	-	94,823
Interest	56,145	-	56,145
Changes of assumptions	93,930	-	93,930
Contributions - employer	-	29,317	(29,317)
Benefit payments	(29,317)	(29,317)	-
Net changes	215,581	-	215,581
Balance at June 30, 2020	\$ 1,586,181	\$ -	\$ 1,586,181

For the years ended June 30, 2021 and 2020, the Authority recognized OPEB expense of \$(318,797) and \$(354,402), respectively. The recognized OPEB expense for both the years ended June 30, 2021 and 2020 are negative due to deferred inflows and outflows resulting in a change in OPEB liability.

At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	\$ 250,584	\$ 4,240,507
Net difference between projected and actual earnings on OPEB plan investments	-	4,243
Differences between expected and actual experience	173,660	232,502
Total	\$ 424,244	\$ 4,477,252

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Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2022	\$ (481,156)
2023	(443,364)
2024	(446,586)
2025	(446,586)
2026	(446,586)
Thereafter	<u>(1,788,730)</u>
 Total	 <u><u>\$ (4,053,008)</u></u>

At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Changes of assumptions	\$ 86,108	\$ 4,886,581
Net difference between projected and actual earnings on OPEB plan investments	-	7,598
Differences between expected and actual experience	-	7,997
Changes in proportion	<u>343,212</u>	<u>-</u>
Total	<u><u>\$ 429,320</u></u>	<u><u>\$ 4,902,176</u></u>

The total OPEB liability for the June 30, 2020 and 2019 measurement date was determined by an actuarial valuation as of December 31, 2020 and December 31, 2018 rolled backward and forwards, respectively, to June 30, 2020 and 2019. This valuation used the following assumptions:

1. The following annual healthcare cost trend rates: (a) 7.5% decreasing by 0.5% each year to 5.5% decreasing by 0.25% each year to an ultimate rate of 5.0% per year for medical, (b) 5.0% for EGWP and (c) 5.0% for administration costs.
2. The mortality rate was in accordance with RP 2014 Healthy Annuitant Mortality Table projected generationally with scale MP-2020, gender distinct.
3. Wage inflation and salary increases of 3.0%.

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4. Participation rates:

- i. 80% of active employees are assumed to elect retiree medical and life insurance coverage. 100% of all retirees who currently have health care coverage will continue with the same coverage, except those with POS/PPO coverage, 85% are assumed to move into the indemnity plan and 15% are assumed to move into HMO.
- ii. All future retirees are assumed to have Medicare coverage upon attainment of age 65.
- iii. 40% of future retirees are assumed to elect a GIC indemnity plan upon retirement, 50% are assumed to elect a POS/PPO plan upon retirement and 10% are assumed to elect a GIC HMO plan. 100% of future retirees are assumed to be eligible for Medicare, with 85% electing a GIC indemnity plan upon reaching age 65 and 15% electing a GIC HMO plan upon reaching age 65.

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The discount rates used to measure the total OPEB liability for the measurement years ended June 30, 2020 and 2019 were 2.21% and 3.50%, respectively. These rates were based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rate of AA/Aa or higher as shown in the Bond Buyer 20-Bond General Obligation Index.

The following presents the Authority's net OPEB liability calculated using the discount rates of 2.21% and 3.50% for the measurement years ended June 30, 2020 and 2019, respectively, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for each year:

Measurement year ended	1% decrease	Current discount	1% increase
June 30, 2019	\$ 1,885,598	\$ 1,586,181	\$ 1,349,711
June 30, 2020	1,971,050	1,657,305	1,408,052

(a) - The discount rates as of June 30, 2020 are as follows: 2.21% (current); 1.21% (1% decrease) and 3.21% (1% increase)

(b) - The discount rates as of June 30, 2019 are as follows: 3.50% (current); 2.50% (1% decrease) and 4.50% (1% increase)

The following presents the Authority's net OPEB liability calculated using the healthcare cost trend rates of 7.5% for both the measurement years ended June 30, 2020 and 2019, as well as what the Authority's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for each year:

Measurement year ended	1% decrease	Current rate	1% increase
June 30, 2019	\$ 1,325,290	\$ 1,586,181	\$ 1,928,632
June 30, 2020	1,393,119	1,657,305	2,003,298

(a) - The healthcare cost trend rates as of June 30, 2020 are as follows: for GIC non-Medicare plans, 6.60% in 2021; decreasing to 6.50% in 2022, decreasing to 6.40% in 2023, decreasing to 6.20% in 2024, decreasing to 5.75% in 2025, then decreasing by 0.25% per year until reaching 4.50% in 2030. For Medicare plans, 4.80% in 2021; decreasing to 4.70% in 2022, decreasing to 4.60% in 2023, increasing to 4.70% in 2024, decreasing to 5.75% in 2025, then decreasing by 0.25% per year until reaching 4.50% in 2030.

(b) - The healthcare cost trend rates as of June 30, 2019 are as follows: 7.5% (current); 6.5% (1% decrease) and 8.5% (1% increase) for medical costs and 5.0% (current); 4.0% (1% decrease) and 6.0% (1% increase) for EGWP and administration costs

Note 14 - Lease commitments and receivables

On July 24, 2009, the Authority entered into a lease agreement with an unrelated third party for office space located in Boston, Massachusetts. The lease was amended in January 2010 increasing the leased space to approximately 5,700 square feet. As amended, the lease provided for a minimum annual base rent of \$115,885 for the initial year of the lease agreement and

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increased to \$184,470 for year eight and each of the remaining two years thereafter in the lease term. The initial year base rent also reflected a two-month free rent period. The lease was for a term of 120 months and expired in February 2020. The Authority was also required to pay, as additional rent, its pro rata share of real estate tax and operating expense escalations, as specified in the lease agreement.

On October 24, 2019, the Authority entered into a new lease agreement with an unrelated third party for a new office space located in Boston, Massachusetts commencing on March 1, 2020. The leased area is approximately 5,319 square feet. The lease provides for a minimum annual base rent of \$276,588 for the initial year of the lease agreement and increases \$1 per rentable square foot per year, ultimately increasing to \$329,776 in year eleven of the lease term. The initial year base rent reflects a one-month free rent period. The lease is for a term of 132 months and expires in February 2031. The Authority is also required to pay, as additional rent, its pro rata share of real estate tax and operating expense escalations, as specified in the lease agreement.

For the years ended June 30, 2021 and 2020, rent expense incurred, including additional costs for monthly storage and parking, which are not provided under the terms of the lease agreements, amounted to \$288,897 and \$231,433, respectively.

Future minimum rental payments remaining under the new operating lease agreement through maturity in February 2031 are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2022	\$ 283,680
2023	288,999
2024	294,318
2025	299,637
2026	304,956
Thereafter	<u>1,492,866</u>
Total	<u>\$ 2,964,456</u>

On June 30, 2017, the Authority entered into a lease agreement with Plus One Holdings, Inc. ("Plus One") to lease approximately 2,395 square feet of space at MCAD for the purpose of operating a student health services clinic. The lease agreement provides for an initial term of five years commencing in July 2017, and thereafter, at the option of Plus One, may be extended for three additional, five-year periods. The option to extend a term shall be exercised not less than one year prior to the expiration of the term then in effect. Annual rent shall be due in advance on the anniversary of the commencement date. Annual rent shall increase two and a half percent per year during the initial lease term and all extension periods.

The Authority has entered into an agreement with MCAD, whereby the MCPHS and Plus One lease payments will be made on a semiannual basis directly to MCAD, as payment of rent, and held in MCAD's residence hall trust fund and shall be used by MCAD for the operation of the leased property in a similar manner in which residence hall fees are used by the University and the Authority. In accordance with the lease agreement, Plus One paid MCAD \$29,919 and \$29,189 during fiscal 2021 and 2020, respectively. The Authority assesses annual obligations to MCAD,

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which include the pro rata share of the building occupied by Plus One, on the same debt assessment basis the Authority uses for their other residence halls.

Future minimum rental income to be remitted to MCAD is \$30,667 for the year ended June 30, 2022.

Note 15 - Subsequent bond issuances

On July 22, 2021, the MSCBA closed on \$16,825,000 of Project Revenue Bonds Series 2021A (Green Bonds) for the purpose of providing funding for a new capacity project at the Massachusetts Maritime Academy. The first principal payment is due on May 1, 2023, and the final term bond maturity is on May 1, 2051. Interest is due semi-annually each May 1st and November 1st. The bonds carry interest rates ranging from 2% to 5%.

On July 22, 2021, the MSCBA closed on \$2,265,000 Project Revenue Bonds Series 2021B for the purpose of providing funding for projects at the Massachusetts Maritime Academy and Massachusetts College of Liberal Arts. The first principal payment is due on May 1, 2023, and the final term bond maturity is on May 1, 2041. Interest is due semi-annually each May 1st and November 1st. The bonds carry interest rates ranging from 2% to 5%.

On September 10, 2021, \$535,000 of the Series 2012C, 2014A, and 2020A related to FSU Mayhew St. Project Revenue Bonds were cash defeased due to a sale of property to a private party. The maturities defeased included portions of the May 1, 2022 to May 1, 2032 2012C maturities, May 1, 2022 to May 1, 2025 2014A maturities, and portions of the May 1, 2027 to May 1, 2039 2020A maturities. The coupon rates ranged from 1.512% to 5.00%. The defeasance escrow is invested in open market securities to the call date of each series.

Required Supplementary Information

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Supplementary Information

**Schedule of the Authority's Proportionate Share of the Net Pension Liability of the Commonwealth of Massachusetts
June 30, 2021**

	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the collective net pension liability (asset)	0.0251%	0.0269%	0.0312%	0.0299%	0.0262%	0.0289%	0.0253%
Authority's proportionate share of the collective net pension liability (asset)	\$ 4,302,195	\$ 3,935,112	\$ 4,121,111	\$ 3,828,162	\$ 3,612,661	\$ 3,286,731	\$ 1,878,277
Authority's covered payroll	\$ 1,512,594	\$ 1,537,249	\$ 1,705,680	\$ 1,787,296	\$ 1,704,399	\$ 1,459,312	\$ 1,431,639
Authority's proportionate share of the collective net pension liability (asset) as a percentage of its covered payroll	284.42%	255.98%	241.61%	214.19%	211.96%	225.22%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	62.48%	66.28%	67.91%	67.21%	63.48%	67.87%	76.32%

* The amounts presented for each fiscal year were determined as of 6/30.

** This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditor's Report on Page 3 and Notes to Required Supplementary Information.

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Schedule of Authority Pension Contributions
June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 203,754	\$ 215,188	\$ 134,295	\$ 115,941	\$ 115,941	\$ 115,955	\$ 101,546
Contributions in relation to the contractually required contribution	<u>(203,754)</u>	<u>(215,188)</u>	<u>(134,295)</u>	<u>(115,941)</u>	<u>(115,941)</u>	<u>(115,955)</u>	<u>(101,546)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 1,512,594	\$ 1,537,249	\$ 1,705,680	\$ 1,787,296	\$ 1,704,399	\$ 1,459,312	\$ 1,431,639
Contributions as a percentage of covered payroll	13.47%	14.00%	7.87%	6.49%	6.80%	7.95%	7.09%

* This schedule is intended to present 10 years of data. Additional years will be presented when available.

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Schedule of Changes in the Authority's Net OPEB Liability and Related Ratios
June 30, 2021

	2021	2020	2019
Total OPEB liability:			
Service cost	\$ 103,730	\$ 94,823	\$ 244,646
Interest	58,628	56,145	239,294
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(249,271)	-	(5,391,656)
Changes of assumptions	187,964	93,930	-
Benefits payments, including refunds of employee contributions	(29,927)	(29,317)	(137,071)
Net change in total OPEB liability	71,124	215,581	(5,044,787)
Total OPEB liability - beginning	1,586,181	1,370,600	6,415,387
Total OPEB liability - end (a)	<u>\$ 1,657,305</u>	<u>\$ 1,586,181</u>	<u>\$ 1,370,600</u>
Plan fiduciary net position:			
Contributions - employer	\$ 29,927	\$ 29,317	\$ 137,071
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefits payments, including refunds of employee contributions	(29,927)	(29,317)	(137,071)
Change in accounting for assets	-	-	-
Administrative expense	-	-	-
Other	-	-	-
Net change in plan Fiduciary Net Position	-	-	-
Plan Fiduciary Net Position - beginning	-	-	-
Plan Fiduciary Net Position - end (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB Liability - end (a) - (b)	<u>\$ 1,657,305</u>	<u>\$ 1,586,181</u>	<u>\$ 1,370,600</u>
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	0.00%	0.00%	0.00%
Covered employee payroll	\$ 1,517,522	\$ 1,537,249	\$ 1,705,680
Plan Total OPEB Liability as a percentage of covered employee payroll	109.21%	103.18%	80.36%

* The amounts presented for each fiscal year were determined as of 6/30.

** This schedule is intended to present 10 years of data. Additional years will be presented when available.

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**Schedule of Authority OPEB Contributions
June 30, 2021**

A calculation of the actuarially determined contribution is not included as the Massachusetts State College Building Authority does not have assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 at this time and funds the plan on a pay-as-you-go basis.

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**Notes to Required Supplementary Information
June 30, 2021**

Note 1 - Changes in net pension benefit terms and assumptions

FY2020 Changes in Actuarial Assumptions

Changes in benefit terms

None in 2020.

Changes in assumptions

The investment rate of return changed to 7.15% from 7.25%.

FY2019 Changes in Actuarial Assumptions

Changes in benefit terms

None in 2019.

Changes in assumptions

The investment rate of return changed to 7.25% from 7.35%.

FY2018 Changes in Actuarial Assumptions

Changes in benefit terms

None in 2018.

Changes in assumptions

The investment rate of return changed to 7.35% from 7.5%.

The mortality assumption changed as follows:

- Disability - was changed to reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016 set forward 1 year for females from RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct).

Note 2 - Changes in net OPEB benefit terms and assumptions

FY2020 Changes in Actuarial Assumptions

Changes in benefit terms

None in 2020.

Changes in assumptions

The discount rate was decreased to 2.21% from 3.50%.

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June 30, 2021**

FY2019 Changes in Actuarial Assumptions

Changes in benefit terms

None in 2019.

Changes in assumptions

The discount rate was decreased to 3.50% from 3.87%.

FY2018 Changes in Actuarial Assumptions

Changes in benefit terms

None in 2018.

Changes in assumptions

The methodology was changed such that liabilities were calculated separately from the Commonwealth.

The turnover, disability and pre-retirement mortality assumptions were eliminated and the retirement assumption was revised.

The per-capita claim costs were updated.

The trend assumptions were revised.

The discount rate was increased to 3.87% from 3.63%.

The mortality assumption changed as follows:

- Post-retirement - was changed to reflect the RP-2014 Healthy Annuitant Mortality table projected generationally using Scale MP-2018, gender distinct from RP-2014 Blue Collar Healthy Annuitant Mortality table projected generationally using Scale MP-2016 and set forward 1 year for females.

The participation rate assumptions changed to the following:

- 80% of active employees are assumed to elect retiree medical and life insurance coverage. 100% of all retirees who currently have health care coverage will continue with the same coverage, except those with POS/PPO coverage, 85% are assumed to move into the indemnity plan and 15% are assumed to move into the HMO.
- All future retirees are assumed to have Medicare coverage upon attainment of age 65.
- 40% of future retirees are assumed to elect a GIC indemnity plan upon retirement, 50% are assumed to elect a POS/PPO plan upon retirement and 10% are assumed to elect a GIC HMO plan. 100% of future retirees are assumed to be eligible for Medicare, with 85% electing a GIC indemnity plan upon reaching age 65 and 15% electing a GIC HMO plan upon reaching age 65.

The participation rate assumptions were formerly:

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- 100% of all retirees who currently have health care coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over age 65 with POS/PPO coverage switch to HMO.
- All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.
- 80% of current and future contingent eligible participants will elect health care benefits at age 65, or current age if later.
- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

	Retirement Age	
	Under 65	Age 65 +
Indemnity	40%	85%
POS/PPO	50%	0%
HMO	10%	15%

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Statistical Information (Unaudited)

Schedule of Net Position (Deficiency) by Category

	<u>2012</u>	<u>2013</u>	<u>2014</u> (as restated)	<u>2015</u>	<u>2016</u>	<u>2017</u> (as restated)	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Net investment in capital assets	\$ 1,380,597	\$ 405,186	\$ (3,080,091)	\$ (12,717,572)	\$ (26,837,719)	\$ (23,187,500)	\$ (29,027,598)	\$ (44,021,651)	\$ (52,345,420)	\$ (93,658,605)
Restricted - expendable	2,415,383	2,231,469	905,631	905,721	-	-	-	-	-	-
Unrestricted	<u>(19,618,320)</u>	<u>(24,880,753)</u>	<u>(21,970,305)</u>	<u>(17,193,251)</u>	<u>(856,119)</u>	<u>(17,484,620)</u>	<u>(13,656,989)</u>	<u>2,888,291</u>	<u>22,020,820</u>	<u>8,364,949</u>
Total Net Position (Deficiency)	<u>\$ (15,822,340)</u>	<u>\$ (22,244,098)</u>	<u>\$ (24,144,765)</u>	<u>\$ (29,005,102)</u>	<u>\$ (27,693,838)</u>	<u>\$ (40,672,120)</u>	<u>\$ (42,684,587)</u>	<u>\$ (41,133,360)</u>	<u>\$ (30,324,600)</u>	<u>\$ (85,293,656)</u>

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Statistical Information (Unaudited)

Changes in Net Position

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
			(as restated)			(as restated)				
<u>Operating Revenue</u>										
Income from assessments	\$ 55,373,353	\$ 59,081,652	\$ 67,825,646	\$ 74,214,554	\$ 76,187,363	\$ 85,979,296	\$ 87,755,221	\$ 90,613,525	\$ 92,150,894	\$ 31,838,236
Federal grants for debt service	211,886	58,414	-	-	-	-	-	-	-	-
Other miscellaneous revenue	499,035	548,131	426,352	598,515	943,094	549,270	452,204	158,783	345,339	184,815
Total operating revenue	56,084,274	59,688,197	68,251,998	74,813,069	77,130,457	86,528,566	88,207,425	90,772,308	92,496,233	32,023,051
<u>Non-Operating Revenue</u>										
Net investment income	12,643,482	3,045,359	10,763,298	10,702,249	15,374,812	7,981,303	10,053,652	14,950,924	12,369,469	1,698,121
Interest income - interagency	-	-	-	-	-	-	-	-	7,291,176	5,398,318
Transfers (to)/from State Universities	3,050,414	3,981,309	4,221,388	4,009,535	7,056,055	421,418	498,508	585,251	(495,898)	(66,253)
Transfers (to)/from DCAM	-	(497,294)	-	-	-	-	-	-	-	-
State capital appropriations	-	-	-	-	-	-	-	-	-	-
Build America Bonds interest subsidy	2,360,991	2,302,924	2,161,590	2,189,322	2,200,443	2,201,230	2,198,010	2,181,789	2,147,963	1,461,384
Gain (loss) on sale of assets	-	-	-	-	-	-	-	-	-	213,031
Miscellaneous nonoperating revenue	546,385	56,777	912,114	150,866	99,082	49,691	70,350	26,061	9,112	69,870
Capital grants	-	-	-	-	-	-	-	-	-	-
Total non-operating revenue	18,601,272	8,889,075	18,058,390	17,051,972	24,730,392	10,653,642	12,820,520	17,744,025	21,321,822	8,774,471
Total Revenue	74,685,546	68,577,272	86,310,388	91,865,041	101,860,849	97,182,208	101,027,945	108,516,333	113,818,055	40,797,522
<u>Operating Expenses</u>										
Insurance costs	(740,425)	(735,970)	(892,842)	(939,566)	(1,024,658)	(1,086,763)	(1,160,311)	(1,188,922)	(1,255,933)	(1,512,604)
Authority operating expenses	(1,481,186)	(1,621,486)	(1,660,589)	(2,208,557)	(2,312,194)	(2,338,033)	(2,490,233)	(2,713,867)	(2,120,278)	(2,295,578)
Depreciation	(28,603,149)	(29,888,212)	(33,711,899)	(38,884,197)	(41,762,241)	(43,333,694)	(44,346,059)	(45,099,077)	(45,007,554)	(45,963,988)
Amortization of deferred loss (gain) on receivables	-	-	-	-	-	-	-	-	-	(42,613)
Other expenses	(294,516)	(426,570)	(235,606)	(402,886)	(46,879)	-	(106,166)	(12,983)	(221,551)	(134,281)
Total operating expenses	(31,119,276)	(32,672,238)	(36,500,936)	(42,435,206)	(45,145,972)	(46,758,490)	(48,102,769)	(49,014,849)	(48,605,316)	(49,949,064)
<u>Non-operating expenses</u>										
Interest expense	(37,776,890)	(41,151,521)	(48,795,255)	(53,529,051)	(54,345,047)	1,968,378	(54,281,857)	(57,085,975)	(52,979,652)	(43,549,367)
Bond issuance costs	(2,150,595)	(1,175,271)	(564,385)	(761,121)	(1,058,566)	(655,786)	(655,786)	(864,282)	(1,424,327)	(2,268,147)
Total non-operating expenses	(39,927,485)	(42,326,792)	(49,359,640)	(54,290,172)	(55,403,613)	1,312,592	(54,937,643)	(57,950,257)	(54,403,979)	(45,817,514)
Total Expenses	(71,046,761)	(74,999,030)	(85,860,576)	(96,725,378)	(100,549,585)	(45,445,898)	(103,040,412)	(106,965,106)	(103,009,295)	(95,766,578)
Increase (decrease) in net position	\$ 3,638,785	\$ (6,421,758)	\$ 449,812	\$ (4,860,337)	\$ 1,311,264	\$ 51,736,310	\$ (2,012,467)	\$ 1,551,227	\$ 10,808,760	\$ (54,969,056)

* Prior to 2020, the amounts presented for net investment income and interest income - interagency were combined under net investment income.

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Statistical Information (Unaudited)

Schedule of Revenue

Institution	2012	2013	2014 (as restated)	2015	2016	2017 (as restated)	2018	2019	2020	2021
Bridgewater	\$ 12,980,504	\$ 12,987,262	\$ 16,281,766	\$ 16,506,948	\$ 16,415,422	\$ 17,500,999	\$ 17,534,811	\$ 18,571,706	\$ 18,486,829	\$ 5,851,215
Fitchburg	4,902,735	5,127,026	5,376,040	5,641,136	5,152,007	6,096,926	6,780,228	7,403,353	\$7,844,106	\$2,947,005
Framingham	6,695,874	7,103,882	7,959,801	7,907,969	7,378,039	11,225,027	11,629,333	11,363,950	11,612,076	4,018,070
Mass. College of Art and Design	2,170,707	5,906,206	6,087,404	6,158,757	6,220,894	6,643,132	6,787,364	7,021,673	7,132,503	2,229,133
Mass. College of Liberal Arts	2,742,973	2,609,247	2,592,005	2,664,203	2,290,169	2,870,065	2,911,331	3,109,439	3,185,145	1,527,334
Mass. Maritime Academy	3,710,356	4,110,844	4,194,537	6,929,788	6,851,698	7,189,492	7,483,471	7,675,601	7,709,485	2,419,686
Salem	9,407,195	8,451,618	9,542,570	9,657,655	12,912,427	13,949,924	14,365,831	14,675,955	14,523,562	4,464,666
Westfield	6,943,818	7,402,580	9,996,056	10,382,798	10,207,246	11,465,584	11,419,260	11,770,370	12,691,371	4,387,392
Worcester	5,819,191	5,382,987	5,795,467	8,365,300	8,544,166	8,814,572	8,843,592	9,021,478	8,965,817	3,993,735
Mount Wachusett	-	-	-	-	215,295	223,575	-	-	-	-
Total	\$ 55,373,353	\$ 59,081,652	\$ 67,825,646	\$ 74,214,554	\$ 76,187,363	\$ 85,979,296	\$ 87,755,221	\$ 90,613,525	\$ 92,150,894	\$ 31,838,236

See Independent Auditor's Report on Page 3.

**Massachusetts State College Building Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Supplementary Information

Statistical Information (Unaudited)

Room Rates of Residence Facilities

Institution	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Bridgewater	\$6,100-7,310	\$6,300-7,460	\$6,540-7,740	\$6,740-7,840	\$6,940-8,080	\$7,220-8,400	\$7,510-8,862	\$7,698-9,128	\$7,948-9,425	\$8,099-10,024
Fitchburg	\$4,930-6,204	\$5,100-6,420	\$5,230-6,580	\$5,330-6,710	\$5,440-6,840	\$5,770-7,900	\$6,044-8,273	\$6,331-8,666	\$6,331-9,034	\$6,600-10,000
Framingham	\$5,495-8,250	\$5,885-8,630	\$6,085-8,830	\$6,380-9,060	\$6,680-9,280	\$6,980-9,580	\$7,280-9,880	\$7,560-10,160	\$7,840-10,440	\$8,040-13,640
Mass. College of Art and Design	\$7,610-10,640	\$7,876-11,000	\$8,030-11,220	\$8,190-11,440	\$8,350-11,670	\$8,560-12,807	\$8,820-13,190	\$9,261-13,378	\$9,358-13,378	\$8,944-13,860
Mass. College of Liberal Arts	\$4,530-5,050	\$4,740-5,140	\$4,860-5,260	\$5,210-5,510	\$5,500-5,700	\$5,750-5,950	\$6,050-6,250	\$5,000-6,550	\$5,000-6,850	\$6,900-7,196
Mass. Maritime Academy	\$5,300	\$5,470	\$5,910	\$6,440	\$6,790	\$7,130	\$7,340	\$7,560	\$7,790	\$8,004
Salem	\$6,150-9,350	\$6,570-9,320	\$6,700-9,500	\$6,980-9,900	\$7,280-10,320	\$7,570-10,730	\$7,870-11,160	\$8,110-11,490	\$8,350-11,820	\$8,680-12,530
Westfield	\$4,800-7,100	\$4,950-7,350	\$5,250-7,500	\$5,510-8,350	\$5,730-8,680	\$5,940-9,000	\$6,110-9,260	\$4,380-9,540	\$4,510-9,830	\$6,800-10,120
Worcester	\$6,580-7,800	\$6,750-7,800	\$6,920-7,980	\$7,090-8,180	\$7,270-8,370	\$7,485-8,585	\$7,646-8,746	\$7,778-8,878	\$7,778-8,878	\$7,878-9,278

See Independent Auditor's Report on Page 3.

**Massachusetts State College Building Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Supplementary Information

Statistical Information (Unaudited)

Occupancy as a Percentage of Design Capacity at Residence Facilities

Institution	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Bridgewater	100%	99%	95%	99%	97%	96%	95%	95%	96%	37%
Fitchburg	100%	101%	100%	103%	101%	96%	92%	85%	76%	50%
Framingham	100%	100%	100%	98%	98%	94%	93%	90%	88%	33%
Mass. College of Art and Design	100%	99%	99%	99%	98%	99%	99%	96%	100%	65%
Mass. College of Liberal Arts	94%	91%	86%	86%	79%	77%	74%	71%	73%	46%
Mass. Maritime Academy	106%	108%	111%	93%	101%	105%	102%	102%	10%	57%
Salem	102%	107%	106%	107%	100%	96%	96%	90%	79%	37%
Westfield	106%	101%	98%	98%	102%	99%	94%	86%	82%	38%
Worcester	103%	102%	101%	87%	94%	92%	96%	96%	96%	50%
State University Average	101%	101%	99%	98%	98%	96%	94%	91%	88%	43%

See Independent Auditor's Report on Page 3.

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board
Massachusetts State College Building Authority

We have audited, in accordance with the 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, the financial statements of the Massachusetts State College Building Authority (a component unit of the Commonwealth of Massachusetts) (the "Authority") as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 15, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Boston, Massachusetts
December 15, 2021



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BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the Series 2022A Bonds. The Series 2022A 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 Series 2022A Bond certificate will be issued for each maturity of the Series 2022A 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 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 is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 S&P. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2022A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2022A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2022A 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 2022A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2022A Bonds, except in the event that use of the book-entry system for the Series 2022A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2022A 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 2022A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2022A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2022A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2022A Bonds may wish to take certain steps to augment transmission to them of significant events with respect to the Series 2022A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Series 2022A Bonds may wish to ascertain that the nominee holding the Series 2022A 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 the notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2022A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 2022A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2022A 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 Authority or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2022A Bonds at any time by giving reasonable notice to Authority or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Series 2022A Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2022A Bond certificates 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 Authority believes to be reliable, but neither the Authority nor the underwriters take responsibility for the accuracy thereof.

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SUMMARY OF LEGAL DOCUMENTS

The following is a summary of certain provisions of the Trust Agreement and the Contract, including certain terms used in the Trust Agreement and Contract not used elsewhere in this Official Statement. This summary does not purport to be complete and reference is made to the Trust Agreement and Contract for full and complete statements of such and all provisions.

DEFINITIONS OF CERTAIN TERMS

“Account or Accounts” means each account or all of the accounts established by the Trust Agreement.

“Accreted Value” means with respect to any Capital Appreciation Bond (i) as of any Valuation Date, the amount set forth in the applicable Supplemental Trust Agreement and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Accreted Values for such Valuation Dates. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a 360-day year of twelve 30-day months.

“Agency Obligations” means obligations issued or guaranteed by the Federal National Mortgage Association, Government National Mortgage Association, Federal Financing Bank, Federal Intermediate Credit Banks, Federal Farm Credit Bank, Banks for Cooperatives, Federal Land Banks, Federal Farm Credit Banks Funding Corporation, Farm Credit System Financial Assistance Corporation, Federal Home Loan Banks, Farmers Home Administration, Export-Import Bank of the United States, Resolution Funding Corporation, Student Loan Marketing Association, United States Postal Service, Tennessee Valley Authority, Federal Home Loan Mortgage Corporation or any other agency or corporation which has been or may hereafter be created pursuant to an act of Congress as an agency or instrumentality of the United States of America.

“Amortized Value,” when used with respect to Investment Obligations purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such Investment Obligation was purchased by the number of days remaining to maturity on such Investment Obligation at the date of such purchase and by multiplying the amount thus calculated by the number of days having passed since such purchase, and (1) in the case of an Investment Obligation purchased at a premium by deducting the product thus obtained from the purchase price, and (2) in the case of an Investment Obligation purchased at a discount by adding the product thus obtained to the purchased price.

“Appreciated Value” means with respect to any Deferred Income Bond (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Trust Agreement authorizing such Deferred Income Bond, (ii) as of any date prior to the Interest Commencement Date, other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date shall be calculated on the basis of a 360-day year of twelve 30-day months.

“Appropriations” means amounts made available for expenditure on behalf of a State University pursuant to an appropriation or other spending authorization by the General Court of the Commonwealth and amounts otherwise available for expenditure by the BHE on behalf of such State University, including without limitation retained tuition payments, if any.

“Authorized Newspaper” means *The Bond Buyer* or a newspaper customarily published at least once a day for at least five days (other than legal holidays) in each week, printed in the English language and of general circulation in New York, New York.

“Authorized Officer” means the Chairman, Vice Chairman, Secretary-Treasurer, Assistant Secretary-Treasurer or Executive Director of the Authority, and when used with reference to an act or document of the Authority also means any other person authorized by resolution of the Authority to perform the act or sign the document in question.

“Bond Counsel” means any lawyer or firm of lawyers nationally recognized in the field of municipal finance and satisfactory to the Authority.

“Bondowner” or “Owner” or “Owner of Bonds” or any similar term means any person who shall be the registered owner of any Outstanding Bond or Bonds.

“Bond” means any bond authenticated and delivered under the Trust Agreement.

“Business Day” means any day that is not a Saturday, Sunday or legal holiday in the Commonwealth or a day on which banks in Boston, Massachusetts, are authorized or required by law or executive order to close.

“Campus Project” means any Project financed with Bonds issued after 1998.

“Campus Project Capital Improvement Reserve Accounts” means, collectively, the Bridgewater State University Capital Improvement Reserve Account, the Framingham State University Capital Improvement Reserve Account, the Fitchburg State University Capital Improvement Reserve Account, the Massachusetts College of Art and Design Capital Improvement Reserve Account, the Salem State University Capital Improvement Reserve Account, the Westfield State University Capital Improvement Reserve Account and the Worcester State University Capital Improvement Reserve Account of such names established by the Trust Agreement and any additional Capital Improvement Reserve Account established by the Authority pursuant to the Trust Agreement with respect to a State University in connection with the financing of a Campus Project.

“Campus Residence Hall Project” means a Campus Project that is a residence hall.

“Capital Appreciation Bond” means any Bond as to which interest is payable only at the maturity or prior redemption of such Bond. For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity or (ii) computing the principal amount of Bonds held by the registered owner of a Capital Appreciation Bond in giving to the Authority or the Trustee any notice, consent, request, or demand pursuant to the Trust Agreement for any purpose whatsoever, unless otherwise provided in the Supplemental Trust Agreement authorizing Bonds which are Capital Appreciation Bonds, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

“Capital Improvements” means improvements, enlargements, betterments, alterations, extensions, renewals and replacements of one or more Projects, including land, equipment and other real or personal property, which are properly chargeable (whether or not so charged by the Authority), under generally accepted accounting principles, as additions to capital accounts.

“Capital Improvements Budget” means a budget (i) showing all projected disbursements from the Project Fund and Capital Improvement Reserve Fund and, to the extent provided by the Authority, any other fund or account under or outside the Trust Agreement, as well as the sources of moneys projected to be available to meet the same and (ii) identifying the Capital Improvements to be undertaken, the nature of the work, the estimated cost thereof and the estimated completion date of each Capital Improvement.

“Commissioner” means the Commissioner of Higher Education of the Commonwealth.

“Commonwealth-owned Project” means a Project with respect to which the Authority has neither legal title nor a leasehold interest.

“Comptroller” means Comptroller of the Commonwealth.

“Contract” shall mean the Contract for Financial Assistance, Management and Services dated as of February 1, 2003 between the Commonwealth, acting by and through the BHE, and the Authority, together with all amendments thereto.

“Counsel’s Opinion” or “Opinion of Counsel” means an opinion signed by Bond Counsel or an attorney or firm of attorneys of recognized standing (who may be counsel to the Authority) selected by the Authority.

“Credit Facility” means an irrevocable letter of credit, surety bond, loan agreement or other agreement, facility or insurance or guaranty arrangement issued or extended by a Qualified Institution, pursuant to which the Authority is entitled to obtain moneys to pay the principal, purchase price or Redemption Price of Bonds due in accordance with their terms or tendered for purchase or redemption, plus accrued interest thereon to the date of payment, purchase or redemption thereof, in accordance with the Trust Agreement, whether or not the Authority is in default under the Trust Agreement.

“Debt Service” for any period means, as of any date of calculation and with respect to the Outstanding Bonds of any Series, an amount equal to the sum of (i) interest accruing during such period on Outstanding Bonds of such Series and (ii) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series or, if (a) there shall be no such preceding Principal Installment due date or (b) such preceding Principal Installment due date is more than one year prior to the due date of such Principal Installment, then, from a date one year preceding the due date of such Principal Installment or from the date of issuance of the Bonds of such Series, whichever date is later. Such interest and Principal Installments for such Series shall be calculated on the assumption that no Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof. For purposes of this definition, the principal and interest portions of the Accreted Value of a Capital Appreciation Bond and the Appreciated Value of a Deferred Income Bond becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments only during the year such amounts become due for payment unless otherwise provided in the applicable Supplemental Trust Agreement. Debt Service shall include costs of Credit Facilities and reimbursement to Providers of Credit Facilities, in each case if and to the extent payable from the applicable Debt Service Fund. Debt Service on Bond Anticipation Notes shall not include any Principal Installments thereon.

“Debt Service Reserve Fund Requirement” means zero. See “SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS – Debt Service Reserve Fund Requirement.”

“Defeasance Obligations” means and includes any of the following securities, to the extent investment in such securities by the Authority is authorized under applicable law:

- (i) direct obligations of the United States of America;
- (ii) interest-only strips of the Resolution Funding Corporation;
- (iii) pre-refunded municipal bonds rated Aaa by Moody’s Investors Service and AAA by Standard & Poor’s Ratings Service; or
- (iv) obligations issued by the following agencies that are backed by the full faith and credit of the United States of America: Export-Import Bank (direct obligations or fully guaranteed certificates of beneficial ownership), Farmers Home Administration, Federal Financing Bank, General Services Administration (participation certificates), Maritime Administration (guaranteed Title XI financing), Department of Housing and Urban Development (project notes, local authority bonds and new communities debentures).

“Deferred Income Bond” means any Bond (i) as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is (a) compounded on each Valuation Date for such Deferred Income Bond and (b) payable only at the maturity or prior redemption of such Bonds and (ii) as to which interest accruing after the Interest Commencement Date is payable on the first interest payment date immediately succeeding the Interest Commencement Date and periodically thereafter on the dates set forth in the Supplemental Trust Agreement authorizing such Deferred

Income Bond. For the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed prior to maturity or (ii) computing the principal amount of Bonds held by the registered owner of a Deferred Income Bond in giving to the Authority or the Trustee any notice, consent, request, or demand pursuant to the Trust Agreement for any purposes whatsoever, unless otherwise provided in the Supplemental Trust Agreement authorizing such Deferred Income Bond, the principal amount of a Deferred Income Bond shall be deemed to be its Appreciated Value.

“Fiduciary” or “Fiduciaries” means the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

“Fiscal Year” means that period beginning on the first day of July of any year and ending on the last day of June of the subsequent year or, at the option of the Authority, any other period of twelve consecutive calendar months selected by the Authority in a written instrument delivered to the Trustee as the Fiscal Year of the Authority.

“Framingham Contract” means the Contract for Financial Assistance, Management and Services, Framingham State College Parking Lot, dated as of August 1, 1999 between the Authority and Commonwealth, acting by and through the BHE.

“Fund” or “Funds” means each fund or all of the funds established by the Trust Agreement.

“Indebtedness” means Bonds or Bond Anticipation Notes.

“Interest Commencement Date” means, with respect to any particular Deferred Income Bond, the date prior to the maturity date thereof specified in the Supplemental Trust Agreement authorizing such Deferred Income Bond after which interest accruing on such Bond shall be payable on the first interest payment date immediately succeeding such Interest Commencement Date and periodically thereafter on the dates specified in the Supplemental Trust Agreement authorizing such Deferred Income Bond.

“Interest Subsidy Payment” means the credit payment received by the Authority pursuant to section 6431(b) of the Code.

“Investment Obligation” shall mean and include any of the following securities, to the extent investment in such securities by the Authority is authorized under applicable law:

- (i) Defeasance Obligations;
- (ii) Agency Obligations;
- (iii) Obligations the timely payment of principal of and interest on which are unconditionally guaranteed by the United States of America;
- (iv) Certificates or receipts representing direct ownership of future interest or principal payments on direct general obligations of the United States of America or any obligations of agencies or instrumentalities of the United States of America which are backed by the full faith and credit of the United States of America, which obligations are held by a custodian in safekeeping on behalf of the registered owners of such receipts;
- (v) Interest-bearing time or demand deposits, certificates of deposit, or other similar banking arrangements with any government securities dealer, bank, trust company, savings and loan association, national banking association or other savings institution (including the Trustee or any affiliate of the Trustee), provided that such deposits, certificates, and other arrangements are fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or interest-bearing time or demand deposits or certificates of deposit with any bank, trust company, national banking association or other savings institution (including the Trustee or any affiliate of the Trustee), provided such deposits and certificates are in or with a bank, trust company, national banking association or other savings institution whose long-term unsecured debt is rated in one of the two highest long-term rating categories by each Rating Agency;

(vi) Repurchase agreements collateralized by securities described in subparagraphs (i), (ii), (iii) or (iv) above with any registered broker-dealer or with any commercial bank;

(vii) Forward purchase agreements providing for delivery of securities described in subparagraphs (i), (ii), (iii) or (iv) above or subparagraph (ix) below with banks or other financial institutions (including the Trustee or any affiliate of the Trustee) whose long-term unsecured debt or claims-paying ability is rated in one of the two highest rating categories by each Rating Agency, provided that any such agreement must be accompanied by an opinion of counsel to the effect that the securities delivered will not be considered a part of the estate of such bank or other financial institution in the event of a declaration of bankruptcy or insolvency by such bank or institution;

(viii) Money market funds rated in the highest rating category by each Rating Agency, including, without limitation, any mutual fund rated in the highest rating category by each Rating Agency, for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (A) the Trustee or an affiliate of the Trustee receives fees from such funds for services rendered, (B) the Trustee charges and collects fees for services rendered pursuant to this Trust Agreement, which fees are separate from the fees received from such funds, and (C) services performed for such funds and pursuant to this Trust Agreement may at times duplicate those provided to such funds by the Trustee or its affiliates;

(ix) Commercial paper rated in the highest rating category by each Rating Agency;

(x) Short-term or long-term obligations, whether tax exempt or taxable, of any state or local government or authority or instrumentality thereof or any other entity that has the ability to issue obligations the interest on which is excludable from gross income for federal income tax purposes, provided that any such obligations are rated at the time of purchase in one of the two highest rating categories by each Rating Agency;

(xi) Investment contracts with banks or other financial institutions (including the Trustee or any affiliate of the Trustee) whose long-term unsecured debt or claims-paying ability is rated in one of the two highest rating categories by each Rating Agency;

(xii) Participation units in a combined investment fund created under Section 38A of Chapter 29 of the Massachusetts General Laws; and

(xiii) Any other investment in which moneys of the Authority may be legally invested, provided that the Authority receives a letter (or other evidence satisfactory to the Trustee) from a Rating Agency to the effect that it will not, solely as a result of such investment, lower, suspend or otherwise adversely affect any underlying rating (without regard to any Credit Facility) then maintained on any Outstanding Bonds.

“MassArt Dining Hall Contract” means the Contract for Financial Assistance, Management and Services, Massachusetts College of Art and Design Dining Hall, dated as of August 1, 1999 between the Authority and the Commonwealth, acting by and through the BHE.

“MassArt Residence Hall Contract” means the Contract for Financial Assistance, Management and Services, Massachusetts College of Art and Design Residence Hall, dated as of August 1, 1999 between the Authority and the Commonwealth, acting by and through the BHE.

“Maturity Value” means the Accreted Value of a Capital Appreciation Bond at its stated maturity.

“1994 Contract” means the Contract for Financial Assistance, Management and Services, 1994 Projects, Existing Projects and Refunding, dated as of October 1, 1994, as amended as of August 1, 1999 between the Authority and the Commonwealth, acting by and through the BHE.

“1999 Bridgewater Contract” means the Contract for Financial Assistance, Management and Services, Bridgewater State College Dining Hall, dated as of August 1, 1999 between the Authority and the Commonwealth, acting by and through the BHE.

“Operating Expenses” means any expenses incurred by or for the account of the Authority or reimbursable by or to the Authority for operation, maintenance, renewal and repair of the Projects including, without limiting the generality of the foregoing, administrative expenses, financial, legal and auditing expenses, insurance premiums, payments on claims against the Authority, payments of rates, assessments or other charges to the Authority with respect to the Projects, legal and engineering expenses relating to operation and maintenance, payments and reserves for pension, retirement, health, hospitalization and sick leave benefits for Authority employees allocable to the Projects and any other similar expenses required to be paid by the Authority, all to the extent properly and directly attributable to the Projects, and the expenses, liabilities and compensation of the Fiduciaries required to be paid under the Trust Agreement, but does not include any cost of any Capital Improvement or any provision for interest, depreciation, amortization or similar charges on any indebtedness. The term shall also include any payments required to be made by the Authority to the Commonwealth pursuant to Section 20 of the Act.

“Outstanding,” when used with reference to Bonds of a Series, means, as of any date, Bonds or Bonds of such Series, theretofore or thereupon being authenticated and delivered, issued under the Trust Agreement except:

- (i) any Bonds cancelled by any Fiduciary at or prior to such date,
- (ii) Bonds (or portions of Bonds) for the payment or redemption of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held in trust under the Trust Agreement and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given or provision satisfactory to the Trustee shall have been made for the giving of such notice as provided in the Trust Agreement;
- (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to applicable provisions of the Trust Agreement unless proof satisfactory to the Trustee is presented that any such Bonds are held by a bona fide purchaser in due course; and
- (iv) Bonds deemed to have been paid as provided under the heading “Defeasance.”

“Paying Agent” means any paying agent for the Bonds of any Series, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Trust Agreement.

“Principal Installment” means, as of any date of calculation and with respect to the Bonds of any Series, so long as any Bonds thereof are Outstanding, (i) the principal amount of Bonds of such Series due on a future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance (determined as provided under the heading “Satisfaction of Sinking Fund Installment”) of any Sinking Fund Installments due on a future date for Bonds of such Series, plus the amount of the premium, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (iii) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date, plus such applicable redemption premium, if any.

“Prior Contracts” means (i) the 1994 Contract, (ii) the 1999 Bridgewater Contract, (iii) the MassArt Residence Hall Contract, (iv) the MassArt Dining Hall Contract, (v) the Framingham Contract and (vi) the 2000 Bridgewater Contract.

“Project” shall mean the construction of new buildings or structures and the acquisition, addition to, alteration, enlargement, reconstruction, rehabilitation, remodeling and other work, including, but not limited to, the alteration or modification of existing facilities or the construction of additional or new facilities required or made desirable by changes in or enactments of new law or regulation or changes in or new circumstances such as, by way of example and not by way of limitation, provision for access or use by handicapped persons, provision for conservation of energy, provision for safety and security of persons and property, provision for other compliance with changed or new law, regulation or circumstance, in or upon or respecting existing buildings or structures, the provision and installation therein or in respect thereof of furnishings, furniture, machinery, equipment, facilities, approaches, driveways, walkways, parking areas, planting and landscaping, the acquisition of land, other property,

rights, easements and interests acquired for or in respect to any thereof, the demolition or removal of any buildings or structures on land so acquired or interests in which are so acquired and site preparation, with respect to the financing or refinancing of which Bonds shall have been issued (or, as required by the context, with respect to which such financing or refinancing may be or shall have been proposed) under the Trust Agreement. The word shall also mean, whenever appropriate, such land, buildings or structures and such appurtenances.

“Project Cost” means and includes the cost, whenever incurred, of carrying out a Project and placing it in operation, including, but not limited to, the cost of construction of new buildings or structures and the cost of acquiring, adding to, altering, enlarging, leasing, reconstructing, remodeling and doing other work in or upon or respecting existing buildings and structures, if any, included in such Project, the cost of providing and installing in or in respect of any such building or structure, furniture, furnishings, machinery, equipment, facilities, approaches, driveways, walkways, parking areas, planting and landscaping, the cost of leasing or otherwise acquiring land, other property, rights, easements and interests acquired for or in respect to any of the foregoing, the cost of demolishing or removing any buildings or structures on land so acquired or interests in which are so acquired and the cost of site preparation; the cost of architectural and engineering services, plans, specifications, survey, estimates of costs and of revenues, other expenses necessary or incident to determining the feasibility or practicability of such Project; administrative expenses, legal expense and such other expenses, including, but not limited to, the fees and expenses (including reasonable attorneys’ fees and expenses) of the Trustee payable initially or prior to the receipt by the Authority of Revenues from such Project, fees and expenses of financial advisers and other experts, printing and advertising costs and the like, taxes and other governmental charges lawfully levied or assessed prior to such receipt of Revenues, the cost of preliminary architectural and engineering services, plans, specifications, surveys, estimates of costs and revenues, other expenses necessary or incident to determine the feasibility or practicability of other projects for which written requests shall have been made by authority of the BHE and premiums for policies of insurance, fidelity bonds and the like covering property and risks of and related to such Project and payable prior to such receipt of such Revenues, as may be necessary or incident to the aforesaid, to the financing or refinancing thereof and to the issuance therefore of notes or Bonds or both and interest for such period as the Authority may deem advisable.

“Provider” means any person or entity providing a Credit Facility with respect to any one or more Series of Bonds, pursuant to agreement with or upon the request of the Authority.

“Qualified Institution” means (i) a bank, a trust company, a national banking association, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, a corporation, a trust, a partnership, an unincorporated organization, or a government or an agency, instrumentality, program, account, fund, political subdivision or corporation thereof, in each case the unsecured or uncollateralized long-term debt obligations of which, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such organization, at the time an investment agreement, or Credit Facility is entered into by the Authority are rated in a category equal to or higher than its unenhanced, published rating on Outstanding Bonds by each Rating Agency which rates such obligations or (ii) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality.

“Rating Agency” means each nationally recognized rating service that maintains a published rating on any Outstanding Bonds at the request of the Authority.

“Redemption Price” means, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the Trust Agreement, but excluding accrued interest.

“Refunding Bonds” means all Bonds authenticated and delivered on original issuance pursuant to the Trust Agreement for the purpose of refunding Outstanding Bonds.

“Revenues” means (i) all moneys received by the Authority in payment of fees, rents, rates and other charges for the use and occupancy of, and for the services and facilities provided by, a Project, including, without

limitation, the moneys which the BHE is required to remit to the Authority under the Contract, and all other income derived by the Authority from the operation, ownership or control thereof and (ii) any other amounts designated as Revenues in the Contract.

“Series” means all of the Bonds authenticated and delivered on original issuance and designated as such by the Authority in a simultaneous transaction pursuant to the provisions regarding authorization and issuance of bonds under the Trust Agreement and any Bonds thereafter authenticated and delivered in lieu of or in substitution therefore, regardless of variations in maturity, interest rate, sinking fund, or other provisions.

“Sinking Fund Installment” means, as of any date of calculation and with respect to any Bonds of a Series, so long as any Bonds thereof are Outstanding, the amount of money required by the applicable Supplemental Trust Agreement, to be paid on a single future date for the retirement of any Outstanding Bonds of said Series which mature after said date, but does not include any amount payable by the Authority by reason only of the maturity of a Bond.

“Supplemental Trust Agreement” means any trust agreement supplemental to or amendatory of the Trust Agreement, adopted by the Authority in accordance with the Trust Agreement.

“System Projects” means Projects financed by Bonds issued before 1998.

“System Projects Capital Improvement Reserve Account” means the Account by that name established by the Trust Agreement.

“Trust Agreement” means the Trust Agreement dated as of November 1, 1994 between the Authority and the Trustee, as amended by the First Supplemental Agreement dated as of January 1, 1996, the Second Supplemental Agreement dated as of August 1, 1999 and the Third Supplemental Agreement dated as of April 1, 2000, each between the Authority and the Trustee, and as further amended and restated by the Fourth Supplemental Trust Agreement dated as of February 1, 2003, as further supplemented by the Fifth Supplemental Trust Agreement dated as of February 1, 2003, providing for the issuance of the Authority’s Project Revenue Bonds, Series 2003A, and Refunding Revenue Bonds, Series 2003B, as further amended by the Sixth Supplemental Trust Agreement dated as of November 1, 2003, as further supplemented by the Seventh Supplemental Trust Agreement dated as of January 1, 2004, providing for the issuance of the Authority’s Project Revenue Bonds, Series 2004A, as further supplemented by the Eighth Supplemental Trust Agreement dated as of February 1, 2004, providing for the issuance of the Series 2004B Bonds, as further supplemented by the Ninth Supplemental Trust Agreement dated as of March 1, 2005, providing for the issuance of the Authority’s Project Revenue Bonds, Series 2005A, as further supplemented by the Tenth Supplemental Agreement dated as of March 1, 2006 and the Eleventh Supplemental Agreement dated as of April 1, 2006, providing for the issuance of the Authority’s Project Revenue Bonds, Series 2006A, as further supplemented and amended by the Twelfth Supplemental Agreement dated as of March 1, 2008, providing for the issuance of the Series 2008A Bonds, as further supplemented and amended by the Thirteenth Supplemental Trust Agreement dated as of January 1, 2009, as further supplemented by the Fourteenth Supplemental Trust Agreement dated as of January 1, 2009, providing for the issuance of the Series 2009A Bonds, as further amended and restated by the Fifteenth Supplemental Trust Agreement dated as of December 1, 2009, as further supplemented by the Sixteenth Supplemental Trust Agreement dated as of December 1, 2009, providing for the issuance of the Series 2009B Bonds, as further supplemented by the Seventeenth Supplemental Trust Agreement dated as of December 1, 2009, providing for the issuance of the Series 2009C Bonds, as further amended by the Eighteenth Supplemental Trust Agreement dated as of December 1, 2010, as further supplemented by the Nineteenth Supplemental Trust Agreement dated as of December 1, 2010, providing for the issuance of the Series 2010A Bonds, as further supplemented by the Twentieth Supplemental Trust Agreement dated as of December 1, 2010, providing for the issuance of the Series 2010B Bonds, as further supplemented by the Twenty-first Supplemental Trust Agreement dated as of June 1, 2011, providing for the issuance of the Series 2011A Bonds, as further amended by the Twenty-second Supplemental Trust Agreement dated as of January 1, 2012, as further supplemented by the Twenty-third Supplemental Trust Agreement dated as of January 1, 2012, providing for the issuance of the Series 2012A Bonds, as further supplemented by the Twenty-fourth Supplemental Trust Agreement dated as of March 1, 2012, providing for the issuance of the Series 2012B Bonds, as further supplemented by the Twenty-fifth Supplemental Trust Agreement dated as of December 1, 2012, providing for the issuance of the Series 2012C Bonds, as further supplemented by the Twenty-sixth Supplemental Trust Agreement dated as of

January 1, 2014 providing for the issuance of the Series 2014A Bonds, as further supplemented and amended by the Twenty-seventh Supplemental Trust Agreement dated as of December 1, 2014 providing for the issuance of the Series 2014B Bonds, the Series 2014C Bonds and the Series 2014D Bonds, as further supplemented by the Twenty-eighth Supplemental Trust Agreement dated as of December 1, 2015 providing for the issuance of the Series 2015A Bonds, as further supplemented by the Twenty-ninth Supplemental Trust Agreement dated as of February 1, 2016 providing for the issuance of the Series 2016A Bonds, as further amended and restated by the Thirtieth Supplemental Trust Agreement dated as of January 1, 2017, as further supplemented by the Thirty-first Supplemental Trust Agreement dated as of January 1, 2017 providing for the issuance of the Series 2017A Bonds, as further supplemented by the Thirty-second Supplemental Trust Agreement dated as of December 1, 2017 providing for the issuance of the Series 2017 B Bonds and the Series 2017D Bonds, and the Thirty-third Supplemental Trust Agreement dated as of December 1, 2017 providing for the issuance of the Series 2017C Bonds, as further supplemented by the Thirty-fourth Supplemental Trust Agreement dated as of April 1, 2018, as further supplemented by the Thirty-fifth Supplemental Trust Agreement dated as of January 1, 2019 providing for the issuance of the Series 2019A Bonds, as further supplemented by the Thirty-sixth Supplemental Trust Agreement dated as of January 1, 2019 providing for the issuance of the Series 2019B Bonds, as amended by the Thirty-seventh Supplemental Trust Agreement dated as of June 1, 2019, as further supplemented by the Thirty-eighth Supplemental Trust Agreement dated as of October 15, 2019 providing for the issuance of the Series 2019C Bonds, as further amended and restated by the Thirty-ninth Supplemental Trust Agreement dated as of January 1, 2020, as further supplemented by the Fortieth Supplemental Trust Agreement dated as of July 1, 2020 providing for the issuance of the Series 2020A Bonds, as further supplemented by the Forty-first Supplemental Trust Agreement dated as of July 1, 2021 providing for the issuance of the Series 2021A Bonds and the Series 2021B Bonds, as further amended and restated by the Forty-second Supplemental Trust Agreement dated as of December 1, 2021, and as further supplemented by the Forty-third Supplemental Trust Agreement dated as of February 1, 2022 providing for the issuance of the Series 2022A Bonds.

“2000 Bridgewater Contract” means the Contract for Financial Assistance, Management and Services, Bridgewater State College Residence Hall, dated as of May 1, 2000 between the Authority and the Commonwealth, acting by and through the BHE.

“Valuation Date” means (i) with respect to any Capital Appreciation Bond the date or dates set forth in the applicable Supplemental Trust Agreement on which specific Accreted Values are assigned to the Capital Appreciation Bond and (ii) with respect to any Deferred Income Bond, the date or dates on or prior to the Interest Commencement Date set forth in the Supplemental Trust Agreement authorizing such Bond on which specific Appreciated Values are assigned to the Deferred Income Bond.

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SUMMARY OF THE TRUST AGREEMENT

Trust Agreement to Constitute Contract. The Trust Agreement constitutes a contract between the Authority and the Owners from time to time of the Bonds, and the pledge made in the Trust Agreement and the covenants and agreements therein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of the Owners of any and all of the Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or permitted by the Trust Agreement or any Supplemental Trust Agreement.

Additional Bonds. Additional Bonds may be issued at any time to pay or provide for the payment of other Authority bonds, notes or other obligations incurred under the Act, to refund Outstanding Bonds, to make deposits to the Project Fund, the Debt Service Fund or the Debt Service Reserve Fund, or any combination thereof, and to pay or provide for the payment of the costs incurred in connection with the issuance of Bonds. The consent of the Bond Insurer is required to issue refunding Bonds that do not produce debt service savings.

Bond Anticipation Notes. Whenever the Authority shall authorize the issuance of Bonds, the Authority may by resolution authorize the issuance of notes (and renewals thereof) in anticipation of the sale of such Bonds. The principal of and interest on such notes and renewals thereof shall be payable from the proceeds of such notes, from the proceeds of the sale of the Bonds in anticipation of which such Notes are issued or from funds of the Authority. The proceeds of such Bonds may be pledged for the payment of the principal of and interest on such notes, and any such pledge shall have a priority over any other pledge of such proceeds created by the Trust Agreement. The Authority may secure the payment of the interest on such notes by a pledge that is on a parity with the pledge under the Trust Agreement securing all Bonds, in which event such interest shall be payable from the Debt Service Fund. The Authority may also pledge the Revenues and other Authority funds to the payment of the principal of such notes, but such pledge shall be subordinate to the pledge securing the payment of the Bonds.

Additional Obligations. The Authority reserves the right to issue bonds, notes or other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Authority, so long as such bonds, notes or other obligations are not, or such other indebtedness is not, except as provided in the Trust Agreement, entitled to a charge or lien or right with respect to the Revenues or the Funds and Accounts created thereby or pursuant thereto. Notwithstanding the foregoing, the Authority may by Supplemental Trust Agreement issue bonds, notes or any other obligations entitled to a charge or lien or right with respect to the Revenue or the Funds and Accounts created under the Trust Agreement, so long as amounts payable on such obligations or under such agreement shall be payable after the deposits set forth under the heading "Revenue Fund."

The Pledge Effected by the Trust Agreement. There are pledged for the payment of the Principal Installments and Redemption Price of and interest on the Bonds, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement, all Revenues, all moneys and securities on deposit in all funds and accounts created under the Trust Agreement (except for the Operating Fund and the Rebate Fund), all Pledged Funds and all rights of the Authority under the Contract to receive Revenues and Pledged Funds payable to the Authority thereunder.

Establishment of Funds and Accounts. The following Funds and Accounts, which shall be held and administered by the Trustee (except the Operating Fund, the Capital Improvement Reserve Fund and the Multipurpose Reserve Fund, which shall be held by the Authority), subject to the provisions of the Trust Agreement, shall be established:

- (1) Project Fund;
- (2) Revenue Fund;
- (3) Operating Fund;
- (4) Debt Service Fund;

- (5) Debt Service Reserve Fund;
- (6) Rebate Fund;
- (7) Capital Improvement Reserve Fund (and within said Fund (i) a System Projects Capital Improvement Reserve Account, (ii) a Bridgewater State University Capital Improvement Reserve Account, (iii) a Framingham State University Capital Improvement Reserve Account, (iv) a Massachusetts College of Art and Design Capital Improvement Reserve Account, (v) a Massachusetts Maritime Academy Capital Improvement Reserve Account (vi) a Salem State University Capital Improvement Reserve Account, (vii) a Worcester State University Capital Improvement Reserve Account; (viii) a Westfield State University Capital Improvement Reserve Account and (ix) a Fitchburg State University Capital Improvement Reserve Account); and
- (8) Multipurpose Reserve Fund.

Project Fund. There shall be deposited in the Project Fund (i) the amount provided in the applicable Supplemental Trust Agreement to be deposited therein to pay Project Costs to be financed by such Series and (ii) any other amounts (not required by the Trust Agreement to be otherwise deposited) as determined by the Authority.

The Authority may establish in the Supplemental Trust Agreement for any Series of Bonds a separate Cost of Issuance Account within the Project Fund and shall deposit in the Cost of Issuance Account for such Series any proceeds of such Series as directed by such Supplemental Trust Agreement and any other moneys not otherwise directed to be applied by the Trust Agreement.

Revenue Fund. All Revenues, except earnings on investment of the Funds and Accounts to the extent provided under the heading "Investment of Funds; Valuation," shall be collected by or for the account of the Authority and deposited by or on behalf of the Authority as promptly as practicable in the Revenue Fund. On the last Business Day of each February and on each October 10 (or the next preceding Business Day, if October 10 is not a Business Day), the Trustee shall apply amounts available in the Revenue Fund to the following purposes and in the following order:

- (i) to the Debt Service Fund, an amount which, when added to other amounts on deposit in such Fund and available for such purpose, including amounts in any capitalized interest account that may have been established by the applicable Supplemental Trust Agreement, will equal the interest to become due and payable on Outstanding Bonds on the next interest payment date and any Principal Installment to become due and payable on Outstanding Bonds on or before the next date (within the next twelve months) on which such Principal Installment is payable (and if the amount on deposit in the Debt Service Fund shall be less than such required amount, the Trustee shall notify the Authority and the BHE in writing of the amount of the deficiency and request payment of such amount pursuant to the Contract);
- (ii) to the Debt Service Reserve Fund, an amount which, together with the amounts on deposit therein, will equal the Debt Service Reserve Fund Requirement;
- (iii) to the Authority for deposit in the Operating Fund, the amount directed in writing to be deposited therein by an Authorized Officer;
- (iv) to the Authority for deposit in the System Projects Capital Improvement Reserve Account or one or more Campus Project Capital Improvement Reserve Accounts in the Capital Improvement Reserve Fund, the amount, if any, directed in writing to be deposited therein by an Authorized Officer pursuant to the Trust Agreement; and
- (v) to the Authority for deposit in the Multipurpose Reserve Fund, the amount, if any, directed in writing to be deposited therein by an Authorized Officer pursuant to the Trust Agreement.

Any balance remaining in the Revenue Fund following the above payments shall be retained in the Revenue Fund to be available for payments therefrom in the succeeding months.

Operating Fund. Amounts in the Operating Fund shall be applied by the Authority from time to time to Operating Expenses. Amounts in the Operating Fund which the Authority at any time determines in writing to be in excess of the requirements of such Fund shall be withdrawn and deposited in the Revenue Fund.

Debt Service Fund. The Trustee shall pay out of the Debt Service Fund to the respective Paying Agents (i) on or before each interest payment date for any of the Bonds the amount required for the interest and Principal Installments payable on such date and (ii) on or before each redemption date for such Bonds, the amount required for the payment of the Redemption Price of and interest on such Bonds then to be redeemed. A Supplemental Trust Agreement that establishes a capitalized interest account in the Debt Service Fund may provide for residual amounts in said account to be transferred to the Project Fund.

Debt Service Reserve Fund. If at any time the amounts on deposit and available therefor in the Debt Service Fund are insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Trustee shall withdraw from the Debt Service Reserve Fund and deposit in the Debt Service Fund the amount necessary to meet any such deficiency. Whenever moneys on deposit in the Debt Service Reserve Fund exceed the Debt Service Reserve Fund Requirement, such excess may be, in the discretion of the Authority, transferred by the Trustee to the Debt Service Fund or, if approved by an Opinion of Bond Counsel, to any Fund or Account specified by the Authority.

Rebate Fund. If any Series of Bonds is issued, or becomes, subject to the rebate requirement of section 148(f) of the Code the Authority may, by a Supplemental Trust Agreement, activate the Rebate Fund established under the Trust Agreement, and the Trustee shall then establish a separate Rebate Account within the Rebate Fund for such Series of Bonds. Funds on deposit in any Rebate Account shall be applied as set forth in the applicable Supplemental Trust Agreement.

Capital Improvement Reserve Fund. Amounts shall be deposited into the System Projects Capital Improvement Reserve Account or one or more Campus Project Capital Improvement Reserve Accounts in the Capital Improvement Reserve Fund from the Revenue Fund as provided in the Trust Agreement to the extent provided in any Supplemental Trust Agreement or as directed in a certificate of an Authorized Officer of the Authority. Amounts not subject to the lien of the Trust Agreement may be deposited by the Authority in any Account in the Capital Improvement Reserve Fund at any time. The Authority may apply amounts in the System Projects Capital Improvement Reserve Account to Project Costs of any System Project and may apply amounts in a Campus Project Capital Improvement Reserve Account to Project Costs of any Campus Project located at the State University to which said Account relates. In connection with the financing of a Campus Project at a State University with respect to which a Campus Project Capital Improvement Account has not yet been established, the applicable Supplemental Trust Agreement shall establish a Campus Project Capital Improvement Reserve Account for such State University.

Investment of Funds; Valuation. Except as otherwise provided under the heading "Defeasance," money held for the credit of any fund or account held by the Trustee under the Trust Agreement shall, to the fullest extent practicable, be invested, either alone or jointly with moneys in any other fund or account, by the Trustee at the written direction of an Authorized Officer of the Authority in Investment Obligations, provided that if moneys in two or more funds or accounts are commingled for purposes of investment, the Trustee shall maintain appropriate records of the Investment Obligations or portions thereof held for the credit of such fund or account. Unless otherwise directed by a Supplemental Trust Agreement, Investment Obligations purchased as an investment of moneys in any fund or account shall be deemed at all times to be a part of such fund or account and all income thereon shall accrue to and be deposited in such fund or account and all losses from investment shall be charged against such fund or account, provided that, except as may be otherwise provided in a Supplemental Trust Agreement, all income earned on investment of the Debt Service Reserve Fund shall be credited to and deposited in the Debt Service Fund. Notwithstanding any provision in the Trust Agreement or in a Supplemental Trust Agreement to the contrary, the Trustee shall not be liable for any losses from investment in accordance with the applicable provisions under this heading. The Authority may by Supplemental Trust Agreement direct that all or any portion of income earned on investment of moneys allocable to any Series of Bonds in any fund or account

established under the Trust Agreement shall be transferred to the Rebate Account established for such Series of Bonds in the Rebate Fund. In computing the amount in any fund or account under the Trust Agreement for any purpose, Investment Obligations shall be valued at par, or if purchased at other than par, shall be valued at Amortized Value. Accrued interest received upon the sale of any Investment Obligation shall be treated as income from such Investment Obligation. Investment Obligations in any fund or account under the Trust Agreement shall be valued at least once in each Fiscal Year on the last day thereof. Notwithstanding the foregoing, Investment Obligations in the Debt Service Reserve Fund shall be valued at par or Amortized Value, whichever is lower, as aforesaid, unless and until a withdrawal from either such fund shall be required, in which event such investments shall thereafter be valued at par, Amortized Value or market, whichever is lowest, until the balance in such Fund, on the basis of such valuation, shall equal the Debt Service Reserve Fund Requirement.

Satisfaction of Sinking Fund Installments. Any amount accumulated in the Debt Service Fund up to the unsatisfied balance of each respective Sinking Fund Installment may be applied (together with amounts accumulated in such Debt Service Fund with respect to interest on the Bonds for which such Sinking Fund Installment was established) by the Trustee at the direction of the Authority prior to the 45th day preceding the due date of such Sinking Fund Installment (i) to the purchase of Bonds of the maturity for which such Sinking Fund Installment was established, at prices (including any brokerage and other charges) not exceeding the principal amount of such Bonds plus unpaid interest accrued to the date of purchase, such purchases to be made in such manner as the Authority shall determine or (ii) to the redemption of such Bonds if then redeemable by their terms at the price referred to in clause (i). All Bonds so purchased or redeemed shall be delivered to the Trustee for cancellation prior to the 45th day preceding the due date of such Sinking Fund Installment. The principal amount of any Bonds so purchased or redeemed shall be deemed to constitute part of the Debt Service Fund until such Sinking Fund Installment date for the purpose of calculating the amount of such Fund.

Upon the purchase or redemption of any Bond pursuant to the Trust Agreement, an amount equal to the principal amount of the Bonds so purchased or redeemed shall be credited toward the next Sinking Fund Installment thereafter to become due with respect to the Bonds of such maturity and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Installment shall be credited by the Trustee against future Sinking Fund Installments as specified in the applicable Supplemental Trust Agreement.

Upon the purchase or redemption of any Bonds for which Sinking Fund Installments shall have been established, an amount equal to the principal amount of the Bonds so purchased or redeemed shall be credited toward future Sinking Fund Installments in such order as the Authority shall determine.

Pledged Funds. Pledged Funds shall be deposited upon receipt by the Trustee in any of the Funds or Accounts established under the Trust Agreement, as directed by the Authority in a certificate of an Authorized Officer. If there are insufficient moneys in the Revenue Fund to make the deposits required by clauses (i) and (ii) under the section "Revenue Fund" above on any date on which such deposits are required, the Trustee shall notify the Authority, the BHE and the Comptroller of the amount of any such insufficiency and that a deposit of Pledged Funds may be required to cure such insufficiency, such notice to be provided no later than 10 days after the date on which such deposits were required and substantially in the form as provided for by the Trust Agreement.

Debt Service Payments. The Authority covenants that it will promptly pay the principal of and the interest on every Bond at the place, on the dates and in the manner provided in the Trust Agreement and in said Bond, and any premium required for the retirement of said Bond by purchase or redemption, according to the true intent and meaning thereof. Except as otherwise provided in the Trust Agreement, such principal, interest and premium are payable solely from Revenues pledged therefore under the Trust Agreement and moneys in the funds and accounts pledged therefore under the Trust Agreement. The Authority covenants that it will perform and observe each and every agreement, condition, covenant and obligation on its part to be performed and observed under the Contract, to the end that the Pledged Funds therein provided and the pledge thereof shall remain in full force and effect and binding upon the Commonwealth as authorized by the Act and provided by the Contract.

Completion of Projects. The Authority covenants that it will with reasonable expedition complete each Project in conformity with law and all requirements of all governmental authorities having jurisdiction thereover. The Authority further covenants and agrees that upon completion or occupancy of each Project financed by a Series of Bonds it will deliver to the BHE and to the Trustee a certificate stating the date upon which such completion

occurred, as provided in the Trust Agreement and, if and to the extent that there is no obligation of the BHE under the Contract to undertake such operation and maintenance, will thereafter operate and maintain, or otherwise provide for the operation and maintenance of, such Project.

Land Covenant. The Authority covenants that each Project constructed or acquired by it is or will be located on lands (a) that are leased by the Authority for the purpose by a good and valid lease or leases continuing or renewable at the option of the Authority for a term not shorter than the last maturity of any Bond issued under the Trust Agreement of the Series pertaining to such Project or (b) as to which good and marketable title is held by the Authority in fee simple or the right to use and occupy which is vested in the Authority by valid leases, franchises, licenses, easements or rights of way expiring not earlier than the last maturity of any such Bond, provided that the foregoing covenant shall not apply to a Project consisting of alteration, enlargement, reconstruction, rehabilitation, remodeling and other work on any building, structure or other facility (including without limitation parking lots) not owned or leased by the Authority and not involving the acquisition of such building, structure or facility by the Authority.

Use and Operation of Projects. The Authority covenants that all payments under contracts entered into by it, all compensation and conditions of employment, and all salaries, fees and wages paid by it, in connection with the maintenance, repair and operation of each Project will be reasonable. The Authority covenants that it will perform and observe each and every agreement, condition, covenant and obligation on its part to be performed and observed under the Contract and will use its best efforts to enforce like performance and observance on the part of the Commonwealth, to the end that the obligation of the Commonwealth thereunder, among other things, to remit to the Authority or to the Trustee Revenues, to operate and maintain Projects and to make necessary repairs to and restoration and reconstruction of the same shall continue in full force and effect.

Payment of Lawful Charges. The Authority covenants that it will not create or suffer to be created any lien or charge upon any Project or any part thereof or upon the Revenues therefrom except the lien and charge upon such Revenues under the Trust Agreement or as permitted as to Pledged Funds by the Contract or other document by which Trust Funds or Appropriations are pledged, and that, from the same or other available funds, it will pay or cause to be discharged, or will make adequate provision to satisfy and discharge, as promptly as possible after the same shall accrue, all lawful claims and demands for labor, materials, supplies or other objects, which, if unpaid, might by law become a lien upon any Project or any part thereof or the Revenues therefrom, provided, however, that nothing under this heading shall require the Authority to pay or cause to be discharged, or make provision for, any such lien or charge so long as the validity thereof shall be contested in good faith.

Use of Other Funds for Projects; Sale of Projects. Notwithstanding any other provision of the Trust Agreement, the Authority may permit the Commonwealth or any of its agencies, departments or political subdivisions, to pay the cost of maintaining, repairing and operating any Project out of funds other than Revenues on account of such Project whether pursuant to the Contract or otherwise. The Authority may also, if and to the extent now or hereafter permitted by law, sell any Project or any portion thereof owned by the Authority, and any other owner of a Project may, if and to the extent now or hereafter permitted by law, sell any Project or any portion thereof owned by such owner, provided that if such sale by the Authority or other owner is of an entire Project, the proceeds therefrom shall be in an amount sufficient, with all other moneys then held by the Trustee under the Trust Agreement and available for the purpose, to cause to be deemed to be paid as provided in under the heading "Defeasance" the principal or Redemption Price of and interest on the principal amount of Bonds then Outstanding allocable to such Project (which principal amount shall be evidenced to the Trustee by a certificate of an Authorized Officer) and to pay all necessary and proper expenses payable in connection therewith and provided, further, that if such sale is of a portion of a Project, the proceeds therefrom shall be an amount sufficient, with any other moneys then held by the Trustee under the Trust Agreement and available for the purpose, to cause to be deemed to be paid as provided under the heading "Defeasance" the principal or Redemption Price of and interest on a portion of the principal amount of Bonds then Outstanding allocable to such Project which bears the same proportion to the principal amount of Bonds then Outstanding allocable to such Project which the Project Costs of the portion of such Project to be sold bears to the Project Costs of the Project as a whole and to pay all necessary and proper expenses payable in connection therewith; provided however, notwithstanding the foregoing, the Authority or other owner may use such proceeds to fund another Project ("Replacement Project") in lieu of redemption or defeasance of applicable Bonds if: (1) the Authority delivers a certificate to the Trustee demonstrating that following such sale anticipated Revenues in the current and each subsequent Fiscal Year will not be less than the amount of Revenues

anticipated to be received as if such sale had not occurred, (2) if necessary, an amendment to the Contract including Replacement Project for the Project being sold, (3) if the Authority is not the owner of the Project, a certificate of the owner acknowledging the amount of the sale proceeds and the Replacement Project to which such sale proceeds will be applied, (4) if the Replacement Project was not previously approved by the Board, a copy, certified by an authorized officer of the Board, of the written request by the Board to the Authority that it initiate such Replacement Project, together with copies of any approvals of such request required by the Act to be given by an official of the Commonwealth, and (5) an Opinion of Bond Counsel that such sale and application of proceeds is permitted by this Trust Agreement and will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

The Authority or other owner shall not complete any such sale except after delivery to the Trustee of a copy of the purchase and sale agreement between the purchaser and the Authority or other owner, as applicable, regarding the project or portion thereof to be sold by an Authorized Officer of the Authority to be a true copy, and, if the proposed sale is of a portion of the Project and proceeds are to be applied to defease or redeem Bonds, (i) an Opinion of Bond Counsel as to the basis upon which moneys then held by the Trustee hereunder and available for the payments respecting the Bonds to be made as above provided are to be determined and (ii) a certificate of independent certified public accountants, who may be the accountants employed by the Authority for the purpose of Section 616, of the Project Costs of the portion of the Projects to be sold, of the Project Costs of the Project as a whole and of the amount of the moneys then held by the Trustee hereunder which is computed on the basis of said Opinion of Bond Counsel to be available for said payments. If the proceeds are to be applied to defease or redeem Bonds, the proceeds of any such sale shall be deposited by the Authority with the Trustee pursuant to an escrow agreement or other arrangement such that the applicable requirements under the heading "Defeasance" will be met with respect to the principal and Redemption Price of Bonds and interest thereon required by this Section to be deemed paid. If the proceeds are to be applied to defease or redeem Bonds, the principal amount of such Bonds may be paid at the applicable stated maturity date or dates or upon any one or more dates upon which such Bonds are subject to redemption at the option of the Authority (or a combination thereof).

Tax Covenant. The Authority shall take, or cause to be taken, such action as may from time to time be required to assure the continued exclusion from the federal gross income of holders of any Bonds the interest on which is not includable in the gross income of the holder thereof for federal income tax purposes. Without limiting the generality of the foregoing, the Authority shall not permit the investment or application of the proceeds of any Bonds the interest on which is not includable in the gross income of the holder thereof for federal income tax purposes, including any funds considered proceeds within the meaning of section 148 of the Code, to be used to acquire any investment property the acquisition of which would cause such Bonds to be "arbitrage bonds." within the meaning of said Section 148.

Insurance on Projects. The Authority covenants that during the construction, alteration, enlargement, reconstruction, rehabilitation or remodeling of or other work upon each Project it will carry such insurance, if any, as it may deem reasonable therefore, that from and after the time when the contractors or any of them engaged in constructing any part of each Project shall cease to be responsible, pursuant to the provisions of the respective contracts for the construction of such part, for loss or damage to such part occurring from any cause, it will insure and at all times keep such part insured with a responsible insurance company or companies, qualified to assume the risk thereof, against physical loss or damage however caused, with such exemptions as are ordinarily required by insurers of buildings, structures or facilities of similar type, in such amount as it shall determine to be reasonable and in any event at least sufficient to comply with any legal or contractual requirement which, if breached, would result in assumption by the Authority of a portion of any loss or damage as a co-insurer, provided, however, that if at any time the Authority shall be unable to obtain such insurance to the extent above required, either as to the amount of such insurance or as to the risks covered thereby, it shall not constitute an event of default under the Trust Agreement if the Authority shall maintain such insurance to the extent reasonably obtainable and provided, further, that such insurance may be provided by a policy or policies covering all insurable portions of such Project as a whole together with other insurable property of the Authority.

All such policies shall be for the benefit of the Trustee and the Authority as their interests may appear, shall be made payable to the Trustee (by means of the standard mortgagee clause without contribution, if obtainable) and shall be deposited with the Trustee. The proceeds of any such insurance shall be deposited with the Trustee, and the

Trustee shall have the sole right to receive the proceeds of such insurance and to collect claims thereunder and receipt therefore.

The Authority covenants that, immediately after any damage to or destruction of any part of any Project the estimated cost to repair, restore or reconstruct which exceeds \$1,000,000, it will, if necessary, prepare, or cause an architect or engineer for the Project to prepare, plans and specifications for repairing, restoring or reconstructing the damaged or destroyed property and will proceed with reasonable promptness accomplish such repair, restoration or reconstruction in accordance with the original design or to do such other work as may be advised in writing by the BHE.

The proceeds of all insurance referred to under this heading shall be available for, and shall to the extent necessary be applied to, the repair, restoration or reconstruction of the damaged or destroyed property, or the doing of other work with respect thereto as the Authority may determine by resolution adopted upon advice in writing from the BHE, and shall be disbursed by the Trustee upon receipt of copies, certified by an Authorized Officer of the Authority, of the resolution adopted by the Authority authorizing such repair, restoration and reconstruction and of such written advice and otherwise in the manner and upon the showings as provided under the heading "Project Fund" for payments from the Project Fund. If such proceeds shall be insufficient for such purpose, the deficiency shall be supplied by the Trustee upon requisition of the Authority from any other moneys available for the purpose.

Use, Occupancy and Other Insurance. The Authority covenants that it will at all times carry, with one or more responsible insurance companies qualified to assume the risk thereof, (i) use and occupancy insurance covering loss of Revenues by reason of necessary interruption, total or partial, in the use of the applicable Project resulting from damage or destruction of any part thereof, however caused, with such exceptions as are ordinarily required by insurers providing similar insurance, in such amount as the Authority shall estimate will be sufficient to provide a full equivalent of Revenues for the Fiscal Year respecting which such insurance is carried, provided that, if at any time the Authority shall be unable to obtain such insurance to the extent above required, either as to the amount of such insurance or as to the risks covered thereby, it will not constitute an event of default under the provisions of the Trust Agreement if the Authority shall carry such insurance to the extent reasonably obtainable, and (ii) such workers' compensation or employers' liability insurance as may be required by law and such public liability and property damage insurance as the Authority shall deem reasonable. All such policies providing use and occupancy insurance shall be made payable to and deposited with the Trustee, and the Trustee shall have the sole right to receive any proceeds of such policies and to collect claims thereunder and receipt therefore. Any proceeds of use and occupancy insurance paid to the Trustee (other than proceeds of such insurance or of business interruption insurance maintained by the Authority with respect to any Project in excess of the foregoing requirements) shall be deposited to the credit of the Revenue Fund.

Notwithstanding the foregoing, the proceeds of any use and occupancy insurance paid to the Trustee may be paid by the Trustee to the Authority if all amounts on account of the applicable Project required to be paid to the Trustee with respect to all interest payment dates preceding the collection of such proceeds and the two interest payment dates next following the collection of such proceeds have been paid to or are on deposit with the Trustee and if the Authority delivers to the Trustee a certificate of an Authorized Officer directing such payment and stating that the amount of proceeds so paid will be applied to supplement income from the applicable Project not constituting Revenues.

No Inconsistent Action by Authority. The Authority covenants and agrees that none of the Revenues of any Project will be used for any purpose other than as provided in the Trust Agreement and that no contract or contracts will be entered into or any action taken which shall be inconsistent with the provisions of the Trust Agreement.

Further Instruments and Actions. The Authority covenants that it will, from time to time, execute and deliver such further instruments and take such further action as may be required to carry out the purposes of the Trust Agreement.

Records, Reports and Audits. The Authority covenants that it will keep an accurate record of the total Project Costs of each Project and of the Revenues collected or derived from such Project.

Covenant against Sale or Encumbrance. The Authority covenants that, except for the rental, leasing or licensing as landlord of rooms and other accommodations in each Project, and except as permitted by under the heading “Use of Other Funds for Projects; Sale of Projects” or by the Contract, it will not sell, lease or otherwise dispose of or encumber any Project or any part thereof and will not create or permit to be created any charge or lien on the Revenues derived therefrom except as provided in the Trust Agreement or the Contract. The Authority may, however, from time to time, (i) release to the Commonwealth any land leased by the Commonwealth to the Authority, if permitted by a lease entered into between the Commonwealth and the Authority and if such release will not adversely affect Revenues, and (ii) sell any machinery, fixtures, apparatus, tools, instruments or other movable property acquired by it from the proceeds of Bonds issued under the Trust Agreement or from the Revenues of a Project, if the Authority shall determine that such articles are no longer useful in connection with the construction or operation and maintenance of such Project, and the proceeds thereof shall be applied to the replacement of the properties so sold or disposed of or shall be deposited to the credit of the appropriate account within the Project Fund as the Authority by resolution may determine.

Notice of Default; Financial Statements. The Authority covenants that (i) forthwith upon any officer of the Authority’s obtaining knowledge of any condition or event which constitutes or, after notice or lapse of time or both, would constitute an Event of Default, it will file with the Trustee a certificate signed by an Authorized Officer specifying the nature and period of existence thereof, and what action the Authority has taken, is taking or proposes to take with respect thereto and (ii) it will cause an examination of its financial statements as of the end of and for each Fiscal Year during which Bonds shall be Outstanding under the Trust Agreement to be made by independent certified public accountants and within 270 days after the end of each Fiscal Year will file with the Trustee a copy of such financial statements together with the signed opinion of such independent certified public accountants with respect thereto.

Capital Improvements Budget. Not later than one day prior to the beginning of each Fiscal Year and at such other time as may be required by a Supplemental Trust Agreement, the Authority shall adopt and file with the Trustee a Capital Improvements Budget for the Capital Improvements or parts thereof to be undertaken by the Authority in such Fiscal Year. The Authority may from time to time amend or supplement the Capital Improvements Budget for the Fiscal Year then in progress by filing with the Trustee a certificate of an Authorized Officer setting forth the amendment or supplement. The Authority covenants that it will cause its architects and engineers to make regular inspections of the Authority’s Projects, periodically to assess the state of repair of the Projects and to make recommendations to the Authority as to any substantial repairs that may be warranted or required. The Authority covenants that, if its architects and engineers find that any of the Projects has not been maintained in good repair, it will, to the extent consistent with sound business judgment, restore such Project to good repair as expeditiously as practicable and will make adequate provision therefore in its Capital Improvements Budget. Without limiting the generality of the foregoing, the Authority covenants that it will maintain, and will cause the BHE and the State Universities pursuant to the Contract to maintain, sufficient balances in the Capital Improvement Reserve Fund to achieve compliance with the provisions under this heading.

Enforcement of Contract. The Authority covenants that it will maintain the Contract and diligently enforce its rights thereunder and that it will not voluntarily consent to or permit any rescission of or consent to any amendment to or otherwise take any action under or in connection with the Contract which will have a material adverse effect upon the rights of the Bondowners. Without limiting the generality of the foregoing, the Authority covenants that it will, pursuant to the Act and the Contract, give notice to the BHE and to the Comptroller of any anticipated insufficiency in Revenues to pay Debt Service on the Bonds as soon as it has knowledge of any such insufficiency and, in any event, no later than the date in September or January, as the case may be, when the Authority next files its semiannual report on sufficiency of funds as required by the Act.

Supplemental Trust Agreements Not Requiring Consent of Bondowners. The parties to the Trust Agreement may without the consent of, or notice to, any of the Owners of the Bonds enter into agreements supplemental to the Trust Agreement for any one or more of the following purposes and at any time or from time to time:

- (i) to close the Trust Agreement against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Trust Agreement on, the authentication and delivery of the Bonds;

- (ii) to add to the covenants and agreements of the Authority in the Trust Agreement, other covenants and agreements to be observed by the Authority for the purpose of further securing the Bonds;
- (iii) to surrender any right, power or privilege reserved to or conferred upon the Authority by the Trust Agreement;
- (iv) to authorize Bonds of a Series or subordinated obligations and, in connection therewith, specify and determine any matters and things relative to such Bonds or obligations not contrary to or inconsistent with the Trust Agreement;
- (v) to confirm, as further assurance, any pledge under and the subjection to any lien or pledge created or to be created by the Trust Agreement of the Revenues or of any other moneys, securities or funds;
- (vi) to cure any ambiguity or to cure, correct or supplement any defect or inconsistent provisions contained in the Trust Agreement; and
- (vii) to modify the provisions of the Trust Agreement in regard to matters or questions arising thereunder as may be necessary or desirable and not contrary to or inconsistent with the Trust Agreement or to make any other changes that are not materially adverse to the Owners of Bonds.

Supplemental Trust Agreements Effective with Consent of Bondowners. At any time or from time to time, a Supplemental Trust Agreement may be adopted subject to consent by Bondowners in accordance with and subject to the provisions of the Trust Agreement, which Supplemental Trust Agreement, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority and upon compliance with the provisions of the Trust Agreement, shall become fully effective in accordance with its terms as provided in the Trust Agreement.

Powers of Amendment. Any modification or amendment of the Trust Agreement and of the rights and obligations of the Authority and of the Owners of the Bonds and coupons thereunder may be made by a Supplemental Trust Agreement, with the written consent (except as provided under the heading “Supplemental Trust Agreements Not Requiring Consent of Bondowners”) given as provided under the heading “Consent of Bondowners,” of the Owners of at least a majority in principal amount of all other Bonds Outstanding at the time such consent is given, provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this heading. No such modification or amendment, and no amendment pursuant to the provisions under the heading “Supplemental Trust Agreements Not Requiring Consent of Bondowners,” shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount, Accreted Value or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purposes of this paragraph, a Series shall be deemed to be affected by a modification or amendment of the Trust Agreement if the same adversely affects or diminishes the rights of the Owners of Bonds of such Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Trust Agreement. Any such determination may be based upon the written advice of Bond Counsel, if so requested by the Trustee, and shall be binding and conclusive on the Authority and all Owners of Bonds. For purposes of this paragraph, the Owners of the Bonds may include the initial holders thereof, regardless of whether such Bonds are being held for immediate resale.

Consent of Bondowners. The parties to the Trust Agreement may at any time enter into a Supplemental Trust Agreement making a modification or amendment permitted under the heading “Powers of Amendment” to take effect when and as provided in this paragraph. A copy of such Supplemental Trust Agreement (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to Bondowners for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Authority to Bondowners and, if at the time any of the Bonds is in coupon form payable to the bearer, shall be published in the Authorized Newspaper

at least once a week for two consecutive weeks (but failure to mail such copy and request shall not affect the validity of the Supplemental Trust Agreement when consented to as provided in this paragraph). Such Supplemental Trust Agreement shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of Owners of the percentages of Outstanding Bonds specified under the heading "Powers of Amendment" and (b) an Opinion of Bond Counsel stating that such Supplemental Trust Agreement has been duly and lawfully executed and delivered by the Authority and filed in accordance with the provisions of the Trust Agreement, is valid and binding upon the Authority, and (ii) a notice shall have been published as provided in the Trust Agreement. The Authority may fix a record date for purposes of determining Bondowners entitled to consent to a proposed Supplemental Trust Agreement. Any such consent shall be binding upon the Owner of the Bonds giving such consent and, anything under the heading "Defeasance" to the contrary notwithstanding, upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Owner thereof has notice thereof). At any time after the Owners of the required percentages of Bonds shall have filed their consents to the Supplemental Trust Agreement, the Trustee shall make and file with the Authority and the Trustee a written statement that the Owners of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive evidence that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Trust Agreement (which may be referred to as a Supplemental Trust Agreement entered into on or as of a stated date, a copy of which is on file with the Trustee) has been consented to by the Owners of the required percentages of Bonds and will be effective as provided in this paragraph, may be given to Bondowners by the Authority by mailing such notice to such Bondowners and, if at the time any of such Bonds is in coupon form payable to bearer, by publishing the same in the Authorized Newspaper at least once not more than 90 days after holders of the required percentages of Bonds shall have filed their consents to the Trust Agreement and the written statement of the Trustee provided for in the Trust Agreement is filed. The Authority shall file with the Trustee proof of the giving of such notice. A record, consisting of the papers required or permitted by this paragraph of the Trust Agreement to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Trust Agreement making such amendment or modification shall be deemed conclusively binding upon the Authority, the Fiduciaries and the Owners of all Bonds upon the filing with the Trustee of the proof of the giving of such last mentioned notice.

Modifications by Unanimous Consent. Notwithstanding anything contained in provisions regarding Supplemental Trust Agreements and Amendments in the Trust Agreement, the terms and provisions of the Trust Agreement and the rights and obligations of the Authority and of the Owners of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the Authority of a Supplemental Trust Agreement and the consent of the Owners of all of the Bonds then Outstanding, such consent to be given as provided in the Trust Agreement, except that no notice to Bondowners either by mailing or publication shall be required, but no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written assent thereto of such Fiduciary in addition to the consent of the Bondowners.

Exclusion of Bonds. Bonds owned or held by or for the account of the Authority shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Trust Agreement, and the Authority shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the provisions regarding amendments and consent in the Trust Agreement.

Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken pursuant to the provisions of the Trust Agreement regarding Supplemental Trust Agreements, amendments and consent may, and, if the Trustee so determines, shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to such action, and in that case upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for the purpose at the principal office of the Trustee suitable notation shall be made on such Bond by the Trustee as to any such action. If the Authority or the Trustee shall so determine, new Bonds so modified as in the opinion of the Trustee and the Authority to conform to such action shall be prepared, authenticated and delivered, and upon demand of the Owner of any Bond then Outstanding shall be exchanged, without cost to such Bondowner, for Bonds of the same Series and maturity then Outstanding, upon surrender of such Bonds.

Events of Default. The occurrence of any one or more of the following events shall constitute an Event of Default under the Trust Agreement:

- (i) the Authority shall fail to make payment of any Principal Installment when the same shall become due and payable;
- (ii) the Authority shall fail to make payment of any installment of interest on any Bonds when the same shall become due and payable;
- (iii) the Authority shall default in the observance or performance of any other covenants or agreements on the part of the Authority contained in the Trust Agreement, and such default shall continue for 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding, provided that if such default cannot be remedied within such 30-day period, it shall not constitute an Event of Default if corrective action is instituted by the Authority within such period and diligently pursued until the default is remedied;
- (iv) if an order, judgment or decree is entered by a court of competent jurisdiction (a) appointing a receiver, trustee, or liquidator for the Authority, (b) granting relief in involuntary proceedings with respect to the Authority under the federal bankruptcy act or (c) assuming custody or control of the Authority under the provision of any law for the relief of debtors, and the order, judgment or decree is not set aside or stayed within 60 days from the date of entry of the order, judgment or decree; or
- (v) if the Authority (a) admits in writing its inability to pay its debts generally as they become due, (b) commences voluntary proceedings in bankruptcy or seeking a composition of indebtedness, (c) makes an assignment for the benefit of its creditors, (d) consents to the appointment of a receiver or (e) consents to the assumption by any court of competent jurisdiction under any law for the relief of debtors of custody or control of the Authority.

Remedies. Upon the occurrence and during the continuation of any Event of Default specified in the Trust Agreement, then and in every such case the Trustee may proceed, and upon the written request of the Owners of not less than 25% in aggregate principal amount of all Outstanding Bonds, shall proceed to protect and enforce its rights and the rights of the Bondowners under the laws of the Commonwealth or under the Trust Agreement by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board of officer having jurisdiction, either for the specific performance of any covenant or agreement contained therein or in aid or execution of any power therein granted or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights. The Trustee shall not be required to take any remedial action (other than the giving of notice) unless indemnity satisfactory to the Trustee is furnished for any liability to be incurred thereby. In the enforcement of any remedy under the Trust Agreement the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then, or during any default becoming, and at any time remaining, due from the Authority for principal, interest or otherwise under any of the provisions of the Trust Agreement on the Bonds and unpaid, with interest on overdue payments of principal at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Trust Agreement and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondowners, and to recover and enforce judgment or decree against the Authority, but solely as provided therein and in such Bonds, for any portion of such amount remaining unpaid, and interest, costs and expenses as above provided, and to collect (but solely from moneys in the Funds and Accounts available for such purpose) in any manner provided by law, the moneys adjudged or decreed to be payable. No remedy available under the provisions of the Trust Agreement shall be permitted to modify, alter, amend or rescind in any particular priority provided by the Trust Agreement for any Series of Bonds over any other Series of Bonds. The Bondowners and the Trustee acting for the Bondowners shall be entitled to all of the rights and remedies provided in the Act and to all of the rights and remedies otherwise provided or permitted by law. No default under any resolution, agreement, or other instrument other than the Trust Agreement, shall constitute or give rise to a default under the Trust Agreement. Upon the happening and continuance of any Event of Default, neither the

Trustee nor the Bondowners shall have the right to declare the principal of any Bonds then Outstanding, or the interest accrued thereon, to be due and payable prior to its stated maturity.

Application of Revenues and Other Moneys After Default. The Authority covenants that if an Event of Default shall happen and shall not have been remedied, the Authority, upon demand of the Trustee, shall pay over or cause to be paid over to the Trustee (i) forthwith, any moneys, securities and funds then held by the Authority or a Fiduciary in any fund or account under the Trust Agreement (excluding the Rebate Fund) and (ii) as promptly as practicable after receipt thereof, the Revenues. During the continuation of an Event of Default, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Trust Agreement shall be applied by the Trustee as follows and in the following order:

(a) to the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the registered Owners of the Bonds (including without limitation deposits to the Rebate Fund sufficient to fund any unfunded anticipated liability of the Authority under section 148 of the Code relating to the Bonds) and payment of reasonable fees and charges and expenses of the Trustee (including without limitation reasonable fees and disbursements of its counsel) incurred in and in connection with the performance of its powers and duties under the Trust Agreement;

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

First: To the payment to the persons entitled thereto of all installments of interest then due on Bonds in the order of the maturity of such installments, ratably, according to the amounts of interest due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: 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, 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 such Bonds, together with such interest, ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

Defeasance. If the Authority pays the Principal Amount and interest and Redemption Price, if any, to become due on all Outstanding Bonds, then the pledge of any Revenues or other moneys, securities, Reserve Deposits and Additional Security, if any, pledged by the Trust Agreement and all other rights granted by the Trust Agreement shall be discharged and satisfied. All Outstanding Bonds shall be deemed to have been paid within the meaning of the foregoing sentence if, among other things, there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the time of deposit of such Defeasance Obligations, shall be sufficient to pay when due the Principal Amount or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be.

The Authority agrees that it will take no action in connection with any of the transactions referred to under the heading "Defeasance" which will cause any Bonds to be "arbitrage bonds" within the meaning of section 148(a) of the Code and the regulations thereunder in effect on the date of the transaction and applicable to the transaction.

Anything in the Trust Agreement to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for three years (or such other period as may from time to time be prescribed by the laws of the Commonwealth, provided that if no period is so prescribed, such period shall be three years) after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for three years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds became due and payable, shall automatically revert from the Fiduciary to the Commonwealth once the Fiduciary has complied with the publication and reporting requirements as prescribed in accordance with the laws of the Commonwealth, provided, however, if no provision of Commonwealth law shall require that such funds be paid to

the Commonwealth, such moneys shall, at the written request of the Authority, be repaid by the Fiduciary to the Authority, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondowners shall look only to the Commonwealth, if paid to the Commonwealth, or the Authority, if paid to the Authority, for the payment of such Bonds.

SUMMARY OF CONTRACT FOR FINANCIAL ASSISTANCE, MANAGEMENT AND SERVICES

Issuance of Bonds; System Projects and Campus Projects. The Authority shall use its best efforts to issue Bonds from time to time to achieve its corporate purposes in undertaking Projects on the campuses of the various State Universities and financing and refinancing Project Costs and related expenses. The Authority shall not initiate any Project except upon written request made by authority of the BHE and upon written approval from the Secretary of the Executive Office for Administration and Finance of the Commonwealth and the Commissioner. The Authority shall not issue notes or Bonds for the purpose of refunding Bonds theretofore issued and then outstanding under the Act except with the prior written approval of the BHE of such refunding issue, which approval need not be of the interest rate, the maturity or any of the other terms thereof.

Proposed Campus Operating Budgets. On or before each September 15, the Authority shall notify each State University on which a Campus Project is located of the Authority's projected costs related to Campus Residence Hall Projects at such State University for the ensuing Fiscal Year. On or before each November 1, each State University shall submit to the Authority the proposed operating budget for the ensuing Fiscal Year for such State University with respect to the System Projects on its campus and with respect to each Campus Residence Hall Project on its campus. If such proposed budget includes a requested increase in Authority fees, rates, rents and charges, such submission shall specify how such increase is proposed to be allocated to projected costs.

Operating Reserves. For each Campus Residence Hall Project, the applicable State University shall maintain within its Campus Project Trust Fund, a minimum balance as an operating reserve. Pursuant to the Authority's annual operating budget, and at such time or times in each Fiscal Year as may be specified in such budget, commencing with the second full Fiscal Year after completion of a Campus Residence Hall Project, the applicable State University shall add to the balance in its Campus Project Trust Fund held as an operating reserve the amount, if any, necessary to cause such reserve amount to equal the following percentages of the operating expenses for the Project for the Fiscal Year prior to the year in which the deposit is to be made: (i) in the second full Fiscal Year after completion of the Project, 1%, (ii) in the third year, 2%, (iii) in the fourth year, 3%, (iv) in the fifth year, 4%, and (v) in the sixth year and thereafter, 5%. Moneys held in such operating reserve may be expended by the State University for the payment of extraordinary and unexpected operating, maintenance and repair costs or to meet budgetary shortfalls with respect to the applicable Project resulting from an unexpected decline in use of the Project, damage to or destruction of a portion of the Project or any other unexpected occurrence with respect to the Project. Moneys withdrawn from such operating reserve must be replenished by the State University by the end of the next Fiscal Year after such withdrawal, in addition to the annual deposits described above.

Capital Improvement Reserve Accounts. The Authority shall maintain within the Capital Improvement Reserve Fund a System Projects Capital Improvement Reserve Account to be used to make Capital Improvements to System Projects. Pursuant to the Authority's annual operating budget, and at such time or times in each Fiscal Year as may be specified in such budget, the BHE shall pay over, or cause the State Universities to pay over, to the Trustee, for deposit in the System Projects Capital Improvement Reserve Account, from amounts collected as fees, rents, rates and other charges of the Authority, the greater of (i) the amount specified in the Authority's annual operating budget as being required by the Trust Agreement to be so deposited or (ii) an amount equal to 7.5% of the total fees, rents, rates and other charges collected with respect to the System Projects during such Fiscal Year. The Authority shall maintain within the Capital Improvement Reserve Fund a separate Campus Project Capital Improvement Reserve Account for each State University at which a Campus Residence Hall Project is located, to be used to make Capital Improvements to the Campus Residence Hall Projects at such State University. Pursuant to the Authority's annual operating budget, and at such time or times in each Fiscal Year as may be specified in such budget, commencing with the second full Fiscal Year after completion of a Campus Residence Hall Project, the applicable State University shall pay over to the Trustee, for deposit in the applicable Campus Project Capital Improvement Reserve Account, the greater of (i) the amount specified in the Authority's annual operating budget as being required by the Trust Agreement to be so deposited or (ii) an amount equal to the following percentages of the

fees, rents, rates and other charges collected with respect to such Campus Residence Hall Project during the Fiscal Year: (i) in the second Fiscal Year after completion of the Project, and in each of the next seven Fiscal Years, 2.5%, (ii) in each of the next five Fiscal Years, 5%, and (iii) in each Fiscal Year thereafter, 7.5%.

Operation, Maintenance and Repair of Projects. Each State University shall operate and maintain the Projects located on its campus and keep them in good order and repair, including, without limitation, billing and collecting fees, rents, rates and other charges in accordance with the Authority's annual operating budget, procuring all necessary equipment, materials and supplies and making repairs and capital improvements that are necessary to maintain the Project for its expected useful life and that are within the capacity of the State University to undertake. The State University may use its own employees or contract with third parties to provide such services, as such State University deems appropriate, provided that any such contract with a third party shall be submitted to the Authority for prior review and written approval as to compliance with applicable management contract guidelines under federal income tax law pertaining to bond-financed property. Notwithstanding the foregoing, the Authority may, in its sole discretion, elect to contract directly with a third party for the provision of any or all such services with respect to a particular Project other than a Commonwealth-owned Project. The Authority shall have no obligation to operate or maintain any Commonwealth-owned Project. Each State University shall submit to the Authority a copy of its annual financial statements for each Fiscal Year as soon as practicable after the issuance thereof. Each such financial statement shall be prepared in accordance with generally accepted accounting principles, shall be audited by an independent certified public accountant or accounting firm and shall contain such detail as to Projects as the Authority shall reasonably request. Each State University shall also provide the Authority such other information as the Authority may from time to time reasonably request. The BHE shall provide to the Authority such information as the Authority may from time to time reasonably request about the BHE, the system of public higher education in the Commonwealth, the State Universities and the Projects, including without limitation all information appropriate to enable the Authority to comply with the provisions of Rule 15c2-12 of the federal Securities and Exchange Commission (continuing disclosure requirements applicable to municipal securities).

Pledge of Trust Funds. The BHE, in the name and on behalf of the Commonwealth, pledges to the making of payments required under the heading "Payments From Pledged Funds" the Trust Funds, provided, however, that the aggregate amount of Trust Funds of each State University so pledged shall be limited to 25% of the Authority's average annual aggregate debt service costs allocable to such State University's Projects, as determined by the Authority and provided, further, that the pledge of Trust Funds on account of System Projects on the campus of Fitchburg State University shall not include moneys attributable to the fee charged to students to finance a physical education facility. Each State University shall cause its Trust Funds to contain on each December 1 and June 1 an amount available for transfer to make payments as provided under the heading "Payments From Pledged Funds" equal to the amount of the State University's Pledged Trust Funds, less the amount of any Pledged Trust Funds previously transferred to make said payments (or, in the case of Westfield State University and the Massachusetts Maritime Academy, to make payments to Bank of America pursuant to the prior liens on certain funds granted to Bank of America in connection with loans obtained from the Massachusetts Health and Educational Facilities Authority financed by said Authority's Variable Rate Demand Revenue Bonds, Capital Asset Program Issue, Series M-2 (Pool 2)), and shall certify in writing to the Authority that it has complied with the foregoing requirement. If all of a State University's Pledged Trust Funds have been expended to make payments as provided under the heading "Payments From Pledged Funds" or to Bank of America as aforesaid, the foregoing provisions shall not be applicable to such State University.

Pledge of Appropriations. The BHE, in the name and on behalf of the Commonwealth, pledges to the making of payments required under the heading "Payment from Pledged Funds" any part or all of any funds made available for expenditure on behalf of any State University pursuant to an appropriation made by the General Court or otherwise available for expenditure by the BHE, including without limitation retained tuition payments, if any.

Pledged Funds. Except as provided under the heading "Pledge of Trust Funds," the Pledged Funds are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to the pledge created under the Contract and by the Prior Contracts, and the BHE shall take all actions necessary to protect and effectuate such pledge, provided, however, that nothing in this section shall be deemed to limit the right of the BHE or any State University, to the extent permitted by law, to create a pledge, lien or other charge on any or all such Pledged Funds junior and subordinate to the pledge created under the Contract and provided, further, that the BHE or a State University may, to the extent permitted by law, create a pledge, lien or other charge on any or all such Pledged Funds

in respect of a particular State University of equal rank with the pledge created under the Contract if, and only if, the BHE or the State University, as the case may be, shall have certified in writing to the Authority that the total revenues available for expenditure by such State University during each of the three most recently completed Fiscal Years (including the Pledged Funds, but excluding any Project Revenues, in respect of such State University) were not less than 200% of the maximum annual debt service requirements on all outstanding debt obligations allocable to such State University and the debt obligations then being issued. In computing principal and interest requirements for the purposes of this section on debt obligations as to which interest is deferred and compounded rather than being paid currently during any period of calculation, such calculation shall be made as if interest thereon accrued and was deemed paid at a rate determined on the date of such calculation by a nationally known investment banking firm selected by the BHE or State University, as the case may be, to be the rate which, if earnings at such rate were compounded on the initial public sale price in the manner required by the terms of such debt obligations through the maturity date or earlier date on which such compounding is scheduled to cease, would produce the amount of such debt obligations scheduled to mature on such maturity date or the accreted value of such debt obligations scheduled to exist on such earlier date, as the case may be.

Payments from Pledged Funds. The BHE shall make payments from Pledged Funds if and to the extent that Project Revenues related to a particular State University and other moneys received by the Authority or otherwise available pursuant to the Trust Agreement in connection with the Projects of such State University are insufficient to pay debt service on the Bonds allocable to such Projects and the Authority's expenses in connection with such Bonds or such Projects. Upon receipt from the Authority or the Trustee of notice of any such insufficiency relating to a particular State University, the BHE shall, as promptly as practicable, pay to the Trustee, or cause such State University to pay to the Trustee, from the Pledged Funds of such State University the amount of such insufficiency, provided that any such payment shall be made, first, from Pledged Trust Funds, until exhausted, and, second, from Pledged Appropriations. In the case of Westfield State University and the Massachusetts Maritime Academy, the Pledged Trust Funds shall be deemed to be exhausted if and to the extent that they have been paid to Bank of America pursuant to the prior liens described above under the heading "Pledge of Trust Funds" or are otherwise unavailable to the Authority or the Trustee pursuant to applicable intercreditor agreements between the Authority and Bank of America as such intercreditor agreements may be amended from time to time. The Pledged Trust Funds of one State University may not be used to make payments under this section on behalf of any other State University. However, if the Pledged Trust Funds of the applicable State University have been exhausted and the Pledged Appropriations of such State University are insufficient to cover the insufficiency, the Board shall pay to the Trustee, or cause the Trustee to be paid, the amount of the remaining insufficiency from the Pledged Appropriations of all of the State Universities, ratably, according to the percentage of outstanding Bonds then allocable to each particular State University. In order to comply with the provisions of this paragraph or to effectuate the pledge described under the headings "Pledged Funds" and "Payment from Pledged Funds," the BHE shall take all actions necessary or desirable to effectuate transfers from funds made available for expenditure on behalf of an applicable State University pursuant to an appropriation or other spending authorization in the Commonwealth's annual operating budget, including supplemental and deficiency budgets and including, without limitation, any tuition retention authorization. Such actions shall include, without limitation, submitting or causing to be submitted to the Comptroller of the Commonwealth such directions or instructions as may be required or requested by the Comptroller to effectuate such transfers. The Authority agrees to give notice to the Secretary of the Executive Office for Administration and Finance of the Commonwealth whenever it gives notice to the BHE of an insufficiency as aforesaid, or whenever it has become aware that the Trustee has given such notice to the BHE.

The Authority shall keep an accurate account of the sufficiency of available funds to pay debt service on its outstanding indebtedness, including without limitation Pledged Funds, and shall twice each year, in the months of September and January, make a report thereof to the BHE and to the Comptroller. If the report described in the preceding sentence is not received by the Comptroller during the month of September or January, as the case may be, the Comptroller shall prevent any amounts from being expended from the appropriation account of any State University until such time as the Comptroller has determined whether there is an insufficiency of available funds to pay debt service. If such report indicates that there is an insufficiency of funds available to pay debt service, or if, in the absence of a report, the Comptroller ascertains that there is such an insufficiency, the Comptroller shall, within five days, but not later than the last business day in February (in the case of a May 1 debt service payment) or October 10 (in the case of a November 1 debt service payment), transfer amounts, without further allotment, from the appropriation account of one or more State Universities, as appropriate, to cure such insufficiency in accordance with the provisions of this section.

Termination of Prior Contracts. The parties to the Trust Agreement agree that upon execution and delivery of the Contract, the Prior Contracts shall terminate and the parties shall be released from all duties, obligations and liabilities thereunder except insofar as any such duties, obligations and liabilities shall have been incorporated into the Contract.

Cooperation of BHE and State Universities. The BHE shall cause each State University to cooperate with the Authority to effectuate the provisions in the Contract. Such cooperation shall include, without limitation, the execution and submission to the Comptroller of any requests for expenditure or payment vouchers and any transfers among allocation subaccounts by the State University necessary or desirable to effectuate transfers for payments due under the Contract from appropriation allocation accounts or subaccounts or nonappropriated funds held by the State Comptroller for such State University. Neither the BHE nor any State University shall take any action, including without limitation entering into a management contract with respect to, or otherwise permitting private use of, a facility financed by the Authority that would jeopardize the exclusion from gross income for federal income tax purposes of the interest on the Bonds; the BHE and each State University shall be entitled to rely on the opinion of bond counsel to the Authority that a given action would not have such effect. Each State University shall notify the Authority in advance of any proposed change in use at a facility financed by the Authority that would involve private use. In the event the Act or other applicable laws are subsequently changed to eliminate the role of the BHE as agent of the Commonwealth under the Contract, the State Universities shall execute such amendments to the provisions of the Contract as may be necessary to effectuate the covenants and agreements of the Commonwealth under the Contract, including without limitation the pledge of Trust Funds and Appropriations. In the event legislation shall be proposed to alter in any material way the nature of the relationship among the Authority, the BHE and the State Universities or the ability of the Authority to obtain access to the revenues and funds contemplated by the Contract to provide for payment of the Bonds, the BHE and the State Universities agree to use their best efforts to influence such legislation so as to maintain the financial security of the Authority and the security for the Bonds, and, upon enactment of any such legislation, the BHE and the State Universities agree, to the fullest extent permitted by law, to execute such amendments to the provisions of the Contract and to execute such other agreements and take such other actions as may be necessary to achieve the purposes of the Contract and to maintain the financial security of the Authority and the security for the Bonds.

Default by BHE or State University. Upon the failure of the BHE to make any payment required under the heading "Payment From Pledged Funds" or by the BHE or any State University to observe any other covenant or requirement imposed by the Contract, the BHE or the State University, as the case may be, shall be deemed in default under the Contract. Thereupon, the Authority or the Trustee may institute legal proceedings to enforce such covenant or requirement or to enforce the pledge and lien granted under the headings "Pledge of Appropriations" and "Pledged Funds" and may take such other actions or exercise such other remedies as may be available at law or in equity to enforce the provisions of the Contract. Without limiting the generality of the foregoing, the Authority may undertake direct responsibility for the operation of one or more Projects, including without limitation Commonwealth-owned Projects, or take such other action as may be necessary or desirable to generate Project Revenues in accordance with the requirements of the Contract. No action by the Authority under the Contract, and no default or breach by the BHE or any State University, shall in any way affect the obligations of the BHE or any State University under the Contract. Whenever a breach of the Contract, whether substantial or otherwise, and whether before or after notice of the breach has been given to the BHE or any State University, has been corrected, the obligations and rights under the Contract shall be reinstated and performance of the Contract shall continue as if such breach had never occurred.

Insurance. The Authority shall purchase and maintain in effect with respect to each of its Projects policies of insurance and fidelity bonds against such risks and losses and in such amounts as it shall deem to be reasonable. In addition, the Authority agrees to purchase and maintain in effect with respect to each Commonwealth-owned Project, upon the written request of the Commissioner of the Division of Capital Asset Management and Maintenance of the Commonwealth, such insurance policies as may be available to it and to name the Commonwealth as an additional insured on any policy related solely to one or more Commonwealth-owned Projects, provided that the Commonwealth shall be obligated to make payments under the Contract from Pledged Funds irrespective of the existence of any such insurance. Subject to any contrary requirements in the Trust Agreement, the Authority shall use the proceeds of any use and occupancy insurance to replace revenues lost by reason of interruption of the use of the applicable Project and shall apply insurance proceeds received in respect of damage or destruction to a Project to the replacement, restoration or reconstruction of such Project.

Annual Report. As required by Section 6 of the Act, the Authority shall keep an accurate account of all its activities and of all its receipts and expenditures and shall annually in the month of January make a report thereof to the BHE, to the Governor of the Commonwealth and to the Auditor of the Commonwealth, such reports to be in a form prescribed by the BHE, with the written approval of said Auditor. Unless otherwise directed by the BHE, the Authority may use its audited annual financial statements for the preceding Fiscal Year to comply with the provisions of this paragraph.

Liability. No member, officer or employee of the BHE or any State University shall be individually liable on any obligation assumed by the Commonwealth or the BHE under the Contract. No member, officer or employee of the Authority shall be individually liable on any obligation assumed by the Authority under the Contract, and neither the carrying out of a Project nor the ownership of a Project by the Authority shall impose any liability on any such member, officer or employee.

With respect to a Commonwealth-owned Project, the Authority shall not be liable for latent defects in construction not performed by the Authority or its contractors or agents or for any action or inaction of any party not acting as an agent, employee or contractor of the Authority.

Term. The Contract shall continue in full force and effect until all amounts payable to the Authority with respect to the Bonds and the Projects shall have been paid in full. Upon such payment, the Contract shall cease and determine without further liability on the part of either party to the Contract to the other.

Non-Assignability. The Contract is not assignable except that if by act of the General Court the powers, functions, duties and property of the BHE or the Authority are transferred to another political subdivision, agency, board, commission, department, authority or institution of the Commonwealth, the rights and obligations of the Contract shall be deemed to have been assigned thereby to such transferee, and provided further that the Authority's rights to receive moneys under the Contract and to enforce the provisions of the Contract may be assigned to the Trustee.

Amendments and Addenda. The Contract may be amended only by the execution of an Amendment in writing by the BHE and the Authority or their successors. It is anticipated that certain of the provisions of the Contract may be waived or modified with respect to particular Campus Projects by the execution of a written Addendum to the Contract by the BHE and the Authority, to be attached to the Contract.

Credit of the Commonwealth. The faith and credit of the Commonwealth are not and shall not be pledged to the payments required under the heading "Payments from Pledged Funds" or in respect of any other obligation assumed by the Commonwealth under the Contract. The financial assistance provided as described under the heading "Payments from Pledged Funds" shall be provided solely from the sources identified therein. No provision of the Contract shall create or be deemed to create any obligation by the Commonwealth to appropriate funds for any purposes under the Contract.

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PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the Series 2022A Bonds, Bond Counsel proposes to deliver its opinion in substantially the following form:

[Date of Delivery]

Massachusetts State College Building Authority
Boston, Massachusetts

Re: Massachusetts State College Building Authority (the "Authority")
 Project and Refunding Revenue Bonds, Series 2022A (the "Series 2022A Bonds")

We have acted as bond counsel to the Authority in connection with the issuance by the Authority of the Series 2022A Bonds pursuant to (i) Chapter 703 of the Acts of 1963, as amended (the "Act"), and (ii) the Trust Agreement dated as of November 1, 1994 between the Authority and U.S. Bank Trust Company, National Association, as successor trustee (the "Trustee"), as amended and restated by the Forty-second Supplemental Trust Agreement dated as of December 1, 2021, and supplemented through the Forty-third Supplemental Trust Agreement dated as of February 1, 2022 (the "Trust Agreement"). In such capacity, we have examined the law and such certified proceedings and other documents as we have deemed necessary to render this opinion, including without limitation the Contract for Financial Assistance, Management and Services dated as of February 1, 2003, as amended (the "Contract"), between the Authority and The Commonwealth of Massachusetts (the "Commonwealth"), acting by and through the Board of Higher Education (the "Board").

Capitalized terms used herein shall, unless otherwise specified, have the meanings set forth in the Trust Agreement.

Under the Trust Agreement, the Authority has pledged certain revenues (the "Revenues") for the payment of the principal of and interest on the Series 2022A Bonds when due.

With respect to questions of fact material to our opinion, we have relied upon representations and covenants of the Authority contained in the certified proceedings relating to the Series 2022A Bonds and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Authority is validly existing as a body politic and corporate and public instrumentality of the Commonwealth with the power to enter into the Trust Agreement, perform the agreements on its part contained therein and issue the Series 2022A Bonds.
2. The Trust Agreement and the Contract have been duly authorized, executed and delivered by the Authority and constitute valid and binding obligations of the Authority enforceable upon the Authority.
3. The Contract has been duly authorized, executed and delivered by the Commonwealth and constitutes a valid and binding obligation of the Commonwealth enforceable upon the Commonwealth.
4. Pursuant to the Act, the Trust Agreement creates a valid lien on the Revenues and other funds pledged by the Trust Agreement for the security of the Series 2022A Bonds issued thereunder on a parity with other bonds issued under the Trust Agreement.
5. The Series 2022A Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding limited obligations of the Authority, payable solely from the Revenues and other funds provided therefor in the Trust Agreement. Neither the Commonwealth nor any political subdivision or instrumentality thereof, including the Authority, is obligated to pay the principal of or redemption premium, if any, or interest on the Series 2022A Bonds except from the Revenues and other funds provided therefor as aforesaid in the Trust Agreement, and

neither the faith and credit nor the taxing power of the Commonwealth nor of any political subdivision or instrumentality thereof, including the Authority, is pledged to the payment of the principal of or redemption premium, if any, or interest on the Series 2022A Bonds.

6. Interest on the Series 2022A Bonds is excluded from the gross income of the owners of the Series 2022A Bonds for federal income tax purposes. In addition, interest on the Series 2022A Bonds is not a specific preference item for purposes of the federal alternative minimum tax. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Authority with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2022A Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Authority has covenanted to comply with all such requirements. Failure by the Authority to comply with certain of such requirements may cause interest on the Series 2022A Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2022A Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Series 2022A Bonds.

7. Interest on the Series 2022A Bonds and any profit on the sale thereof are exempt from Massachusetts personal income taxes, and the Series 2022A Bonds are exempt from Massachusetts personal property taxes. We express no opinion as to any other Massachusetts tax consequences arising with respect to the Series 2022A Bonds or any tax consequences arising with respect to the Series 2022A Bonds under the laws of any state other than Massachusetts.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Series 2022A Bonds and the enforceability of the Series 2022A Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

/s/ HINCKLEY, ALLEN & SNYDER LLP

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING

Massachusetts State College Building Authority
Project and Refunding Revenue Bonds, Series 2022A
(the “Series 2022A Bonds”)

Authority Disclosure Agreement

Prior to the issuance of the Series 2022A Bonds, the Authority and the Board of Higher Education (the “BHE”) will enter into a continuing disclosure agreement (the “Authority Disclosure Agreement”) setting forth the undertakings of the Authority and the BHE regarding continuing disclosure with respect to the Series 2022A Bonds. The Authority will undertake for the benefit of the registered owners and Beneficial Owners (the “owners”) of the Series 2022A Bonds to provide the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access system (“EMMA”) pursuant to the requirements of Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), no later than 270 days after the end of each fiscal year of the Authority, (i) the annual financial information described below relating to such fiscal year, together with audited financial statements of the Authority and each State University for such fiscal year if audited financial statements are then available, provided, however, that if audited financial statements of the Authority are not then available, such audited financial statements shall be delivered to the MSRB when they become available (but in no event later than 350 days after the end of such fiscal year) or (ii) notice of the Authority’s failure, if any, to provide any such information. The BHE will undertake for the benefit of the owners of the Series 2022A Bonds to provide to the MSRB through EMMA, no later than 270 days after the end of each fiscal year of the Authority, (i) the annual financial information described below relating to such fiscal year or (ii) notice of the BHE’s failure, if any, to provide any such information.

The annual financial information to be provided by the Authority and the BHE as aforesaid shall include financial information and operating data, in each case updated through the last day of such fiscal year unless otherwise noted, relating to the following information contained in this Official Statement relating to the Series 2022A Bonds, in each case substantially in the same level of detail as is found in the referenced section of the Official Statement, provided that in the case of the BHE only the information described in items 3, 8, 9, 10, 11 and 12 shall be provided.

Financial Information and Operating Data Category		Reference to Official Statement for Level of Detail
1.	Summary presentation on a five-fiscal-year basis of the receipts and disbursements related to Authority Projects.	“THE AUTHORITY – Management’s Discussion and Analysis – Authority Project Receipts and Disbursements”
2.	Summary presentation on a five-fiscal-year basis of the annual amounts paid by each of the State Universities to the Authority with respect to rents and fees for System Projects and Campus Projects.	“THE STATE UNIVERSITIES – Amounts Paid by State Universities to the Authority”
3.	Summary presentation on an eleven-fiscal-year comparative basis of the total system of public higher education appropriations.	“SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS – Total Budgeted Appropriations for the System of Public Higher Education”
4.	Summary presentation of the amount of Pledged Trust Funds for each State University.	“THE STATE UNIVERSITIES – Pledged Trust Funds ”
5.	Summary presentation on a five-academic-year basis of the occupancy rates of the Authority’s residence facilities of the State Universities.	“APPENDIX A - Occupancy as a Percentage of Design Capacity at Residence Facilities of State Universities”

6.	Summary presentation on a five-academic-year basis of the total number of residence hall spaces by each State University.	“APPENDIX A - Total Number of Residence Hall Spaces By State University”
7.	Summary presentation on a five-academic-year basis of the annual rates charged for the Authority’s facilities at each State University.	“APPENDIX A - Room Rates of Residence Facilities at State Universities”
8.	Summary presentation on a five-academic- year comparative basis of the full-time equivalent and headcount enrollment information for the system of public higher education.	“THE AUTHORITY - Enrollment”
9.	Summary presentation on a five-academic-year comparative basis of tuition rates and fees for the system of public higher education.	“APPENDIX A - Tuition and Fees”
10.	Summary presentation on a three-fiscal-year comparative basis of revenues for each of the State Universities.	“APPENDIX A - State University Revenue Sources”
11.	Summary presentation on a three-academic-year comparative basis of the admissions data for the system of public higher education.	“APPENDIX A - State Higher Education Admissions Data”
12.	Summary presentation on a five-academic-year comparative basis of the number of faculty members for each State University.	“APPENDIX A - State University Faculty Levels”

Any or all of the items listed above may be included by reference to other documents, including official statements pertaining to debt issued by the Authority, which have been submitted to the MSRB. If the document incorporated by reference is a Final Official Statement within the meaning of the Rule, it will also be available from the MSRB. The annual financial statements of the Authority and each State University for each fiscal year shall consist of the balance sheet and the related statements of revenue and cost of service and cash flows prepared in accordance with generally accepted accounting principles in effect from time to time. Such financial statements shall be audited by a firm of certified public accountants appointed by the Authority or the applicable State University.

In the Authority Disclosure Agreement, the Authority also will undertake for the benefit of the owners of the Series 2022A Bonds to provide in a timely manner, not in excess of ten business days after occurrence of the event, to EMMA notice of any of the following events with respect to the Series 2022A Bonds (numbered in accordance with the provisions of the Rule):

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2022A Bonds, or other material events affecting the tax status of the Series 2022A Bonds;
- (vii) modifications to the rights of security holders, if material;

- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Series 2022A Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Authority*;
- (xiii) the consummation of a merger, consolidation, or acquisition or the sale of all or substantially all of the assets of the Authority, 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, if material;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) incurrence of a financial obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority, any of which affect the owners of the Series 2022A Bonds, if material; and†
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Authority, any of which reflect financial difficulties.†

Nothing in the Authority Disclosure Agreement shall preclude the Authority or the BHE from disseminating any information in addition to that required under the Authority Disclosure Agreement. If the Authority or the BHE disseminates any such additional information, nothing in the Authority Disclosure Agreement shall obligate the Authority or BHE, as the case may be, to update such information or include it in any future materials disseminated.

To the extent permitted by law, the provisions of the Authority Disclosure Agreement shall be enforceable against the Authority and the BHE in accordance with the terms thereof by any owner of a Series 2022A Bond, including any beneficial owner acting as a third-party beneficiary (upon proof of its status as a beneficial owner reasonably satisfactory to the Authority or the BHE, as the case may be). To the extent permitted by law, any such owner shall have the right, for the equal benefit and protection of all owners of the Series 2022A Bonds, by mandamus or other suit or proceeding at law or in equity, to enforce its rights against the Authority or the BHE, as applicable, and to compel the Authority or the BHE, and any of their respective officers, agents or employees, to perform and carry out their duties under the foregoing provisions as aforesaid, provided, however, that the sole remedy in connection with such undertakings shall be limited to an action to compel specific performance of the obligations of the Authority or the BHE in connection with such undertakings and shall not include any rights to monetary damages. The obligations of the Authority and the BHE in respect of the Authority Disclosure Agreement shall terminate if no Series 2022A Bonds remain outstanding (without regard to an economic defeasance) or if the provisions of the Rule concerning continuing disclosure are no longer effective, whichever occurs first. The provisions of the Authority Disclosure Agreement may be amended by the Authority and the BHE, without the consent of, or notice to, any owners of the Series 2022A Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Authority or the BHE for the benefit of the owners of the Series 2022A Bonds, (d) to modify the contents, presentation and format of the annual financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements

* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any 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 Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials in possession but subject to the supervision and orders of a court or governmental authority, or (ii) 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 Authority.

† As noted in the Rule, the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” excludes municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule.

or (e) to otherwise modify the undertakings in a manner consistent with the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Series 2022A Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the owners of the Series 2022A Bonds, as determined either by a party unaffiliated with the Authority and the BHE (such as Authority bond counsel) or by the vote or consent of owners of a majority in outstanding principal amount of the Series 2022A Bonds affected thereby at or prior to the time of such amendment.

TABLE OF REFUNDED BONDS

The Series 2022A Bonds are being issued in part to current refund and defease the following outstanding Bonds of the Authority:

Project Revenue Bonds, Series 2012C

<u>CUSIP</u>	<u>Maturity Date</u>	<u>Par Amount</u>	<u>Interest Rate</u>
5758323G3	5/1/2023	\$6,010,000	3.000%
5758323H1	5/1/2024	6,175,000	3.000
5758323J7	5/1/2025	6,365,000	2.000
5758323K4	5/1/2026	6,495,000	2.250
5758323L2	5/1/2027	6,640,000	3.000
5758323M0	5/1/2028	6,845,000	3.000
5758323N8	5/1/2029	7,040,000	3.000
5758323P3	5/1/2030	7,255,000	3.000
5758323Q1	5/1/2031	7,480,000	3.000
5758323R9	5/1/2032	7,690,000	3.000
575832WE6	5/1/2033	3,865,000	3.000
575832WF3	5/1/2034	3,980,000	3.000
575832WG1	5/1/2035	4,100,000	3.000
575832WH9	5/1/2036	4,225,000	3.000
575832WJ5	5/1/2038 ⁽¹⁾	8,840,000	3.000
575832WK2	5/1/2042 ⁽¹⁾	<u>19,315,000</u>	3.000
	Total	\$112,320,000	

⁽¹⁾Denotes a term bond with sinking fund payments

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