

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

INVESTMENT POLICY

Authority

The Massachusetts State College Building Authority was established pursuant to Chapter 703 of the Acts of 1973 of the Commonwealth of Massachusetts (the "Enabling Act"). The Enabling Act authorizes the issuance of bonds and notes to achieve any of the Authority's corporate purposes and stipulates that these bonds be secured by a trust agreement which defines the Authority's revenue and expenses and describes the establishment of funds and allowable use of funds. The Authority's Board approves the Trust Agreement which is updated for each new bond issue and/or as needed. The current agreement is the Fifteenth Supplemental Trust Agreement dated December 1, 2009 (Amending and Restating the Trust Agreement dated as of November 1, 1994) (the "Trust Agreement").

In addition, the Enabling Act and the Contract for Financial Assistance between the Commonwealth of Massachusetts, acting by and through the Board of Higher Education, and the Authority (the "Contract") provide that the Authority fix rents and charges sufficient to pay the cost of maintaining, repairing and operating projects, establish and fund reserves, and pay the operating and administrative expenses of the Authority.

The Enabling Act authorizes the Authority to invest any funds held by it in such investments as may be lawful for fiduciaries in the commonwealth (Section 1.4n). The investment strategy will comply with directives contained in the Massachusetts General Laws (Chapter 180A, known as the Uniform Management of Institutional Funds Law, Section 8) regarding the standards of conduct and authority that apply to a "prudent man". This Investment Policy is intended to guide Authority staff in the investment of funds.

Policy

To establish and maintain an investment portfolio which complies with the Enabling Act and the Trust Agreement and which achieves the following basic objectives:

1. Safety of principal – ensuring the preservation of capital, avoiding significant investments in securities with the potential for wide price volatility
2. Liquidity for debt service obligations and operating needs
3. Return on investment – maximizing return within the constraints of arbitrage yield restrictions
4. Diversification of risk reflective of market returns and conditions

Investment Instruments

All funds shall be invested in instruments defined as Investment Obligations in Article I of the Trust Agreement (See Attachment A, Article I Definitions and Statutory Authority). All investments shall be held in U.S. dollars and be of high credit quality as stipulated in these Definitions. Maturities shall consider cash flow and liquidity requirements related to debt service and operating obligations and the potential need to respond to unanticipated events.

Execution of Investment Strategy

Management responsibility for the investment program is hereby delegated to the Executive Director who shall manage the investment program consistent with this investment policy. The Executive Director will instruct the Assistant Director to invest funds within the guidelines established by this policy. All bond proceeds will be invested in accordance with procedures proscribed by the Internal Revenue Service to conform with tax regulations. Other funds will be invested following review and analysis of the investment instrument in light of the objectives in this policy.

Records of all investment transactions shall be kept by the Assistant Director. The Assistant Director shall periodically submit to the Finance and Audit Committee of the Board an investment report summarizing investment activity for each instrument in each fund held by the Authority the amounts, yields, and maturities of the instrument. Such reports will be provided at least semi-annually. The Committee may request additional reports as necessary.

Authority investments shall be held at an authorized custodian in separate accounts and not co-mingled. It will be the responsibility of the Assistant Director to ensure that appropriate internal controls are in place for security and handling of all accounts. The Assistant Director will record and report all investment activity in accordance with Generally Accepted Accounting Principles.

Investment advisor(s) used by the Authority must be registered as an investment advisor pursuant to the Investment Advisers Act of 1940 (15 USC 80b – 1 et seq.). The advisor would be selected as a result of a Request for Proposal (RFP) process and a recommendation from the Finance and Audit Committee to the Authority's Board.

Ethics and Conflict of Interest

Authority Board Members and staff involved in the investment process shall refrain from personal business activities that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment

decisions, consistent with Chapter 268A of the Massachusetts General Laws. All ethics rules and laws of the Commonwealth of Massachusetts are hereby incorporated by reference in this policy.

Procedure for Changes to this Policy

This policy may be changed only by a vote of the Board. The Executive Director shall report to the Finance and Audit Committee and the Board on an “as needed” basis regarding the desirability of modifying this Policy, however, notwithstanding, the Policy shall be reviewed by the Board annually.

This policy was approved at a meeting of the Authority on September 28, 2010, in accordance with the Notice of the call for the meeting.



Kenneth Wissman
Secretary-Treasurer

FIFTEENTH SUPPLEMENTAL TRUST AGREEMENT

Dated as of December 1, 2009

(Amending and Restating the Trust Agreement dated as of November 1, 1994)

ARTICLE I DEFINITIONS AND STATUTORY AUTHORITY

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; and

(xii) 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.