MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

DEBT ISSUANCE AND MANAGEMENT POLICY

1. Purpose/Use of Debt Proceeds

The purpose of this policy is to establish a framework for the issuance and effective management of debt in support of the Authority's core mission. This policy is consistent with the requirements of Section 2.04 of 976 CMR: Finance Advisory Board Regulations.

The Massachusetts State College Building Authority was established pursuant to Chapter 703 of the Acts of 1963 of The Commonwealth of Massachusetts (the Enabling Act) as a public instrumentality for the general purpose of contributing to the performance of the nine state universities by providing residence halls, dining commons, parking, athletic, cultural, and other facilities primarily for use by students and staff of the state universities of the Commonwealth and their dependents. In 2011, the statute was amended to include projects on the fifteen community colleges.

On-campus housing greatly enhances student recruitment by providing residential facilities sought by prospective students and their families. Retention and persistence rates amongst state university students who reside on campus tend to be higher than those of students who commute exclusively. Student activity facilities (dining, athletic, and parking projects) provide necessary support for students who reside on campus. Residence halls and student activity facilities financed by the Authority complement the academic and administrative facilities funded by the Commonwealth and reduce the bonding commitment of the Commonwealth that otherwise would be necessary if the Authority did not undertake these projects.

2. Internal Debt Management Responsibilities

The Authority's organizational structure and personnel qualifications are summarized in Appendix A.

The Executive Director is responsible for strategic capital planning and overall financial and investment management. Under the guidance of the Executive Director, the following staff are responsible for developing borrowing plans and managing the issuance and servicing of debt:

The Director of Capital Projects assists in the development of the Strategic Plan, directs the annual update to the Authority's Facility Renewal Plan, and develops a multi-year Integrated Capital Plan ("Capital Plan") which sets out the projects, total project costs, sources of funds, and schedules for capital spending.

Based upon the projects in the Capital Plan, the Chief Financial Officer develops/updates a financial plan utilizing the range of fund sources available including bond funds, capital improvement reserves, campus funds, grants, etc. The Chief Financial Officer is also responsible for a range of activities associated with the issuance and servicing of Authority debt including the preparation of project approval documents and official statement materials; analysis of debt structure, market conditions and interest rate environment; setting of rates and charges required to cover all obligations; continuing disclosure requirements including reporting of material events; and compliance with applicable State and Federal laws and regulations regarding the issuance of debt.

The Chief Financial Officer is also responsible for all financial reporting and accounting, including the Authority's annual independent audit; maintaining internal control procedures; issuing and collecting campus assessments covering all obligations; managing arbitrage compliance; and executing the investment program for all operating, capital project, debt service, and reserve funds.

As described in this policy, the Authority's Board reviews the Capital Plan and approves all bond-funded capital projects; authorizes the issuance of debt; and selects the external professionals utilized to support the financing program.

3. Legal Authorization and Debt Limits

The Authority's mission is to finance, plan, design, construct and manage revenue-funded facilities on state university and community college campuses. The Authority may issue tax-exempt revenue bonds, taxable revenue bonds, bond and revenue anticipation notes (in the form of commercial paper and other short-term debt instruments). The Enabling Act does not prohibit the Authority from issuing variable rate notes or bonds. The Authority does not issue debt for working capital.

Prior to 1998, bonds issued by the Authority were guaranteed by the Commonwealth; these bonds are called the "Prior Bonds". The Enabling Act was amended in 1998 to require the issuance of bonds that were not guaranteed by the Commonwealth; these bonds are called the "Parity Bonds". The remaining outstanding Commonwealth-guaranteed bonds will retire in 2016. The Authority's outstanding debt is summarized in Appendix B.

All debt obligations are issued in accordance with the Enabling Act, the Authority's General and Supplemental Trust Agreements, the Contract for Financial Assistance between the Commonwealth of Massachusetts, acting by and through the Board of Higher Education, and the Authority (the "Contract"), and with all applicable state and federal laws regarding the issuance of debt. The

Prior Bonds are secured by project revenues, a dedicated debt service reserve fully funded by revenues (required under Section 10 of the Enabling Act), and the Commonwealth guarantee. All debt service for Parity Bonds is supported by project revenues and reserves, including a bond-funded debt service reserve, with back-up credit provided by the pledge of certain campus trust funds and by the campus appropriations. The pledge of revenue to the owners of the Prior Bonds is senior to the pledge of revenues to the owners of Parity Bonds. The sources of payment for Authority bonds are summarized in Appendix C.

4. <u>Process for Debt Issuance</u>

Through competitive selection processes described in Section 5, the Authority will engage external professional resources as needed to assist in the issuance of debt.

The Authority will engage a firm as bond counsel to provide complete legal representation as to all matters of state and federal law, including tax matters, relating to the Authority's issuance. Tax matters include determination of the type of bonds to be issued (i.e., public governmental tax-exempt or taxable, or private 501(c)3 tax-exempt). Bond counsel's scope of responsibility includes providing structuring advice, preparing all closing documentation, coordinating with disclosure counsel and senior managing underwriters/financial advisor on the official statement, rendering its opinions with respect to disclosure information for which it is responsible, and coordinating the Commonwealth bond pricing approvals. The firm will also provide counsel on matters pertaining to investments, particularly for project fund and debt service reserves. In addition to supporting bond issuance, bond counsel is expected to provide counsel on all related matters as they arise. Bond counsel also prepares and posts Event Notices (described in Section 12 of this policy) and assists the Authority in meeting its Continuing Disclosure commitments.

For a competitive bond sale, the Authority will engage a financial advisor; for a negotiated sale, the Authority will engage senior managing underwriters and co-managing underwriters. Depending upon the type of sale, these firms will be responsible for all relevant matters including structure and timing of bond issues, rating agency presentations, development of marketing and distribution plans, working closely with bond counsel, engaging a disclosure counsel to prepare the official statement, pricing and sale of bonds, investment of proceeds, and matters required for closing. In advance of bond issues, the firms would provide market updates, analyze refunding opportunities, and support the Authority's development of project pro-formas.

Pre-Issuance Evaluation

Bi-annually, the Authority's Board adopts a strategic plan which includes information to determine the number, type and location of new or expanded facilities needed to support the state universities. Annually, the Authority updates a Facility Renewal Plan which identifies all major components of each Authority facility, the year installed and expected useful life, and estimated cost to replace based upon current year pricing. Based upon information in the Strategic and Facility Renewal Plans, staff prepare the Capital Plan listing all proposed projects for the near term horizon and the source of funding for each project (revenue bonds, capital reserves, campus funds, grants, etc.). These plans are reviewed with the Board's subcommittees on Design and Construction and Finance and Audit.

For projects requiring bond financing, Authority staff will prepare detailed financial pro-formas which identify all revenue and expenses (including all operating expenses and contributions to reserves) associated with the design, construction, financing and operation of the proposed projects (both new facility and repair projects) over the maturity of the bonds. In order to provide budget certainty, pro-formas are generally based on fixed rate debt service structures. In determining financial feasibility, the following coverage ratios are calculated, as applicable:

(i) Primary Reserve Ratio comparing unrestricted reserves to total operating expenses;
(ii) Return on Net Assets calculating the increase (decrease) in total net assets divided by total net assets at the beginning of the fiscal year;
(iii) Net Operating Revenue Ratio measuring the return on operations;
(iv) Viability Ratio comparing total net assets to total debt;
(v) Debt Service/Resources Coverage Ratio comparing Authority annual debt service with revenues, reserves and pledges available to pay Authority debt service;
(vi) Debt Service/Appropriations Coverage Ratio comparing Authority spring debt service with Commonwealth appropriations available in the last four and three months of the fiscal year; and
(vii) "Stress Test" Debt Service/Appropriations comparing the maximum spring debt service due over the life of the bonds for each new bond issue with Commonwealth appropriations available in the last three months of the first fiscal year.

These pro-formas and ratios will be reviewed with the Board's Committee on Finance and Audit prior to project approval by the full Board. Ratios will be reviewed annually following conclusion of the Authority's and campuses independent financial audits.

Approval: Projects and Bond Issue

Once financial feasibility has been confirmed, projects will be approved by the Authority's Board and subsequently by the Commonwealth's Board of Higher Education (including its Fiscal Affairs and Administrative Policy Committee) and the Commonwealth's Secretary of Administration and Finance. Prior to bond closing, the Board of Higher Education will approve the final amended Contract.

The Authority's Board will authorize each bond issue, specifying total amount of the project fund and the maximum par amount, the upset limit for the true interest cost of the bonds, final maturities for the bonds, the date by which the sale must occur, and the names of the senior and co-managing underwriters. All debt issuance votes will clearly indicate whether the maximum authorized interest rate(s) are fixed or variable and, if variable, the benchmark upon which they are set. When a negotiated issue is recommended, Board approval is required to seek from the Finance Advisory Board a waiver from the presumption of a competitively-bid financing. The Board delegates to the Executive Director the authorization to execute and deliver documents required for the bond issue.

On the day of a bond sale, the Authority will obtain approval of bond pricing from the Commonwealth's Secretary of Administration and Finance and the State Treasurer.

Method of Sale Determination

The Authority is an infrequent issuer; issue size is generally under $150 million. New construction funding requires long-term maturities (thirty years minimum). The Authority's credit is complex. Authority bonds are supported by the revenues to be generated by the financed projects, with back-up credit support provided by the pledge of campus appropriations and certain campus trust funds. The revenues to be generated by financed projects are determined by the Authority using a sophisticated rate-setting process. There are distinctions between types of projects as to whether gross or net revenues are pledged. The pricing of each series of bonds is tied to an absolute new revenue source for repaying debt service for each project funded. Timing of obtaining financing is critical to the Authority for the successful and cost-effective implementation of its projects. Depending upon summer revenue requirements, some facilities must remain in use year-round. Capital repairs must be carefully scheduled so that they can be performed during the summer and vacation periods in order to reduce inconvenience and to maintain revenue, returning the facility to service when the academic schedule resumes. New residence halls must be open in time for the start of the academic year. Given the need to reduce costs of capitalized interest and winter conditions, project funds must be available during critical timeframes to ensure timely project commencement and completion.

Due to the infrequency of its bond issues, the issue size, and the complexity of its credit, extensive pre-sale marketing has been essential to a successful sale. Based on market conditions, the Authority will consider whether a competitive or negotiated sale would be more advantageous. The Authority will analyze the complexity of the transaction and any issues which may impact the pricing; the stability of bond prices and investor demand; yields and credit spreads; the relative affordability of taxable bonds as compared to tax-exempt; and the importance of flexibility to adjust sizing and structuring to respond to the market.

As a condition precedent to the sale of bonds on a negotiated basis, the Authority will seek from the Commonwealth's Finance Advisory Board a waiver from the presumption of a competitive, sealed-bid financing.

Refunding Transactions

The Authority will monitor its debt portfolio to identify and evaluate possible refunding opportunities. Advance and current refundings will be considered when aggregate present value savings of the refunding bonds as compared to the refunded bonds are at least 4%, or when blending a new money issue with a refunding would achieve a lower cost of capital to fund new projects. In addition, a refunding could be considered in order to modify legal provisions or reduce administrative costs by eliminating an outstanding issue.

In addition to the approvals cited above, in accordance with the Enabling Act, the Authority will obtain approval for refunding from the Commonwealth's Board of Higher Education.

5. Professional Services – Selection Process

In accordance with its procurement procedures, the Authority periodically issues Requests for Qualification/Proposal for professional services including the following: bond counsel, rebate calculations, external financial auditors, and underwriters. For refunding issues, the Authority conducts direct solicitation of all firms licensed to serve as underwriters in Massachusetts. The Board approves the final selections.

6. Debt Affordability/Borrowing Capacity

The Authority's policies and procedures require that all bond-funded projects be secured by sufficient new pledged revenue to support new obligations of debt service, projected operating costs, and deposits to reserves for operations (at least 5% of annual income) and capital renewal (scaled from 2.5% of annual income year two of operation gradually increasing to 10% year 20 and beyond). The borrowing capacity is thus limited by the project's revenue stream. There is no statutory limit on borrowing nor do the Authority's bond covenants require an additional bonds test.

An important criterion of the public higher education mission is to maintain affordability of student costs. Cash flows of Authority projects are carefully examined to ensure that they are sufficient to fund all project costs, as required by statute, and that they remain affordable to students and families. One measure of affordability is the maintenance of modest annual increases in rent and fees; revenue must be sufficient to cover increasing costs of employee compensation and utility services, while also remaining affordable to students. The maturity of bonds and predictability in future debt service costs are of prime importance in determining sustained project affordability. Long term debt previously issued by the Authority is fixed-rate with generally level debt service.

7. Risk Controls/Monitoring

The Authority will issue fixed rate bonds to maximize certainty for budget and rate setting and to optimize future debt capacity. Short-term debt may be issued to obtain interim financing between bond issues. To reduce rollover risk, principal has been fully amortized during the term of the bonds issued. Principal amortization will be scheduled to minimize annual rent increases while maintaining affordable rents and fees. As part of its Strategic Plan update, the Authority carefully monitors trends in college-age population, student enrollment, the cost of comparable private off-campus housing near each institution, and the cost of on-campus housing at peer New England public and private institutions. The Authority employs conservative assumptions of future campus enrollment and the percentage of full-time undergraduate students to be housed on each campus.

8. Debt Structuring Practices

Amount of Outstanding Debt

As described above, the debt capacity is directly tied to available revenue sources. The Authority's outstanding debt is summarized in Appendix B.

Maturity Structure/Principal Repayment

Bond maturities are keyed to the useful life of the assets being financed. New building projects are typically financed for 30-40 years; facility capital repairs and improvements are typically financed for 20 years. Principal is fully amortized on a gradual basis during the term of the bonds. The debt service schedule generally provides for level debt service in order to retain maximum certainty for budget and rate setting. Capitalized interest (the payment of interest from bond proceeds during construction period) should be limited to no more than eighteen months unless the project construction schedule specifically calls for a longer time period. The Authority evaluates call options by considering the relative value of the Authority's future financing flexibility and the market's perception of any premium associated with a call. To date, Authority debt has incorporated the generally accepted call options in the markets for tax-exempt (call provision for maturities greater than 10 years) and taxable (non-call) bonds.

Credit Enhancement/Insurance/Liquidity/Debt Service Reserve Fund

Credit enhancement will only be used when the present value of anticipated savings (i.e., reduced interest expense) exceeds the cost of the enhancement. The Authority has bond insurance enhancement on issues prior to 2009. The Authority has no surety bonds or letters/lines of credit.

For all bond issues, the Authority ensures that a combined debt service reserve fund equals or exceeds the Debt Service Reserve Fund Requirement, i.e., the least of (1) 10% of the original net proceeds from the sale of a series of bonds, (2) 125% of the average annual debt services for the series, and (3) the maximum amount of debt service due on the bond series in any future fiscal year. The Authority maintains liquidity in its debt service reserve portfolio by investing in highly liquid securities regularly traded in the open market and easily converted to cash: treasuries, agency obligations, and AA-rated municipal bonds. Cash is available to pay debt service on each debt service date from the funds invested in governmental money market funds and guaranteed investment contracts.

Variable Rate Debt

In order to retain maximum certainty for budget and rate setting, the Authority has not issued and has no plans to issue long-term (more than five years) variable rate debt. Depending upon the principal amount, the maturity, and prevailing market conditions and trends, there may be a situation in the future where consideration would be given to the issuance of variable rate debt. Any such decision would be supported by an analysis of market risk and potential cost of such a transaction, as well as the reserve amount necessary to manage this risk. Prior to issuing variable rate debt, the Authority will amend this Policy to include parameters to guide the issuance of variable rate debt.

9. Credit Rating Agency Management and Communication

The Authority seeks to manage its operations and finances to maintain the highest credit rating possible. As part of each bond issuance and at least annually, the Authority provides updated statistical, project, and financial information utilized as part of the ratings process.

10. Investor Relations Management

The Authority's most recent Official Statement and audited financials are posted on the Authority's web site (www.mscba.org). The Authority also submits annual filings to the Electronic Municipal Market Access ("EMMA") system operated by the Municipal Securities Rulemaking Board (http://emma.msrb.org).

Prior to each bond issue with assistance from its underwriters, a marketing plan is developed and outreach made to targeted investors (both existing and potential new investors). The Authority will also conduct an investor call.

Authority staff will provide responses to ad hoc requests as appropriate and engage in ongoing dialogue with investors.

11. Derivative Transactions

The Authority currently has no derivatives exposure and does not anticipate entering into derivative transactions in the future. Prior to entering into derivative transactions, the Authority will amend this Policy to include parameters to guide this type of transaction.

12. Post-sale Monitoring, Management, Compliance

Compliance

The Authority will maintain an adequate system of internal controls to provide compliance with applicable laws, rules, regulations, and covenants associated with outstanding debt. Annual calendars are maintained identifying due dates for key financial activities including, but not limited to, schedules for debt service payments; certifications of revenue sufficiency and maintenance of property and liability insurance; arbitrage calculations; and continuing disclosure commitments.

Annually as part of the budget and rate setting process, the Authority will compile information regarding any private activity occurring in state campus facilities which have received financing support from the Authority's revenue bonds.

Reporting of Events

Whenever the Authority obtains knowledge of the occurrence of any event requiring notice under applicable Federal securities law, the Authority will promptly file a notice of such occurrence with EMMA. Events to be reported within ten (10) business days, regardless of materiality, are:

A. Principal and interest payment delinquencies
B. Unscheduled draws on debt service reserve reflecting financial difficulties

C. Unscheduled draws on credit enhancements reflecting financial difficulties
D. Substitution of credit or liquidity providers, or their failure to perform
E. Defeasance of any series or portion of a bond series
F. Rating changes
G. Tender offers
H. Bankruptcy, insolvency, receivership or similar event of an "obligated person" as defined in the Security and Exchange Commission Exchange Act Rule 15c2-12

Events to be reported promptly if material are:

I. Receipt by the Authority of an adverse tax opinion or the occurrence of an event affecting the tax-exempt status of its bonds
J. Modifications to the rights of any bond owners
K. Bond Calls
L. Release, substitution or sale of property securing repayment of any bonds
M. Appointment of a successor or additional trustee or the change of the name of a trustee
N. Consummation of a merger, consolidation, or acquisition of an obligated person as defined in Rule 15c2-12.

Investment of Proceeds and Debt Service Reserve Funds; Arbitrage Regulations

The Authority will only invest in instruments approved in the Trust Agreement. Bond proceeds including project funds are invested in highly liquid securities regularly traded in the open market and easily converted to cash. Debt service reserve funds are invested in governmental money market funds and guaranteed investment contracts. Security of the principal amount is the highest priority. The Authority also seeks to limit negative arbitrage.

Through a competitive process, the Authority will engage an Arbitrage Consultant to calculate the rebate liability annually for each issue of bonds and instruct the Authority as to the amount to be paid, if any, to the U.S. Treasury Department on each fifth anniversary of the bond issuance. Any rebate issues identified by the Consultant will be raised with Bond Counsel.

13. Continuing Disclosure

The Authority will provide continuing disclosure pursuant to its Disclosure Agreement (see Appendix D), including providing information pursuant to the requirements of Rule 15c2-12 of the Securities and Exchange Commission as described above. In accordance with its Enabling Act, the Authority files its annual report with the Commonwealth's Governor, State Auditor, Secretary of Administration and Finance, and the Board of Higher Education.

14. Other Reporting Requirements

In accordance with its Enabling Act, the Authority files semi-annual certification with the Commonwealth's Comptroller and the Board of Higher Education as to sufficiency of funds available for debt service and files its annual report with the Commonwealth's Governor, State Auditor, Executive Secretary of Administration and Finance, and the Board of Higher Education. In accordance with CMR 976 1.04, the Authority files semi-annual reports with the Commonwealth's Finance Advisory Board regarding derivative products.

15. Procedures 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 May 20, 2012**,** in accordance with the Notice of the call for the meeting.

/s/ Kenneth Wissman

Kenneth Wissman,
Secretary-Treasurer

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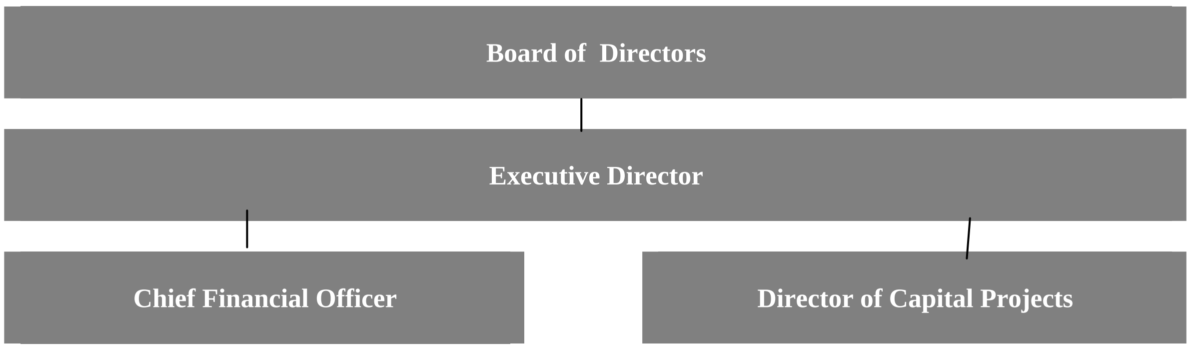
MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
DEBT ISSUANCE AND MANAGEMENT POLICY

ORGANIZATIONAL STRUCTURE, PERSONNEL QUALIFICATIONS



EDWARD H. ADELMAN, A.I.A., 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. 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. He received a Bachelor of Architecture degree from Cornell University and a Master of Architecture degree from Kent State University.

KAROL D. OSTBERG, Chief Financial Officer - Ms. Ostberg joined the Authority in November 2011. As Chief Financial Officer, Ms. Ostberg is responsible for managing the Authority's debt and for financial controls, accounting and reporting. Ms. Ostberg has over 25 years experience in the public finance field, most recently serving as the Commonwealth's Director of Capital Finance. Previously, she was the Director of Financial Planning at the San Francisco Public Utilities Commission and Vice President in the public finance division at two investment banking firms. Ms. Ostberg received a Bachelor of Arts degree from Denison University and a Master of Business Administration degree from New York University.

JANET CHRISOS, Director of Capital Projects -Janet Chrisos is the Director of Capital Projects, having previously been a Project Manager on staff of the Authority since 2005 and a consultant since 2003. Ms. Chrisos manages the Authority's project management staff from project planning through delivery and is 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 a consultant for Salem State University and an employee of Hewlett Packard and General Electric. She has a Bachelor of Science degree in mechanical engineering from the University of Massachusetts.

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
DEBT ISSUANCE AND MANAGEMENT POLICY

OUTSTANDING INDEBTEDNESS
AS OF APRIL 30, 2012

($000s)

Total Debt Outstanding	$987,818
Total Parity Bonds*	$968,743
Total Guaranteed Bonds	$34,200
Total Prior Bonds	$19,075
Maximum Annual Debt Service	$76,495
DSRF Balance	$66,355
DSRF Requirement**	$62,196
Weighted Average Life	16.98 years
Percent Fixed Rate	100%

* Includes $15,125 Guaranteed Bonds
** For all Bonds other than Guaranteed Bonds

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

DEBT ISSUANCE AND MANAGEMENT POLICY

SOURCES OF PAYMENT FOR AUTHORITY BONDS

- In priority order, sources of payment for the Authority's bonds are as follows:
  - Revenues (i.e., rents, fees, etc.)
    - Revenues are first applied to Prior Bonds (Series 1994A which matures in 2014) which are guaranteed by the Commonwealth and have a lien on the Revenues which is senior to that of the Parity Bonds
    - Following payment of the Prior Bonds, revenues are applied to payment of all Parity Bonds
  - Residence Hall Trust Fund Operating Reserve Funds
  - Multi-Purpose Reserve Fund and Supplemental Reserve Fund
  - Capital Improvement Reserve Funds
  - Pledged Trust Funds, including college-retained tuition
  - Commonwealth Appropriation Intercept
  - Debt Service Reserve Fund
- The Authority has the discretion to utilize its own reserve funds to pay bond debt service, if necessary
- If project revenues and Pledged Trust Funds should not be sufficient to cover debt service on bonds issued on behalf of a State University, the insufficiency will be satisfied from "intercepted funds" appropriated by the Legislature.

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
DEBT ISSUANCE AND MANAGEMENT POLICY

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING

Massachusetts State College Building Authority
Refunding Revenue Bonds, Series 2012B

Authority Disclosure Agreement

Prior to the issuance of the above Bonds (the "Series 2012B 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 2012B Bonds. The Authority will undertake for the benefit of the registered owners and Beneficial Owners (the "owners") of the Series 2012B Bonds to provide the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system 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 2012B 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 2012B 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 AUTHORITY – 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.	"THE AUTHORITY – Total Appropriations for 2003-2013 for the System of Public Higher Education"
4. Summary presentation of the amount of	"SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS

Financial Information and Operating Data Category		Reference to Official Statement for Level of Detail
	Pledged Trust Funds for each State University.	– The Contract ”
5.	Summary presentation on a five-academic-year basis of the occupancy rates of the Authority's residence facilities of the State Universities.	"THE AUTHORITY - 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.	"THE AUTHORITY - 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.	"THE AUTHORITY- 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- Student Demand Indicators"
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 2012B 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 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 Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to the rights of security holders, if material;

(viii) bond calls, if material;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the bonds, if material;

(xi) rating changes;

(xii) tender offers;

(xiii) bankruptcy, insolvency, receivership or similar event of the Authority[1];

(xiv) 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; and

(xv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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 2012B 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 2012B 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

[1] 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.

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 2012B 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 2012B 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 2012B 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 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 2012B 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 2012B 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 2012B Bonds affected thereby at or prior to the time of such amendment.