

NEW ISSUE-BOOK-ENTRY ONLY

In the opinion of Bond Counsel, under existing law, assuming continued compliance with certain provisions of the Internal Revenue Code of 1986, as amended, interest on the Series 2012A Bonds will not be included in the gross income of holders of such Series 2012A Bonds for federal income tax purposes. Interest on the Series 2012A Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations although interest on the Series 2012A Bonds will be taken into account in computing the alternative minimum tax applicable to certain corporations. In the opinion of Bond Counsel, under existing law, interest on the Series 2012A Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Series 2012A Bonds are exempt from Massachusetts personal property taxes. The Series 2012A Bonds and the income therefrom may also be subject to taxation under the laws of states other than The Commonwealth of Massachusetts. See "TAX MATTERS" herein.

\$154,345,000

**MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
Project Revenue Bonds
Series 2012A**

Dated: Date of Initial Delivery

Due: May 1, as shown on the inside cover

The above-referenced bonds (the "Series 2012A Bonds"), will be issued as fully registered bonds and will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series 2012A Bonds. Purchases of the Series 2012A 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 2012A Bonds will be made to purchasers. So long as Cede & Co. is the registered owner of the Series 2012A Bonds, principal and semiannual interest (payable May 1 and November 1, commencing November 1, 2012) are payable to DTC by U. S. Bank National Association, as Trustee. See "THE SERIES 2012A BONDS - Book-Entry Only System" herein.

The Series 2012A Bonds shall be subject to redemption prior to maturity as more fully described herein.

The Series 2012A Bonds will be special obligations of the Authority secured by a pledge of revenues, as more fully described herein. In addition, the Series 2012A Bonds will be secured by an intercept of appropriations to the State Universities, as more fully described herein. See "COMMONWEALTH APPROPRIATION INTERCEPT."

THE SERIES 2012A 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 2012A BONDS. THE AUTHORITY DOES NOT HAVE TAXING POWER.

The Series 2012A Bonds are offered when, as and if issued by the Authority and received by the Underwriters, subject to the approval of legality by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel. Certain legal matters will be passed upon for the Authority by its general counsel, Krokidas & Bluestein LLP, Boston, Massachusetts, and for the Underwriters by their counsel, Eckert Seamans Cherin & Mellott, LLC, Boston, Massachusetts. It is expected that the Series 2012A Bonds in definitive form will be available for delivery through DTC in New York, New York, or its custodial agent, on or about January 4, 2012.

Barclays Capital

BofA Merrill Lynch

Morgan Keegan

Fidelity Capital Markets

Ramirez & Co., Inc.

J.P. Morgan

Jefferies

Wells Fargo Securities

\$154,345,000
Massachusetts State College Building Authority
Project Revenue Bonds, Series 2012A

Dated: Date of Initial Delivery

Due: May 1, as shown below

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield¹</u>	<u>CUSIP Number[†]</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield²</u>	<u>CUSIP Number[†]</u>
2013	\$ 520,000	3.00%	0.480%	575832UM0	2023	\$ 4,260,000	5.00%	2.730%	575832UX6
2014	1,305,000	5.00	0.750	575832UN8	2024	4,565,000	5.00	2.940	575832UY4
2015	1,425,000	5.00	1.030	575832UP3	2025	4,965,000	5.00	3.130	575832UZ1
2016	1,485,000	5.00	1.170	575832UQ1	2026	5,600,000	5.00	3.230	575832VA5
2017	1,775,000	5.00	1.340	575832UR9	2027	6,365,000	5.00	3.380	575832VB3
2018	1,870,000	5.00	1.560	575832US7	2028	6,975,000	5.00	3.490	575832VC1
2019	2,255,000	4.00	1.810	575832UT5	2029	7,905,000	5.00	3.590	575832VD9
2020	3,205,000	4.00	2.070	575832UU2	2030	5,220,000	5.00	3.690	575832VE7
2021	3,345,000	4.00	2.250	575832UV0	2031	6,040,000	5.00	3.780	575832VF4
2022	3,905,000	5.00	2.500	575832UW8					

\$ 30,845,000 5.00% Term Bond Due May 1, 2036, Yield²: 4.090%, CUSIP[†]: 575832VG2

\$ 15,025,000 5.00% Term Bond Due May 1, 2041, Yield²: 4.150%, CUSIP[†]: 575832VH0

\$ 35,490,000 4.25% Term Bond Due May 1, 2041, Yield¹: 4.400%, CUSIP[†]: 575832VJ6

¹ Yield to maturity.

² Yield to first optional call date on May 1, 2022

[†] Copyright 2011, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only at the time of issuance of the Series 2012A Bonds, and the Authority does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2012A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2012A Bonds.

No dealer, broker, salesman 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 2012A 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 2012A 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 Underwriters 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 responsibility 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. 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 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 2012A 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.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2012A BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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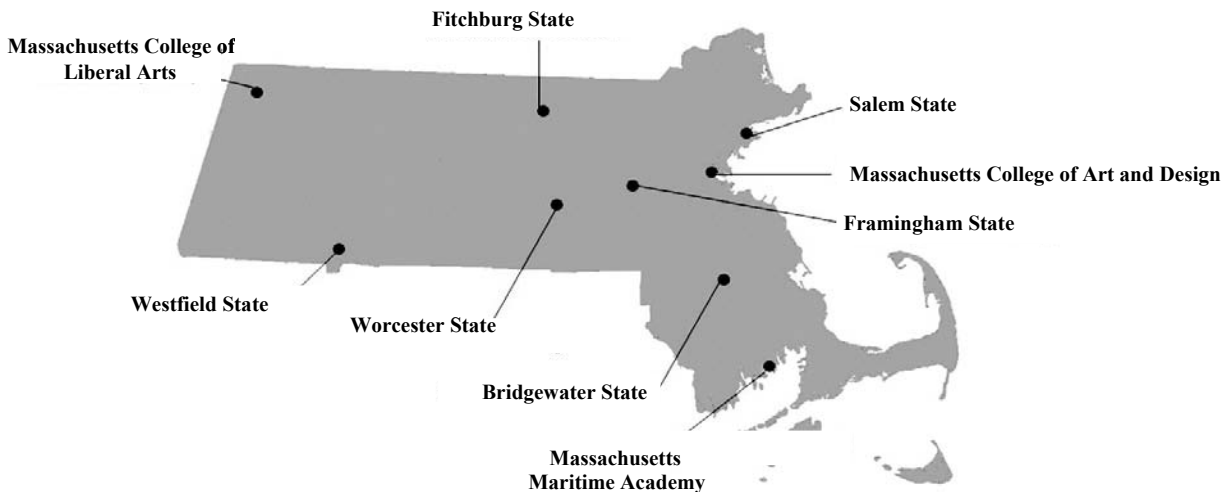
OFFICIAL STATEMENT

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

INTRODUCTORY STATEMENT

This Official Statement sets forth certain information concerning the Massachusetts State College Building Authority (the “Authority”), the Authority’s \$154,345,000 Project Revenue Bonds, Series 2012A (the “Series 2012A Bonds”). The Series 2012A Bonds will be 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, between the Authority and U. S. Bank National Association, as successor Trustee (the “Trustee”). The Trust Agreement dated as of November 1, 1994, as amended, restated and supplemented to the date of issuance of the Series 2012A Bonds, is herein referred to as the “Trust Agreement.” Reference is also made to the Contract for Financial Assistance dated as of February 1, 2003, as amended (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. For definitions of certain other capitalized terms used but not defined herein, see the “Summary of Legal Documents” in Appendix C.

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 universities (formerly known as state colleges). 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, and such other institutions as may hereafter be included in the definition of “State College” set forth in the Act (each, a “State University” and, collectively, the “State Universities”). Approximately 14,300 students reside in the 43 residential complexes owned by the Authority. These facilities house one-third of full-time undergraduate students and comprise about 3.7 million square feet of space in approximately 95 separate structures on the nine State University campuses.



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. As noted herein, there has been growing enrollment for the State Universities and a larger percentage of enrolled students in residence, producing full occupancy, and in some cases occupancy that exceeds the original design capacity of Authority-financed residential facilities. In addition, there are waiting lists for residential spaces at many of the State Universities. The Authority also believes its facilities are in demand because they are well-designed and well-maintained, and with rents that are at or below the cost of off-campus housing.

The Authority is committed to balancing the need for building new facilities with its responsibility for managing its existing properties. The Authority has implemented a project delivery approach for new projects, as noted herein, that has resulted in timely completion of its construction projects at or below budgeted costs. The Authority expects its budgeting and control systems to result in well-maintained facilities that can be expected to assure present and future students of high quality housing and other facilities.

The Authority develops and manages two different types of projects: System Projects and Campus Projects. There are 82 System Project buildings that comprise approximately 2.5 million gross square feet of building space and house approximately 10,400 students; these buildings were constructed over a period of 100 years, the oldest having been completed in 1906. System Project buildings have pooled capital improvement reserves. Campus Projects include ten new residence halls constructed and three residence hall expansions since 2000, which comprise approximately 1.2 million gross square feet and house approximately 3,900 students. In addition, Campus Projects include new construction and the improvement and renovation of campus centers and dining, athletic and parking facilities. Each Campus Project has a separate, dedicated capital improvement reserve. Rents and charges for projects of both types are legally available to defray costs related to all of the Authority's projects.

The Series 2012A Bonds will be special obligations of the Authority secured by a pledge of and lien on all Revenues on a parity with outstanding Parity Bonds, and subject to the pledge of Revenues created by the Trust Agreement to secure the Prior Bonds, as discussed herein, and the provisions of the Trust Agreement regarding the application of Revenues. See "SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS." Revenues consist of revenues derived from fees, rents, rates and other charges imposed by the Authority on the State Universities for the use and occupancy of the projects financed by the Authority and any other moneys designated as Revenues under the Contract. The rents and charges with respect to the Authority's projects are fixed annually by the Authority under the Contract and the Trust Agreement.

After issuance of the Series 2012A Bonds, the Authority will have Bonds outstanding in the approximate principal amount of \$995.0 million. Prior Bonds, which are guaranteed by the Commonwealth and have a lien on Revenues which is senior to the Series 2012A Bonds and other Parity Bonds, will be outstanding in the approximate principal amount of \$19.1 million. The final maturity of the Prior Bonds is in 2014. After the issuance of the Series 2012A Bonds, there will be approximately \$975.9 million of Parity Bonds outstanding, \$15.1 million of which are guaranteed by the Commonwealth (the "Series 2004B Bonds"). Under the Trust Agreement, no additional Bonds of the Authority senior to the Parity Bonds can be issued.

As additional security for Parity Bonds (other than the Series 2004B Bonds), the Commonwealth's Board of Higher Education also has pledged pursuant to the Contract all of each State University's annual state appropriations and a portion of each State University's non-appropriated funds and other revenues legally available to the State University, as described herein. Recently enacted amendments to the Act have clarified the certainty, timing and mechanics of such pledge. See "SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS - The Contract; *Pledged Funds*" and "COMMONWEALTH APPROPRIATION INTERCEPT." The Authority has never needed to use such pledged funds or appropriations.

As noted herein, the Authority has an array of reserves for operating and capital purposes, as well as a Debt Service Reserve Fund. See "SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS - Debt Service Reserve Fund" and "SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS - Other Reserves."

The Legislature of the Commonwealth appropriates moneys annually for each State University as a line item in the Commonwealth's operating budget. There is no assurance that the Legislature will continue to appropriate moneys or to maintain or increase the amount of appropriated moneys to the State Universities. The Authority receives no direct appropriation from the Commonwealth. A summary of the most recent eleven-year appropriations history of the Commonwealth to the state university system is contained herein under the heading "The Board of Higher Education - Total Appropriations for 2002-2012 for the System of Public Higher Education."

The Series 2012A Bonds are not guaranteed by the Commonwealth. The Series 2012A Bonds shall not be deemed to constitute a debt or liability of the Commonwealth or any political subdivision thereof, or a pledge of the faith and credit of the Commonwealth or any such political subdivision. Neither the faith and credit nor the taxing power of the Commonwealth or of any political subdivision thereof is pledged to the payment of the principal of or the interest on the Series 2012A Bonds. The Authority does not have taxing power.

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 State Universities 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 State Universities, 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 Universities 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 Universities. 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.

The Act establishes a \$105 million limit on the total principal amount of notes and bonds issued by the Authority which are guaranteed by the Commonwealth, excluding notes or bonds refunded or being or to be refunded, all of which has been issued and of which approximately \$34.2 million is currently outstanding. The Act does not limit the amount of non-guaranteed debt 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. Members serve staggered five-year terms and 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.

The present members, the Executive Director and the senior staff of the Authority are listed below.

Members

JAMES T. MORRIS, Chair (appointed: 6/11/96; reappointed: 9/30/98 & 3/04/05).

Mr. Morris is a trial attorney at Quinn and Morris, specializing in litigation and appellate practice in all phases of the law. Mr. Morris is a former counsel to House Speaker Thomas McGee and a former Executive Assistant Attorney General. He is a member of the Inspector General Advisory Council and was a member of the University of Massachusetts Building Authority for 15 years, where he served as Vice Chair.

G. L. PETER ALCOCK, JR., Vice Chair (appointed 9/15/05).

Mr. Alcock has been active in corporate development and restoring underperforming companies; his career has included several CEO positions and board seats on nationally and internationally known companies. Mr. Alcock served as a trustee of Fitchburg State University from 1999-2009 and was its Chair for seven years. He was elected for two terms to serve as the State University Representative to the BHE from 2003-2009, and also served as the BHE Vice-Chair from 2007-2009.

KENNETH WISSMAN, Secretary/Treasurer (appointed 3/04/05; reappointed: 11/22/05).

Mr. Wissman is Chief Financial Advisor at the Massachusetts School Building Authority. Prior to that, he was Chief Financial Officer and Treasurer of the Massachusetts Water Resources Authority and served as Deputy Director for Finance on the Massachusetts State Senate's Committee on Ways and Means.

BRIAN Q. CORRIDAN (appointed 2/10/09).

Mr. Corridan is President and CEO of Corridan and Company of Springfield, Massachusetts, a full-service investment firm, and President of Nonotuck Associates, Chicopee, Massachusetts, an investment and business consulting firm. He is currently Director of the World is Our Classroom initiative, and of the Westmass Area Development Corporation. He is Director and Chairman of the Board of the Springfield Technical Community College Technology Park, and serves on the Investment Committee of the Baystate Health System.

JAMES M. COYLE (appointed 2/04/10).

Mr. Coyle was appointed to the Board of Higher Education in December, 2006. Since 2005, he has been General Agent-Secretary Treasurer of the Metropolitan Boston Building Trades Council. He worked in all phases of the ironworking trade and in 1994 was elected to the Executive Board at Local 7. He served as Chairman of the Executive Board until 1977, and then served as Business Agent and Business Manager of Local 7. Mr. Coyle also serves on the Board of Directors of the Boston Redevelopment Authority.

DAVID A. ELLIS (appointed 10/06/08).

Dr. Ellis is the Interim Vice President of Administration and Finance of Becker College. He is a past Vice President of Administration and Finance of Emerson College, past President, Vice President and Treasurer of Newbury College, past Vice President for Business and Financial Affairs of Pine Manor College, and he was Dean of Students at Babson College. Dr. Ellis holds a Bachelor of Science degree from the University of Miami, a Master of Education degree from the University of New Hampshire, a Master of Business Administration degree from Babson College and a Doctorate from Boston College. He has held positions of leadership in a number of professional organizations for student affairs, business and financial affairs, athletics and risk management disciplines. He currently serves on the Board of Overseers for the Boys & Girls Clubs of Boston and as the Chair of the Greater Boston Council of the American Diabetes Association.

CAROL W. GLADSTONE (appointed 12/02/97; reappointed 6/17/02).

Ms. Gladstone is a principal and founder of GLC Development Resources LLC, providing strategic real estate development assistance to private, public and institutional property owners. Prior to founding GLC, Ms. Gladstone worked for the Commonwealth's Division of Capital Planning and Operations and served as Assistant Receiver for Community and Economic Development for the City of Chelsea under the state receivership managing that city.

Staff

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.

KATE MURRAY, Assistant Director

Ms. Murray joined the Authority in 2006 and serves as the Assistant Director. She is responsible for coordinating financial and project planning, setting rates and user fees, and providing oversight and direction for the financial operations of the Authority. Before joining the Authority, Ms. Murray served in a variety of financial and management positions over 20 years at the Massachusetts Water Resources Authority (“MWRA”), which manages a multi-billion dollar capital program, issues revenue bonds and conducts financial operations similar to those of the Authority. As Managing Director of the MWRA, Ms. Murray was responsible for procurement, facilities and fleet management, security, human resources and management information systems. She received a Bachelor of Applied Science degree from Boston University and a Master of Business Administration degree from Simmons College Graduate School of Management.

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.

In addition to its Executive Director, the Authority employs two registered architects and other capital project and financial management personnel for the purpose of managing its overall affairs. The Authority’s staff, fourteen 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 Authority also engages the services, on an annual basis, of several advisors, including Krokidas & Bluestein LLP, general counsel; Ercolini & Company LLP, certified public accountants; Burns & Levinson LLP, project counsel; and Salem Capital Management of Boston, Massachusetts, investment advisors. Various architects, engineers, project managers and cost estimators are engaged from time to time to assist in project activities.

The Authority maintains offices at 253 Summer Street, Suite 300, Boston, Massachusetts 02210. The Authority’s telephone number is (617) 542-1081; its official website is www.msca.org.

The State Universities

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.

Massachusetts 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 270-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 courses leading to master's degrees in 43 programs, bachelor of arts or bachelor of science degrees in 27 disciplines and bachelor of science in education degrees in four areas.

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, Mathematics) education as employers increasingly seek to hire graduates with these skill sets. The University offers 27 undergraduate majors and 25 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 22 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, and a campus of the Massachusetts State University System. 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 20 academic disciplines complemented by 37 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 2011. 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, with 1250 enrolled undergraduates. It is located on 56 acres in the town of Bourne on Cape Cod. Bachelor of science degrees are offered in six 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 or bachelor of science degrees in 23 disciplines, bachelor of fine arts, bachelor of liberal studies, bachelor of science in business administration, bachelor of science in nursing, bachelor of social work, master of arts, master of arts in teaching, master of social work, master of nursing, master of business administration, master of education and master of science degrees.

Westfield State University was founded as a teacher-training institution in 1838 and 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 or bachelor of science degrees in 27 majors, bachelor of science in education degrees in five areas, and master of art, master of science, master of public administration, master of education degrees and certificates of advanced graduate studies.

Worcester State University was established in 1874 and is located on a 58-acre campus in the city of Worcester. 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.

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, 2011. Copies of such financial statements have been filed with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) system.

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Total Appropriations for Fiscal 2002 – 2012 for the System of Public Higher Education

The following table sets forth appropriation information for the system of public higher education for fiscal years 2002 - 2012. 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. See “COMMONWEALTH APPROPRIATION INTERCEPT.”

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Bridgewater	\$34,902,717	\$34,169,355	\$30,679,568	\$31,556,328	\$34,153,292	\$37,159,230	\$38,387,830	\$39,535,289	\$33,012,270	\$36,796,245	\$33,860,038
Fitchburg	26,523,076	25,741,421	22,903,071	23,466,244	24,213,899	25,834,184	26,997,992	27,809,654	23,218,183	25,882,973	23,467,647
Framingham	22,118,430	21,186,628	18,771,105	19,225,145	20,541,080	22,388,664	23,819,332	24,852,111	20,748,941	23,130,332	21,266,256
MassArt	13,934,465	13,501,766	9,505,002	9,882,040	11,167,184	13,584,393	14,520,602	15,202,160	12,692,230	14,150,408	13,405,202
Mass. College of Liberal Arts	13,179,861	12,746,397	11,353,264	12,238,871	12,659,513	13,397,888	13,937,728	14,372,730	11,999,050	13,376,973	12,559,859
Mass. Maritime Academy	11,261,055	10,882,110	9,730,053	10,396,108	11,107,771	13,186,243	13,676,739	14,077,588	11,753,330	13,102,278	12,330,691
Salem	34,942,413	33,973,869	30,232,149	31,666,513	34,319,120	37,297,298	38,695,577	39,824,815	33,249,600	37,065,712	34,614,021
Westfield	21,928,010	21,327,973	18,979,838	19,411,184	20,184,505	21,866,728	22,702,354	23,222,725	19,388,572	21,587,980	20,139,642
Worcester	<u>22,179,006</u>	<u>21,542,818</u>	<u>19,128,946</u>	<u>19,968,517</u>	<u>20,701,687</u>	<u>22,270,727</u>	<u>23,051,411</u>	<u>23,668,255</u>	<u>19,760,543</u>	<u>22,028,495</u>	<u>19,941,794</u>
Total State Universities	<u>200,969,034</u>	<u>195,072,331</u>	<u>171,282,996</u>	<u>177,810,950</u>	<u>189,048,051</u>	<u>206,985,355</u>	<u>215,789,565</u>	<u>222,565,327</u>	<u>185,822,719</u>	<u>207,121,396</u>	<u>191,585,150</u>
Community Colleges	<u>233,657,410</u>	<u>222,095,267</u>	<u>194,821,227</u>	<u>198,572,236</u>	<u>211,117,972</u>	<u>225,965,916</u>	<u>240,715,553</u>	<u>244,355,162</u>	<u>204,012,305</u>	<u>227,424,464</u>	<u>208,154,311</u>
University of Massachusetts	<u>464,031,675</u>	<u>436,074,679</u>	<u>363,724,748</u>	<u>392,535,034</u>	<u>417,771,784</u>	<u>454,078,082</u>	<u>480,212,878</u>	<u>492,251,998</u>	<u>411,898,263</u>	<u>464,575,067</u>	<u>422,761,193</u>
Total	<u>\$898,658,119</u>	<u>\$853,242,277</u>	<u>\$729,828,971</u>	<u>\$768,918,220</u>	<u>\$817,937,807</u>	<u>\$887,029,353</u>	<u>\$936,717,996</u>	<u>\$959,172,487</u>	<u>\$801,733,287</u>	<u>\$899,120,927</u>	<u>\$822,500,654</u>

Source: Board of Higher Education.

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 2007 through 2011. 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 and earnings on the Debt Service Fund and Debt Service Reserve Fund.

	<u>Fiscal 2007</u>	<u>Fiscal 2008</u>	<u>Fiscal 2009</u>	<u>Fiscal 2010</u>	<u>Fiscal 2011</u>
Bridgewater	\$5,535,986	\$7,918,178	\$8,421,616	\$10,326,188	\$12,468,625
Fitchburg	3,426,822	3,328,374	3,660,889	4,870,686	5,484,910
Framingham	4,466,509	4,428,349	5,230,202	5,893,031	6,550,874
Mass. College of Art and Design	2,211,615	2,217,741	2,251,077	3,150,625	3,187,831
Mass. College of Liberal Arts	1,493,792	1,554,022	1,620,357	2,244,426	2,445,391
Mass. Maritime Academy	1,753,164	2,604,399	3,076,899	3,376,425	3,545,353
Salem	4,924,022	4,939,372	4,931,795	5,493,768	9,650,681
Westfield	4,979,345	5,002,812	5,552,861	6,264,556	6,712,747
Worcester	<u>3,579,663</u>	<u>3,892,947</u>	<u>4,049,248</u>	<u>4,522,307</u>	<u>5,776,251</u>
Total [†]	<u>\$32,370,918</u>	<u>\$35,886,195</u>	<u>\$38,794,943</u>	<u>\$46,142,012</u>	<u>\$55,822,663</u>

Source: Authority.

[†] Totals may not add due to rounding.

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Student Demand Indicators

Enrollment at the nine State University campuses has increased system-wide by 13% from 2006 through 2011. During the same time period, selectivity has increased. Occupancy throughout the State University system has increased since academic year 2003-2004, including absorption of 4,511 additional beds. If enrollment at any of the State Universities were to decline, it could impair the Authority's ability to generate sufficient revenue to meet the debt service on the Bonds.

The following table sets forth enrollment information for the system of public higher education for the fall semesters of 2006 through 2011 on the basis of full-time equivalent students and headcount. Both degree and non-degree students are included.

	<u>Fall 2006</u>	<u>Fall 2007</u>	<u>Fall 2008</u>	<u>Fall 2009</u>	<u>Fall 2010</u>	<u>Fall 2011*</u>
<u>Full-Time Equivalent</u>						
Bridgewater	7,471	7,762	8,117	8,536	8,911	9,084
Fitchburg	3,903	4,331	4,421	4,628	4,503	4,465
Framingham	4,169	4,189	4,237	4,213	4,288	4,758
Mass. College of Art and Design	1,765	1,796	1,803	1,905	1,956	1,937
Mass. College of Liberal Arts	1,543	1,544	1,589	1,684	1,715	1,617
Mass. Maritime Academy	1,092	1,179	1,221	1,308	1,297	1,422
Salem	7,225	7,182	7,279	7,343	7,438	7,211
Westfield	4,630	4,615	4,863	4,971	5,174	5,367
Worcester	<u>3,939</u>	<u>3,938</u>	<u>4,004</u>	<u>4,121</u>	<u>4,350</u>	<u>4,691</u>
State Universities [†]	<u>35,737</u>	<u>36,535</u>	<u>37,535</u>	<u>38,709</u>	<u>39,630</u>	<u>40,553</u>
Community Colleges	<u>49,347</u>	<u>51,257</u>	<u>54,228</u>	<u>60,599</u>	<u>62,226</u>	<u>62,192</u>
University	<u>48,189</u>	<u>50,134</u>	<u>52,229</u>	<u>54,720</u>	<u>57,685</u>	<u>59,346</u>
Total [†]	<u>133,273</u>	<u>137,926</u>	<u>143,991</u>	<u>154,028</u>	<u>159,541</u>	<u>162,090</u>
<u>Headcount</u>						
Bridgewater	9,655	9,934	10,269	10,774	11,201	11,296
Fitchburg	5,508	6,692	6,761	7,043	6,771	6,670
Framingham	5,861	5,903	6,086	5,989	5,953	6,620
Mass. College of Art and Design	2,286	2,311	2,346	2,422	2,446	2,427
Mass. College of Liberal Arts	1,805	1,841	1,942	1,962	1,974	1,886
Mass. Maritime Academy	1,045	1,135	1,204	1,288	1,296	1,369
Salem	10,230	10,085	10,157	10,125	9,993	9,458
Westfield	5,507	5,392	5,548	5,675	5,891	6,070
Worcester	<u>5,440</u>	<u>5,358</u>	<u>5,378</u>	<u>5,473</u>	<u>5,708</u>	<u>6,204</u>
State Universities [†]	<u>47,337</u>	<u>48,651</u>	<u>49,691</u>	<u>50,751</u>	<u>51,233</u>	<u>52,000</u>
Community Colleges	<u>81,789</u>	<u>84,703</u>	<u>88,936</u>	<u>98,067</u>	<u>100,480</u>	<u>101,157</u>
University	<u>57,918</u>	<u>60,021</u>	<u>62,102</u>	<u>64,832</u>	<u>67,157</u>	<u>69,624</u>
Total [†]	<u>187,043</u>	<u>193,375</u>	<u>200,729</u>	<u>213,650</u>	<u>218,870</u>	<u>222,781</u>

Source: Board of Higher Education.

* Fall 2011 enrollment is based on campus-provided estimates made prior to the traditional freeze date for fall enrollment. Because these are estimates, they are subject to change. Final counts for Fall 2011 enrollment will be available in early 2012.

[†] Totals may not add due to rounding.

Room Rates of Residence Facilities at State Universities

Residence hall rental rates have seen regular but modest increases to fund operating costs and renewal expenses while generally remaining at or below the rental market in the local geographic area.

The following table shows the range of annual rates charged for the Authority's residence facilities for the academic years 2007-2008 through 2011-2012. 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 \$1.75 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 operating cost increases (maintenance staff and utility charges) and to fund capital improvement requirements:

<u>State University</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
Bridgewater	\$4,350-6,400	\$5,100-6,656	\$5,640-6,962	\$5,800-7,100	\$6,100-7,310
Fitchburg	3,812-4,464	4,160-5,170	4,642-5,345	4,782-6,000	4,930-6,204
Framingham	4,034-4,974	4,382-5,382	4,755-5,755	5,105-6,105	5,495-8,250
Mass. College of Art and Design	6,400-9,300	6,710-9,580	6,777-9,676	7,350-10,280	7,610-10,640
Mass. College of Liberal Arts	3,622-3,882	3,800-4,202	4,175-4,575	4,375-4,875	4,530-5,050
Mass. Maritime Academy	4,100	4,668	4,978	5,125	5,300
Salem	4,114-6,766	4,610-7,445	5,071-8,204	5,730-9,110	6,150-9,350
Westfield	3,588-5,990	3,984-6,230	4,303-6,516	4,650-6,800	4,800-7,100
Worcester	4,220-6,484	4,880-6,847	5,272-7,165	6,150-7,487	6,580-7,800

Source: Authority.

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 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 "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 "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 and by the full board on a monthly basis. 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 the performance of facility renewal projects.

Management's Discussion and Analysis

The following table sets forth the receipts and disbursements related to Authority Projects during fiscal years 2007 to 2011, inclusive, and projected results for fiscal year 2012. 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 Disbursements¹

	Fiscal 2007 Actual	Fiscal 2008 Actual	Fiscal 2009 Actual	Fiscal 2010 Actual	Fiscal 2011 Actual	Fiscal 2012 Projected
Combined Beginning Fund Balance³	<u>\$14,274,098</u>	<u>\$16,394,757</u>	<u>\$18,287,690</u>	<u>\$24,114,652</u>	<u>\$31,309,225</u>	<u>\$37,355,209</u>
Building Receipts						
Room Rents	52,677,202	59,020,994	65,355,448	73,355,295	82,470,437	88,927,685
Non-residential Project fees	3,366,018	3,716,944	3,741,237	5,268,428	6,618,687	8,501,224
Other Receipts	<u>3,287,895</u>	<u>2,611,911</u>	<u>3,973,230</u>	<u>4,941,221</u>	<u>4,004,235</u>	<u>3,379,562</u>
Subtotal	<u>59,331,115</u>	<u>65,349,849</u>	<u>73,069,915</u>	<u>83,564,944</u>	<u>93,093,159</u>	<u>100,808,471</u>
Other Receipts						
Investment earnings	3,008,677	2,608,254	2,342,302	2,247,081	3,154,185	2,763,922
HUD grant for debt service	211,890	211,890	211,890	211,890	211,890	211,890
Transfers from Capitalized Interest Accounts	3,146,642	0	3,004,349	7,103,202	5,293,841	3,647,700
State University contributions	1,284,029	1,784,904	1,327,833	1,157,833	1,242,111	1,137,500
Build America Bond subsidy	0	0	0	700,809	2,110,317	2,079,067
Subtotal	<u>7,651,239</u>	<u>4,605,048</u>	<u>6,886,374</u>	<u>11,420,816</u>	<u>12,012,344</u>	<u>9,840,078</u>
Total Receipts	<u>\$66,982,354</u>	<u>\$69,954,897</u>	<u>\$79,956,289</u>	<u>\$94,985,760</u>	<u>\$105,105,503</u>	<u>\$110,648,549</u>
Building Disbursements						
Residence hall operations and staff ²	15,689,575	16,621,048	15,825,593	16,311,994	18,651,200	20,326,044
Facility maintenance and repair ²	4,305,796	4,025,582	4,895,908	5,528,278	5,946,689	6,977,249
Facility renewal	3,492,757	3,799,284	3,854,824	3,900,920	3,662,174	4,948,082
Utilities ²	6,981,981	8,277,412	8,220,067	8,210,519	8,936,000	9,634,564
Administration ²	654,221	788,835	617,841	597,069	1,410,281	974,270
Subtotal	<u>31,124,329</u>	<u>33,512,162</u>	<u>33,414,233</u>	<u>34,548,780</u>	<u>38,606,343</u>	<u>42,860,209</u>
Debt Service						
Prior Bonds	7,332,655	7,334,405	7,337,905	7,336,000	7,337,750	7,335,905
Parity Bonds	<u>23,965,172</u>	<u>24,639,447</u>	<u>30,633,618</u>	<u>42,681,406</u>	<u>49,555,603</u>	<u>52,713,980</u>
Subtotal	<u>31,297,827</u>	<u>31,973,852</u>	<u>37,971,523</u>	<u>50,017,406</u>	<u>56,893,353</u>	<u>60,049,885</u>
Other Disbursements						
Section 10 Reserve Fund deposits ⁴	680,002	0	0	0	0	0
Authority operating expenses and insurance	1,559,543	1,513,742	1,733,702	1,943,680	2,053,099	2,200,294
Housing Grant Scholarship Program ²	<u>811,996</u>	<u>1,062,209</u>	<u>1,009,869</u>	<u>1,281,321</u>	<u>1,506,724</u>	<u>1,750,000</u>
Subtotal	<u>2,439,539</u>	<u>2,575,951</u>	<u>2,743,571</u>	<u>3,225,001</u>	<u>3,559,823</u>	<u>3,950,294</u>
Total Disbursements	<u>64,861,695</u>	<u>68,061,964</u>	<u>74,129,327</u>	<u>87,791,187</u>	<u>99,059,520</u>	<u>106,860,387</u>
Net Change	<u>2,120,659</u>	<u>1,892,933</u>	<u>5,826,962</u>	<u>7,194,572</u>	<u>6,045,984</u>	<u>3,788,162</u>
Combined Ending Fund Balance³	<u>\$16,394,757</u>	<u>\$18,287,690</u>	<u>\$24,114,652</u>	<u>\$31,309,225</u>	<u>\$37,355,209</u>	<u>\$41,143,371</u>

Source: Authority.

¹ Totals may not add due to rounding.

² 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.

³ Fund balance includes the trust funds (operating reserves) held by the State Universities and the Capital Improvement Reserve Funds, and certain supplementary reserves held by the Authority and excludes the debt service, debt service reserve, rebate and construction funds maintained under the Trust Agreement.

⁴ In Fiscal 2007, the Section 10 reserve fund was fully funded.

Specific reference is made to the Authority's audited financial statements for the year ended June 30, 2011, 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, 2011, which have been filed with the MSRB through its EMMA system. 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 maintenance costs for the Projects (notably insurance) and the Authority's own operating expenses. The financial statements of the Authority for the year ended June 30, 2011 have been examined by Ercolini & Company 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 Ercolini & Company LLP and the authority of such firm as experts in accounting and auditing. Ercolini & Company LLP has not been requested to consent, nor has it consented, to inclusion of its report in this Official Statement. Ercolini & Company 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. Ercolini & Company LLP has also not performed any procedures relating to this Official Statement.

In addition to demonstrating growing fund balances, the foregoing table summarizes a number of trends in Authority operations and developments over the past several years, which are discussed in greater detail elsewhere in this Official Statement, including the following:

Receipts

Room Rents – These are the revenues for the Authority's residence hall projects. For the 2011-2012 academic year (fiscal year 2012), the average on-campus room rent will be \$5,849 per bed (\$650 per month). 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.

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. The increases from year to year reflect completion of additional projects.

Other Receipts – This includes primarily revenue from summer room rental, conferences, commissions, and miscellaneous sources.

Investment earnings – This category includes earnings on the Debt Service Funds for the Prior Bonds and the Parity Bonds, the Section 10 Reserve Fund, the Debt Service Reserve Fund, the Capital Improvement Reserves for both System and Campus Projects and the Multi-Purpose Reserve Fund, as well as the operating reserves held by the State Universities – the trust funds. Year-to-year changes are a function of the amounts in these funds and the effective interest rates. Prior to 2009, it was the Authority's practice to invest the Debt Service Funds and the Debt Service Reserve Fund in long-term investment agreements providing for a guaranteed rate of return to the Authority. Prior to November, 2008, the Authority had seven such agreements with Lehman Brothers Special Financing Inc. ("LBSF"), three relating to amounts invested in the Debt Service Reserve Fund and four relating to amounts invested in Debt Service Funds. On September 15, 2008, Lehman Brothers Holdings Inc. ("LBHI"), the corporate parent of LBSF, filed for bankruptcy, and on October 3, 2008, LBSF filed for bankruptcy, putting LBSF in default under all seven agreements. On November 10, 2008, the Authority notified LBSF that it was terminating the agreements. Pursuant to the terms of the agreements, the Authority has determined that LBSF owes the Authority a net termination amount of approximately \$5.2 million. None of the corpus of the pertinent investments has been lost, but the Authority expects to receive reduced earnings in the future as a result of the termination of the guaranteed-rate agreements. The Authority has made all required filings to preserve its claims in Bankruptcy Court for payments due from LBSF and LBHI. Because of current market conditions, the Authority is unlikely to be able to secure long-term guaranteed-rate investment agreements for investment of the proceeds of the Series 2012A Bonds and expects to direct the Trustee to invest such proceeds directly in appropriate Investment Obligations.

HUD grant for debt service – The Authority receives an annual grant from the United States Department of Housing and Urban Development to defray the cost of debt service on the Prior Bonds, thus helping to improve the quality of the Authority’s facilities while managing rent increases. This grant is expected to continue through and include fiscal year 2013.

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. The majority of these contributions support initial operations of new residence halls.

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 (the “Recovery Act”) as a result of designating certain Bonds issued in 2009 and 2010 as Build America Bonds. The credit payments equal 35% of the interest payable on such Bonds.

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 mentioned above as well as funding for new collective bargaining agreements and increases to the minimum wage rate. Approximately 50% of building expenditures currently cover wages and benefits; this expense has increased over the past few years due to rising health insurance costs and accruals for post-employment benefits.

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. Utility expense as a percentage of total building expenditures has stabilized at about 25%. Substantial increases in utility rates experienced since fiscal year 2006 have been managed through creation of a supplemental reserve funded by a 1% rent increase implemented in fiscal year 2007. The Authority collects this amount from the State Universities to fund this reserve which can be used for utility or other unforeseen increases in operating expenses.

Debt Service

Prior Bonds Debt Service – These are the debt service payments for the Prior Bonds that mature in 2014.

Parity Bonds Debt Service – These are the debt service payments for the Parity Bonds.

Section 10 Reserve Fund Deposits – This is the revenue-funded debt service reserve fund that is pledged to the owners of the Guaranteed Bonds. Established pursuant to Section 10 of the Authority’s enabling statute, this reserve was fully funded in fiscal year 2007.

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 1% rent increase on System Project beds that is used to augment resources available for student financial aid. Additional 1% increases were implemented in fiscal years 2006 and 2007. Beginning in fiscal year 2007, this program has distributed \$1 million annually to needy students through the existing State University financial aid programs. Since fiscal year 2009, the program has increased \$250,000 annually without the need for a rent increase. The annual distribution was increased to \$1.75 million for Fiscal Year 2012 and is expected to continue or increase in the future. In fiscal year 2011, approximately 9.7% of resident students benefited from this program and the average grant equaled 20.1% of the room rate.

Long Term Capital Improvement Program

The Authority has prepared 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. Over the past ten years, the Authority has reduced estimated deferred maintenance needs from \$69 million to \$10.9 million.

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, with the anticipation that planned periodic reinvestment requirements are expected to be funded primarily from current year revenues after 2010. 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 Authority has received statutory authority from the Legislature to implement an alternate procurement strategy to select architects and construction managers and to pre-qualify subcontractors. This has resulted in the delivery of high quality construction and renovation projects in a cost-effective and time-sensitive manner. The continuous improvement in facility condition and the expedited procurement model achieves best practices in facility renewal, reduces deferred maintenance, improves quality and cost control and mitigates the need for future borrowings.

Demand for Authority Residence Facilities

The improved condition of the residential facilities of the Authority has resulted in improved desirability of on-campus housing, resulting in an increased occupancy from 97% of design capacity in fiscal 2001 to 101% in fiscal 2011, even while adding over 4,500 beds. 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.

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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 2006-2007 through 2010-2011 and for the fall of 2011-2012 the occupancy rates of the Authority's residence facilities at State Universities expressed as a percentage of design capacity. This table indicates that occupancy has been growing over the past several years and that average occupancy currently exceeds 104%. 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). Due to sustained and growing desirability of the residence halls, this high level of occupancy has been achieved while an additional 3,892 bed spaces have been added to the system since 2001:

	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	Fall of <u>2011-2012¹</u>
Bridgewater	104.1%	102.8%	104.5%	100.9%	99.7%	103.7%
Fitchburg	101.7	104.0	102.5	105.3	104.1	103.7
Framingham	99.7	98.9	101.0	100.1	103.9	102.3
Mass. College of Art and Design	101.4	99.1	99.8	99.9	99.4	99.8
Mass. College of Liberal Arts	94.7	89.1	87.9	94.2	97.5	96.3
Mass. Maritime Academy	103.4	92.4	94.3	100.0	102.9	108.3
Salem	100.5	99.8	104.2	105.6	93.5	105.1
Westfield	108.3	106.8	107.2	104.7	104.3	108.0
Worcester	<u>100.6</u>	<u>100.5</u>	<u>102.0</u>	<u>102.2</u>	<u>99.1</u>	<u>105.0</u>
State University Average ²	<u>102.5%</u>	<u>100.6%</u>	<u>101.8%</u>	<u>102.2%</u>	<u>100.6%</u>	<u>104.3%</u>

Source: Authority.

¹ Fall occupancy rates are typically higher than spring occupancy rates.

² Represents the weighted average.

Total Number of Residence Hall Spaces by State University

The following table shows the total number of residence hall spaces by State University for the academic years 2006-2007 through 2011-2012:

	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
Bridgewater	2,045	2,473	2,447	2,705	2,781	2,781
Fitchburg	1,441	1,441	1,441	1,557	1,557	1,565
Framingham	1,494	1,494	1,494	1,494	1,494	1,884
Mass. College of Art and Design	426	426	426	426	426	426
Mass. College of Liberal Arts	867	1,021	1,021	1,021	1,013	1,013
Mass. Maritime Academy	880	1,063	1,063	1,063	1,063	1,078
Salem	1,408	1,394	1,394	1,394	1,904	1,904
Westfield	2,329	2,329	2,498	2,492	2,516	2,516
Worcester	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,177</u>	<u>1,177</u>
Total State Universities	<u>11,890</u>	<u>12,641</u>	<u>12,784</u>	<u>13,152</u>	<u>13,931</u>	<u>14,344</u>

Source: Authority.

Projects Financed by Parity Bonds

Since 1999, the Authority has expended approximately \$198.2 million of bond proceeds to finance repairs and major renovations at a number of State Universities, including 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 has expended approximately \$465.3 million of

Bond proceeds to finance the costs of designing and constructing new and expanding existing residence halls, totaling 3,892 beds, at eight State Universities (Bridgewater State, Fitchburg State, Framingham State, Massachusetts College of Art and Design, Massachusetts Maritime Academy, Salem State, Westfield State and Worcester State) and to finance the construction of parking facilities at Bridgewater and Worcester State. The Authority also has expended approximately \$80.5 million of Bond proceeds to finance student life projects.

Series 2012 Projects

The proceeds of the Series 2012A Bonds are expected to be used in the following approximate amounts: \$63 million to finance a new residence hall at Bridgewater State University, \$50 million to finance a new residence hall at Westfield State University, \$7 million to finance improvements, renovations and repairs to the Hammond Campus Center at Fitchburg State University, \$15 million to finance a new fitness and recreation center at Salem State University, \$9 million to finance a new wellness center at Westfield State University, \$3 million to finance a new center for design and new media at Massachusetts College of Art and Design, and \$11.5 million to finance improvements, renovations and repairs to five State Universities, including heating system upgrades, fire protection upgrades and capacity expansion.

Commonwealth-owned Projects

Most of the Authority's Projects are owned by the Authority and located on land that the Authority has leased from the Commonwealth. Eighteen student life facilities (or portions of such facilities) constitute Commonwealth-owned Projects, including; a parking facility and an athletic facility at Bridgewater State; a dining hall, campus center, and athletic fields at Fitchburg State; athletic fields, two parking facilities, the McCarthy College Center and Hemenway Hall at Framingham State; a dining hall at the Massachusetts College of Art and Design; tennis courts, a gymnasium and the Ashland Street Facility at the Massachusetts College of Liberal Arts; a parking lot and athletic facilities at Salem State; and a dining hall at Westfield 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. 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.

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 AUTHORITY - 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 dates of their respective terms are as follows:

Charles Desmond (Chairman)	January 1, 2011
Mario Borunda	January 1, 2011
Jeanne-Marie Boylan	September 1, 2012
Angel Donahue-Rodriguez*	April 30, 2012
C. Bernard Fulp	August 1, 2010
Nancy D. Harrington	September 1, 2012
Nancy Hoffman	September 1, 2013
Keith J. Peden	August 31, 2012
Paul S. Reville, Secretary of Education	<i>ex officio</i>
Louis Ricciardi	September 1, 2014
Henry Thomas, III	October 1, 2010
Paul F. Toner	September 1, 2015

* Student member for academic year 2011-2012.

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 Richard M. Freeland, former president of Northeastern University.

The BHE's offices are located at One Ashburton Place, Boston, Massachusetts 02108.

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.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the Series 2012A Bonds are expected to be applied as follows (rounded to the nearest dollar):

Sources of Funds

Par amount of Series 2012A Bonds	\$154,345,000
Net original issue premium	13,333,640
Total	<u>\$167,678,640</u>

Uses of Funds

Deposit to the Project Funds	\$158,500,000
Deposit to the Capitalized Interest Fund	8,035,032
Underwriter's discount and costs of issuance of the 2012A Bonds	1,143,608
Total	<u>\$167,678,640</u>

THE SERIES 2012A BONDS

General

The Series 2012A 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 as set forth on the inside cover page hereof, subject to redemption as described below. Ownership interests in the Series 2012A Bonds will be available in denominations of \$5,000 and integral multiples thereof. Interest on the Series 2012A Bonds will be payable on November 1, 2012 and on each May 1 and November 1 thereafter.

So long as Cede & Co. is the registered owner of the Series 2012A Bonds, all payments of principal and interest on the Series 2012A 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. See "Book-Entry Only System" below.

Redemption Provisions

Optional Redemption

The Series 2012A Bonds maturing on or after May 1, 2023 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, 2022, and in such order of Sinking Fund Installments as may be directed by the Authority, at the Redemption Price equal to 100% of the principal amount of such Series 2012A Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date.

Sinking Fund Redemption

The Series 2012A Term Bonds maturing on May 1, 2036 and May 1, 2041 shall be subject to mandatory sinking fund redemption and shall be redeemed prior to their stated maturity, from Sinking Fund Installments, payable on the dates and in the amounts set forth below, at a price of 100% of the principal amount of such Series 2012A Bonds called for redemption, plus accrued interest to the redemption date as follows

Series 2012A Bonds Maturing May 1, 2036

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
11/1/2031	\$ 2,315,000	5/1/2034	\$ 3,045,000
5/1/2032	2,310,000	11/1/2034	3,475,000
11/1/2032	2,650,000	5/1/2035	3,470,000
5/1/2033	2,660,000	11/1/2035	3,940,000
11/1/2033	3,045,000	5/1/2036 [†]	3,935,000

[†] Final maturity.

5.00% Series 2012A Bonds Maturing May 1, 2041

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
11/1/2036	\$ 1,170,000	5/1/2039	\$ 1,495,000
5/1/2037	1,170,000	11/1/2039	1,660,000
11/1/2037	1,345,000	5/1/2040	1,660,000
5/1/2038	1,345,000	11/1/2040	1,845,000
11/1/2038	1,490,000	5/1/2041 [†]	1,845,000

[†] Final maturity.

4.25% Series 2012A Bonds Maturing May 1, 2041

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
11/1/2036	\$ 2,745,000	5/1/2039	\$ 3,540,000
5/1/2037	2,740,000	11/1/2039	3,945,000
11/1/2037	3,135,000	5/1/2040	3,945,000
5/1/2038	3,140,000	11/1/2040	4,380,000
11/1/2038	3,540,000	5/1/2041 [†]	4,380,000

[†] Final maturity.

Notice of Redemption

The Trustee is required to give notice of redemption of any Series 2012A Bonds, specifying, among other things, the date of redemption, the portions of the principal amounts thereof 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 2012A Bonds, or portions thereof, to be redeemed.

Notice having been given as specified above, the Series 2012A 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 2012A 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 2012A Bonds.

Annual Debt Service

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

<u>Year Ending May 1</u>	<u>Principal of the Series 2012A Bonds</u>	<u>Interest on the Series 2012A Bonds</u>	<u>Total Debt Service on the Series 2012A Bonds</u>	<u>Total Debt Service on Outstanding Parity Bonds*</u>	<u>Total Debt Service on Outstanding Prior Bonds</u>	<u>Total Debt Service on Outstanding Bonds</u>
2012	\$ -	\$ -	\$ -	\$ 51,012,513	\$ 7,335,625	\$ 58,348,138
2013	520,000	9,742,228	10,262,228	51,836,074	7,332,750	69,431,052
2014	1,305,000	7,337,025	8,642,025	51,767,699	7,336,875	67,746,599
2015	1,425,000	7,271,775	8,696,775	59,932,124		68,628,899
2016	1,485,000	7,200,525	8,685,525	64,490,398		73,175,923
2017	1,775,000	7,126,275	8,901,275	60,603,585		69,504,860
2018	1,870,000	7,037,525	8,907,525	60,847,067		69,754,592
2019	2,255,000	6,944,025	9,199,025	60,985,344		70,184,369
2020	3,205,000	6,853,825	10,058,825	60,897,327		70,956,152
2021	3,345,000	6,725,625	10,070,625	61,096,889		71,167,514
2022	3,905,000	6,591,825	10,496,825	61,326,774		71,823,599
2023	4,260,000	6,396,575	10,656,575	64,156,370		74,812,945
2024	4,565,000	6,183,575	10,748,575	59,937,266		70,685,841
2025	4,965,000	5,955,325	10,920,325	60,176,863		71,097,188
2026	5,600,000	5,707,075	11,307,075	61,430,229		72,737,304
2027	6,365,000	5,427,075	11,792,075	58,674,560		70,466,635
2028	6,975,000	5,108,825	12,083,825	63,441,338		75,525,163
2029	7,905,000	4,760,075	12,665,075	48,939,169		61,604,244
2030	5,220,000	4,364,825	9,584,825	44,972,644		54,557,469
2031	6,040,000	4,103,825	10,143,825	40,806,213		50,950,038
2032	4,625,000	3,743,950	8,368,950	40,790,900		49,159,850
2033	5,310,000	3,504,325	8,814,325	40,733,723		49,548,048
2034	6,090,000	3,228,950	9,318,950	40,505,772		49,824,722
2035	6,945,000	2,913,700	9,858,700	40,832,285		50,690,985
2036	7,875,000	2,554,825	10,429,825	39,235,520		49,665,345
2037	7,825,000	2,171,994	9,996,994	37,801,983		47,798,977
2038	8,965,000	1,809,219	10,774,219	38,214,839		48,989,058
2039	10,065,000	1,395,800	11,460,800	31,291,674		42,752,474
2040	11,210,000	932,794	12,142,794	24,748,559		36,891,353
2041	12,450,000	417,600	12,867,600	12,751,113		25,618,713
2042				10,040,513		10,040,513
2043				15,968,575		15,968,575
2044				2,763,750		2,763,750
2045				2,761,725		2,761,725
2046				2,763,513		2,763,513
2047				2,763,550		2,763,550
2048				2,761,550		2,761,550
2049				2,762,238		2,762,238

* Figures are net of 35% Interest Subsidy Payment provided for by the Recovery Act.

Book-Entry Only System

DTC will act as securities depository for the Series 2012A Bonds. The Series 2012A 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 2012A Bond certificate will be issued for each maturity of the Series 2012A 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 Standard & Poor's rating of AA+. 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 2012A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2012A 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 2012A 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 2012A Bonds, except in the event that use of the book-entry system for the Series 2012A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012A 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 2012A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2012A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012A 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 2012A Bonds may wish to take certain steps to augment transmission to them of significant events with respect to the Series 2012A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Series 2012A Bonds may wish to ascertain that the nominee holding the Series 2012A 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 2012A 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 2012A 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 2012A 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 2012A 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 2012A 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 2012A 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.

SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS

General

The following summary of the security for the Series 2012A Bonds is qualified in its entirety, and reference is hereby made to Appendix C hereto and to the Trust Agreement and the Contract, which set forth in further detail the provisions relating to the security for the Series 2012A Bonds.

The Series 2012A Bonds will be issued pursuant to the Act and under the Trust Agreement. The Series 2012A 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 senior pledge of Revenues created by the Trust Agreement to secure the Prior Bonds and 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. The pledge of Revenues to the Owners of the Prior Bonds is senior to the pledge of Revenues for the Owners of the Series 2012A Bonds and other Parity Bonds.

Parity 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 the Prior Bonds. The Series 2012A Bonds will be the thirteenth series of bonds issued by the Authority since March, 2003 that are secured by a parity lien on the Revenues of the Authority and subordinated to the lien securing the Prior Bonds. Such bonds, together with bonds to be issued in the future on parity with the Parity Bonds under the Trust Agreement, are referred to herein as “Parity Bonds.” After the issuance of the Series 2012A Bonds, there will be approximately \$975.9 million of Parity Bonds outstanding. Certain of the Prior Bonds were refunded with the proceeds of the Authority’s Refunding Revenue Bonds, Series 2004B (the “Series 2004B Bonds”). The Series 2004B Bonds are Parity Bonds and are outstanding in the amount of \$15.1million. As noted below, the Prior Bonds and the Series 2004B Bonds are guaranteed by the Commonwealth. None of the other Parity Bonds is guaranteed by the Commonwealth, and no additional bonds of the Authority are expected to be guaranteed by the Commonwealth.

All Parity 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 senior pledge of Revenues created by the Trust Agreement to secure the Prior Bonds and the provisions of the Trust Agreement regarding the application of Revenues and Pledged Funds. The Series 2004B Bonds are on parity with the other Parity Bonds with respect to the Revenues, but are not payable from Pledged Funds.

Prior Bonds and Guaranteed Bonds

In 1994, the Authority issued the Prior Bonds in the aggregate principal amount of \$89.3 million in order to refund all of the Authority’s then-outstanding Commonwealth-guaranteed bonds and to finance certain new projects at the State Universities. The Prior Bonds are currently outstanding in the aggregate principal amount of \$19.1 million with a final maturity date of May 1, 2014. The Prior Bonds are secured by a pledge of and first lien on all Revenues received by the Authority with respect to the use and occupancy of the Projects by the State Universities, all moneys and securities on deposit in all funds and accounts held under the Trust Agreement (other than the Project Fund, the Operating Fund, the Debt Service Fund, the Debt Service Reserve Fund and the Rebate Fund) and all rights of the Authority under the Contract to receive Revenues from the State Universities. Pursuant to the Trust Agreement, the Prior Bonds are secured by a lien on Revenues that is senior to the lien granted for the benefit of Parity Bonds. The Prior Bonds and the Series 2004B Bonds are guaranteed by the Commonwealth and are referred to herein as “Guaranteed Bonds.”

The Guaranteed Bonds are also secured by a pledge of certain funds and accounts established under the Trust Agreement. If Revenues are insufficient to cover debt service on the Guaranteed Bonds, the Trustee is required to draw on the Section 10 Reserve Fund to satisfy the deficiency. The Section 10 Reserve Fund (so named because it is mandated by Section 10 of the Act) is a revenue-funded debt service reserve fund that is pledged to the Owners of the Guaranteed Bonds and is not pledged for the benefit of the Owners of Parity Bonds except for the Series 2004B Bonds. During fiscal year 2007, the Section 10 Reserve Fund reached its required level, and no further deposits are expected to be necessary.

Pledge of Revenues

Under the Trust Agreement, the Authority has pledged as security for the Prior Bonds (i) all Revenues, (ii) all moneys and securities on deposit in all funds and accounts created under the Trust Agreement (except for the Project Fund, the Operating Fund, the Debt Service Fund, the Debt Service Reserve Fund and the Rebate Fund) and (iii) all rights of the Authority under the Contract to receive all Revenues payable to the Authority and pledged under the Trust Agreement. Moneys and securities in the Section 10 Reserve Fund are pledged solely to the payment of debt service on all Guaranteed Bonds.

Subject only to the prior pledge created for the payment of Prior Bonds, and on the terms and conditions set forth with respect to such prior pledge, the Authority pledges as security for the Parity Bonds and all Bonds to be issued on a parity with the Parity Bonds under the Trust Agreement (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 Prior Bonds Debt Service Fund, the Section 10 Reserve Fund, 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, except that neither Pledged Funds nor the moneys and securities in the Debt Service Reserve Fund are pledged to the payment of the Series 2004B Bonds, because they are Guaranteed Bonds.

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 Prior Bonds Debt Service Fund, an amount which, when added to other amounts on deposit in such Fund and available for such purpose, will equal the interest to become due and payable on Outstanding Prior Bonds on the next interest payment date and one-half of any Principal Installment to become due and payable on any Outstanding Prior Bonds on or before the next date (within the next twelve months) on which such Principal Installment is payable;

Second, to the Section 10 Reserve Fund held for Guaranteed Bonds, an amount which, together with the amounts on deposit therein, will equal one half of the aggregate of the applicable Annual Series Requirements, each of which is equal to one-twelfth of the largest amount of interest and Principal Installments due on account of Outstanding Guaranteed Bonds in any calendar year after the calendar year in which Guaranteed Bonds were issued;

Third, 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, other than Prior Bonds, on the next interest payment date and any Principal Installment to become due and payable on Outstanding Bonds, other than Prior 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);

Fourth, to the Debt Service Reserve Fund, an amount which, together with the amounts on deposit therein, will equal the Debt Service Reserve Fund Requirement;

Fifth, 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;

Sixth, 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

Seventh, 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 on the next succeeding deposit date.

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 Section 10 Reserve Fund and 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 "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 other than Guaranteed Bonds and requires it to be funded in an amount equal to the Debt Service Reserve Fund Requirement. The term "Debt Service Reserve Fund Requirement" means as of any date of calculation, an amount equal to the least of (i) 10% of the aggregate original net proceeds from the sale of all Bonds Outstanding other than Guaranteed Bonds, (ii) 125% of average annual Debt Service on all Bonds Outstanding other than Guaranteed Bonds and (iii) the maximum amount of Debt Service due in any future Fiscal Year on all Bonds Outstanding other than Guaranteed Bonds. After the issuance of the Series 2012A Bonds, the amount on deposit in the Debt Service Reserve Fund will be in excess of the required amount. In lieu of depositing cash to the Debt Service Reserve Fund, the Authority may fund all or a portion of the additional amount required to be deposited into the Debt Service Reserve Fund with a surety bond, an insurance policy, a letter of credit or another similar obligation (and may replace such surety bond, insurance policy, letter of credit or similar obligation from time to time) providing for payments in an amount equal to the difference between the Debt Service Reserve Fund Requirement and the sums, if any, on deposit in the Debt Service Reserve Fund at the time it is proposed to deposit a surety bond, or other like instrument, into the Debt Service Reserve Fund. See "SUMMARY OF LEGAL DOCUMENTS – Summary of the Trust Agreement; *Debt Service Reserve Fund*" in Appendix C. No proceeds from the Series 2012A Bonds will be used for a deposit into the Debt Service Reserve Fund.

Other Reserves

The Trust Agreement also establishes a Section 10 Reserve Fund, a Capital Improvement Reserve Fund and a Multipurpose Reserve Fund. Moneys on deposit in the Section 10 Reserve Fund are pledged solely for the benefit of Guaranteed Bonds and are not available to pay debt service on other Bonds. 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. See "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 C.

Capital Improvement Reserve Fund

The Trust Agreement establishes the Capital Improvement Reserve Fund, including the following accounts within such fund: the “System Projects Capital Improvements Reserve Account” and separate “Campus Project Capital Improvements 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 Improvements Reserve Account. Amounts held in the System Projects Capital Improvements 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 each 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 Improvements Reserve Accounts. Amounts held in each Campus Project Capital Improvements Reserve Account are maintained to make Capital Improvements to Campus Projects. Separate Campus Project Capital Improvements Reserve Accounts are held by the Trustee 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 certain 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 Improvements 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 prior 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 fiscal year thereafter, 7.5%.

Multipurpose Reserve Fund

The Multipurpose Reserve Fund is funded from the Revenue Fund to the extent provided in any Supplemental Trust Agreement or as directed in a certificate of an Authorized Officer of the Authority. The Twenty-Third Supplemental Agreement providing for the issuance of the Series 2012A Bonds does not provide for any specific amounts to be deposited into the Multipurpose Reserve Fund. Amounts not subject to the lien of the Trust Agreement may be deposited by the Authority in the Multipurpose Reserve Fund at any time. 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 certain non-residential Projects for which the requirement has been waived) to maintain within its trust fund for the Projects a minimum balance as an operating reserve. See “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, including without limitation the Section 10 Reserve Fund, 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 residential, 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.

Prior to 2009, the Contract prohibited the Authority, in setting fees, rents, rates and other charges for Campus Projects at a particular campus, from taking into account the costs of Campus Projects at other campuses. The Contract was amended in 2009 to enable the Authority to establish fees, rents, rates and charges for all of its Projects on a system-wide basis, taking into account all of the Authority's costs.

Pledged Funds

As additional security for all Bonds other than Guaranteed 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, excluding debt service costs related to Guaranteed Bonds. 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. The aggregate amount of Pledged Trust Funds pledged by the various State Universities ranges from \$469,257 to approximately \$4.4 million.

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 other than Guaranteed Bonds. The pledge of appropriations and the payment mechanisms associated with it are sometimes referred to as an “appropriation intercept.” See “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 (other than Guaranteed 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 (other than Guaranteed 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. Pledged Funds are not pledged to the Owners of any Guaranteed Bonds.

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 (other than Guaranteed Bonds), if any, 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 “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 C - “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. 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.

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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 payment of principal and interest on the State University's allocable share of debt service on Parity Bonds other than the Series 2004B Bonds). Commonwealth-owned Projects are in italics.

<u>State University</u>	<u>Pledged Trust Funds</u>	<u>Projects</u>
Bridgewater State University	\$171,673	East Campus Commons
	388,992	East Hall
	651,177	Crimson Hall
	24,254	<i>Parking Facility</i>
	690,192	Expansion of Pope & Scott Halls
	88,775	<i>Swenson Athletic Facility</i>
	250,305	East Campus Parking Garage
	1,170,666	New Residence Hall
	928,649	Capital repairs to System Projects
	Fitchburg State University	61,108
75,868		<i>Elliot Athletic Fields</i>
334,778		Expansion of Mara Village
37,014		Cedar Street Residence Hall
461,255		<i>Hammond Campus Center</i>
690,791		Capital repairs to System Projects ¹
Framingham State University	62,891	Union Avenue
	36,958	<i>Athletic Fields, Larned Parking Lot</i>
	192,632	<i>McCarthy College Center</i>
	13,641	<i>Land Acquisition for New Residence Hall</i>
	114,401	<i>Parking Facility</i>
	668,818	New Residence Hall
	246,887	<i>Hemenway Science Center</i>
	841,535	Capital repairs to System Projects
Massachusetts College of Art & Design	473,230	The Artists' Residence
	34,397	<i>Kennedy Building Dining Hall</i>
	212,460	<i>Kennedy Center Renovation</i>
	1,130,779	New Residence Hall
	53,769	<i>Design Center</i>
Massachusetts College of Liberal Arts	32,306	Capital repairs to System Projects
	3,675	<i>Tennis Courts</i>
	19,530	<i>Ashland Street Facility</i>
	8,877	<i>Campus Center Gymnasium</i>
Massachusetts Maritime Academy ²	437,175	Capital repairs to System Projects
	308,466	Expansion of Companies 1-6
	37,557	Buttermilk Hall
Salem State University	403,870	Capital repairs to System Projects
	722,047	Atlantic Hall
	40,033	<i>Central Campus Parking Lot</i>
	318,641	<i>O'Keefe Athletic Facility</i>
	68,702	<i>Athletic Facilities</i> ³
	991,289	Marsh Hall
Westfield State University ²	298,891	Capital repairs to System Projects
	530,518	Residence Hall
	93,891	<i>Tim and Jeanne's Dining Commons</i>
	795,126	New Residence Hall
	161,317	<i>Ely Wellness Center</i>
Worcester State University	717,782	Capital repairs to System Projects
	528,896	Wasylean Hall
	172,542	Parking Facility
	383,671	Expansion of Dowden Hall
	258,845	Capital repairs to System Projects

Source: Authority.

¹ Not including moneys attributable to the fee that was authorized to be charged to students pursuant to a vote of the Fitchburg State University board of trustees on June 27, 1996 to finance a physical education facility.

² 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).

³ Land is owned by Salem State College Assistance Corporation and licensed to the Authority.

COMMONWEALTH APPROPRIATION INTERCEPT

As additional security for all Bonds other than Guaranteed 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 Act was amended in 2009 and 2011 to clarify and streamline the payment mechanism for such Commonwealth appropriations, and the Contract was amended to conform to the statutory changes.

Under the 2009 amendments to the Act, 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). Pursuant to the 2011 amendments to the Act, 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 (other than Guaranteed Bonds) then allocable to each particular State University.

In addition, under 2009 amendments to the Trust Agreement, 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 C - “SUMMARY OF LEGAL DOCUMENTS - Summary of the Trust Agreement; *Pledged Funds*.”

LITIGATION

There is no litigation of any nature now pending or, to the knowledge of the Authority or its independent general counsel, threatened seeking to restrain or enjoin or restraining or enjoining the issuance, sale, execution or delivery of the Series 2012A Bonds or in any way contesting the validity of the Series 2012A 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 2012A 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 2012A 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 2012A 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 MATTERS

Bond Counsel is of the opinion that, under existing law, interest on the Series 2012A Bonds will not be included in the gross income of holders of such Series 2012A Bonds for federal income tax purposes. Bond Counsel’s opinion is expressly conditioned upon continued compliance by the Authority with certain requirements imposed by

the Internal Revenue Code of 1986, as amended (the “Code”), which requirements must be satisfied subsequent to the date of issuance of the Series 2012A Bonds in order to ensure that the interest on the Series 2012A Bonds is and continues to be excludable from the gross income of the holders of the Series 2012A Bonds for federal income tax purposes. In particular, and without limitation, section 148 of the Code requires that certain proceeds of the Series 2012A Bonds be invested at a yield not materially higher than the yield on such Series 2012A Bonds and that certain profits earned from investment of proceeds of the Series 2012A Bonds be rebated to the United States. The Authority has provided certifications and covenants as to its continued compliance with such requirements. Failure to so comply could cause the interest on the Series 2012A Bonds to be included in the gross income of the holders thereof retroactive to the date of issuance of the Series 2012A Bonds.

In the opinion of Bond Counsel, under existing law, since the Series 2012A Bonds are not “private activity bonds” under the Code, interest on the Series 2012A Bonds will not constitute a preference item under Section 57(a)(5) of the Code for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations under Section 55 of the Code. However, interest on the Series 2012A Bonds will be included in “adjusted current earnings” of corporate holders of the Series 2012A Bonds and therefore will be taken into account under Section 56(g) of the Code in the computation of the alternative minimum tax applicable to certain corporations.

Bond Counsel has not opined as to other federal tax consequences of holding the Series 2012A Bonds. However, prospective purchasers of the Series 2012A Bonds should also be aware that (i) section 265 of the Code generally denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2012A Bonds and, in the case of a financial institution, that portion of the holder’s interest expense allocated to the Series 2012A Bonds; (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for losses incurred by 15% of the sum of certain items, including interest on the Series 2012A Bonds; (iii) interest on the Series 2012A Bonds earned by certain foreign corporations doing business in the United States could be subject to a foreign branch profits tax imposed by section 884 of the Code; (iv) passive investment income, including interest on the Series 2012A Bonds, may be subject to federal income taxation under section 1375 of the Code for an S Corporation that has Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such S Corporation is passive investment income; (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income receipts or accruals of interest on the Series 2012A Bonds and (vi) receipt of investment income, including interest on the Series 2012A Bonds may, pursuant to section 32(i) of the Code, disqualify the recipient thereof from obtaining the earned income credit provided by section 32(a) of the Code.

Interest paid on tax-exempt obligations such as the Series 2012A Bonds is now generally required to be reported by payors to the Internal Revenue Service and to recipients in the same manner as interest on taxable obligations. In addition, such interest may be subject to “backup withholding” if the Series 2012A Bond owner fails to provide the information required on IRS Form W-9, Request for Taxpayer Identification Number and Certification, as ordinarily would be provided in connection with the establishment of a brokerage account, or the Internal Revenue Service has specifically identified the Series 2012A Bond owner as being subject to backup withholding because of prior underreporting. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Series 2012A Bonds from gross income for federal tax purposes.

Bond Counsel is of the opinion that, under existing law, interest on the Series 2012A Bonds and any profit made on the sale thereof are also exempt from Massachusetts personal income taxes and the Series 2012A Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to the other Massachusetts tax consequences arising with respect to the Series 2012A Bonds. Prospective purchasers should be aware, however, that the Series 2012A Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Series 2012A Bonds and the interest thereon are included in the measure of Massachusetts corporate excise and franchise taxes. Bond Counsel has not opined as to the taxability of the Series 2012A Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, under the laws of any state other than the Commonwealth.

For federal and Massachusetts tax purposes, interest includes original issue discount. Original issue discount with respect to a Series 2012A Bond is equal to the excess, if any, of the stated redemption price at maturity of such Series 2012A Bond over the initial offering price thereof to the public, excluding underwriters and other intermediaries, at which price a substantial amount of all Series 2012A Bonds with the same maturity were sold. Original issue discount accrues actuarially over the term of a Series 2012A Bond. Holders should consult their

own tax advisers with respect to the computation of original issue discount on such accruals of interest during the period in which any such Series 2012A Bond is held.

An amount equal to the excess, if any, of the purchase price of a Series 2012A Bond over the principal amount payable at maturity generally constitutes amortizable bond premium. The required amortization of such premium during the term of a Series 2012A Bond will result in reduction of the holder's tax basis in such Series 2012A Bond. Such amortization also will result in reduction of the amount of the stated interest on such Series 2012A Bond taken into account as interest for tax purposes. Holders of Series 2012A Bonds purchased at a premium should consult their own tax advisers with respect to the determination and treatment of such premium.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds, including legislation, court decisions, or administrative actions, whether at the federal or state level, may affect the tax exempt status of interest on the Bonds or the tax consequences of ownership of the Bonds. No assurance can be given that future legislation, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the Bonds from gross income for federal income tax purposes or any state tax benefit. Deficit reduction measures, including the limitation of federal tax expenditures, will be under ongoing consideration by the United States Congress, as will tax reform proposals. These efforts to date have included provisions to reduce the benefit of the interest exclusion from income for certain holders of tax-exempt bonds, including bonds currently outstanding. For example, the American Jobs Act of 2011 (the "Jobs Act"), announced by the President on September 12, 2011 and introduced in the Senate, if enacted as originally proposed, would limit the value of the exclusion from federal gross income of interest on tax-exempt bonds for certain holders, including interest on bonds issued prior to its effective date. Although the Jobs Act has not been brought to a vote to date, it or other legislative proposals which could affect the value of the Bonds, and tax-exempt bonds generally, may be considered in the future. Holders should consult their own tax advisers with respect to any of the foregoing.

On the date of delivery of the Series 2012A Bonds, the original purchasers of the Series 2012A Bonds will be furnished with an opinion of Bond Counsel substantially in the form shown in "Proposed Form of Opinions of Bond Counsel" attached hereto as Appendix D.

RATINGS

The Series 2012A Bonds have been assigned ratings of "Aa2" by Moody's and "AA" by Standard & Poor's. 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 2012A Bonds.

LEGAL MATTERS

All legal matters related to the authorization and issuance of the Series 2012A Bonds are subject to the approval of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel to the Authority. The approving opinion of Bond Counsel, substantially in the form attached hereto as Appendix D, will be delivered on the date of delivery of the Bonds. Certain matters will be passed upon for the Authority by its counsel, Krokidas & Bluestein LLP, Boston, Massachusetts. Certain matters will be passed upon for the Underwriters by their counsel, Eckert Seamans Cherin & Mellott, LLC, Boston, Massachusetts.

UNDERWRITING

The underwriters identified on the cover page hereof (the "Underwriters") have agreed to purchase the Series 2012A Bonds from the Authority at a price of \$166,856,389.05 (which amount represents the principal amount of the Series 2012A Bonds, plus net original issue premium of \$13,333,640.35, less an underwriting discount of \$822,251.30). The Underwriters may offer and sell the Series 2012A Bonds to certain dealers and others at prices lower than the public offering prices stated on the inside cover page hereof. The purchase contract provides that the Underwriters will purchase all of the Series 2012A Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase contract. The Underwriters have

agreed to allocate book-running management credit to Barclays Capital Inc. and J.P. Morgan Securities LLC in the amounts of 50% and 50%, respectively.

Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, and Barclays Capital Inc. established a strategic alliance in May 2009, which enables Pershing LLC to participate as a selling group member and a retail distributor for all new issue municipal bond offerings underwritten by Barclays Capital Inc., including the Series 2012A Bonds offered hereby. Pershing LLC will receive a selling concession from Barclays Capital Inc. in connection with its distribution activities relating to the Series 2012A Bonds.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Series 2012A Bonds, has entered into negotiated dealer agreements (each a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Series 2012A Bonds, at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase Series 2012A Bonds from JPMS at the initial public offering price less a negotiated portion of the selling concession applicable to any of the Series 2012A Bonds that such firm sells.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

Wells Fargo Bank, National Association ("WFBNA"), one of the underwriters of the Series 2012A Bonds, has entered into an agreement (the "Distribution Agreement") with Wells Fargo Advisors, LLC ("WFA") for the retail distribution of certain municipal securities offerings, including the Series 2012A Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Series 2012A Bonds with WFA. WFBNA and WFA are both subsidiaries of Wells Fargo & Company.

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 E attached hereto.

To date, the Authority and the BHE have complied in all material respects with all of their undertakings under paragraph (b)(5) of Rule 15c2-12, except that (i) the Authority filed its annual financial information and operating data for fiscal year 2001 on June 10, 2002 rather than the deadline of March 27, 2002, (ii) audited financial statements for five of the State Universities for fiscal year 2004 were filed on February 17, 2006 rather than the deadline of March 27, 2005, and (iii) the Authority filed its annual financial information and operating data for fiscal year 2006 on March 29, 2007 rather than the deadline of March 28, 2007. Proper notice of the late filings was provided to the Municipal Securities Rulemaking Board and to each nationally recognized municipal securities information repository then recognized by the federal Securities and Exchange Commission.

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, 253 Summer Street, Suite 300, Boston, Massachusetts 02210, 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 2012A 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

December 14, 2011

APPENDIX A

FINANCIAL, ENROLLMENT AND FACULTY DATA FOR THE STATE UNIVERSITIES

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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 2007-2008 through 2011-2012. 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>2007 - 2008</u>		Academic Year <u>2008 - 2009</u>		Academic Year <u>2009 - 2010</u>		Academic Year <u>2010-2011</u>		Academic Year <u>2011-2012</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	\$5,124	\$910	\$5,328	\$910	\$5,694	\$910	\$6,144	\$910	\$6,644
Fitchburg	970	5,022	970	5,430	970	5,930	970	6,830	970	7,330
Framingham	970	4,828	970	5,172	970	5,570	970	6,096	970	6,610
Mass. College of Art and Design	1,030	6,420	1,030	6,870	1,030	7,370	1,030	7,970	1,030	8,670
Mass. College of Liberal Arts	1,030	5,138	1,030	5,396	1,030	5,846	1,030	6,546	1,030	7,046
Mass. Maritime Academy	1,138	4,548	1,184	4,644	1,242	4,880	1,342	5,268	1,396	5,444
Salem	910	5,360	910	5,610	910	5,940	910	6,320	910	6,820
Westfield	970	5,240	970	5,482	970	6,048	970	6,462	970	6,918
Worcester	<u>970</u>	<u>4,896</u>	<u>970</u>	<u>5,200</u>	<u>970</u>	<u>5,636</u>	<u>970</u>	<u>6,186</u>	<u>970</u>	<u>6,684</u>
State Universities *	<u>\$957</u>	<u>\$5,166</u>	<u>\$959</u>	<u>\$5,441</u>	<u>\$961</u>	<u>\$5,857</u>	<u>\$965</u>	<u>\$6,373</u>	<u>\$966</u>	<u>\$6,866</u>
Community Colleges *	<u>\$734</u>	<u>\$2,920</u>	<u>\$733</u>	<u>\$3,118</u>	<u>\$733</u>	<u>\$3,511</u>	<u>\$733</u>	<u>\$3,805</u>	<u>\$733</u>	<u>\$4,150</u>
University of Massachusetts *	<u>\$1,618</u>	<u>\$7,687</u>	<u>\$1,619</u>	<u>\$7,966</u>	<u>\$1,618</u>	<u>\$8,357</u>	<u>\$1,616</u>	<u>\$9,447</u>	<u>\$1,618</u>	<u>\$10,265</u>

Source: Board of Higher Education.

* Represents the average weighted by number of students.

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 2009 through 2011. 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, beginning in fiscal 2004, 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 2008</u>	<u>Fiscal 2009</u>	<u>Fiscal 2010</u>	<u>Fiscal 2011</u>
<u>Bridgewater State</u>				
Tuition and fees	\$56,945,419	\$61,802,441	\$68,811,712	75,905,471
Grants and contracts	9,842,193	11,446,696	20,405,741	24,485,470
State support	51,155,477	43,924,715	36,183,335	43,198,973
Auxiliary enterprises	17,437,498	18,927,733	21,116,706	21,507,908
Other revenues	4,261,402	214,606	516,923	310,288
Scholarship allowance (credit)	<u>(6,097,868)</u>	<u>(7,029,015)</u>	<u>(9,302,230)</u>	<u>(10,979,300)</u>
Total revenues	<u>\$133,544,121</u>	<u>\$129,287,176</u>	<u>\$137,732,187</u>	<u>154,428,810</u>
<u>Fitchburg State</u>				
Tuition and fees	\$28,423,614	\$30,715,018	\$33,929,222	36,363,200
Grants and contracts ¹	5,307,832	4,483,292	12,779,577	9,469,200
State support	34,063,661	29,415,783	24,622,349	29,332,885
Auxiliary enterprises	6,055,668	6,467,184	8,046,782	8,042,922
Other revenues	768,510	2,098,358	2,096,607	2,414,750
Scholarship allowance (credit)	<u>(4,640,369)</u>	<u>(3,977,729)</u>	<u>(5,557,180)</u>	<u>(6,377,904)</u>
Total revenues	<u>\$69,978,916</u>	<u>\$69,201,906</u>	<u>\$75,917,357</u>	<u>79,245,053</u>
<u>Framingham State</u>				
Tuition and fees	\$24,935,780	\$26,269,689	\$28,481,758	31,227,411
Grants and contracts	2,671,878	3,069,398	7,533,126	5,797,750
State support	31,269,160	27,188,410	22,390,029	26,578,787
Auxiliary enterprises	7,101,203	7,712,138	8,456,561	9,354,988
Other revenues	3,257,466	1,975,343	1,975,870	1,496,656
Scholarship allowance (credit)	<u>(2,583,781)</u>	<u>(2,686,305)</u>	<u>(3,904,921)</u>	<u>(5,219,880)</u>
Total revenues	<u>\$66,651,706</u>	<u>\$63,528,673</u>	<u>\$64,932,423</u>	<u>69,235,712</u>
<u>Massachusetts College of Art and Design</u>				
Tuition and fees	\$20,639,038	\$21,995,534	\$24,848,295	26,607,919
Grants and contracts	2,277,555	2,371,523	5,725,276	5,893,320
State support	21,856,029	19,084,320	16,422,595	19,609,582
Auxiliary enterprises	5,351,625	5,502,363	5,500,557	6,291,059
Other revenues	2,711,450	2,674,891	3,777,807	5,227,126
Scholarship allowance (credit)	<u>(3,321,587)</u>	<u>(3,679,580)</u>	<u>(4,543,889)</u>	<u>(5,646,667)</u>
Total revenues	<u>\$49,514,110</u>	<u>\$47,949,051</u>	<u>\$51,730,641</u>	<u>57,982,339</u>

	<u>Fiscal 2008</u>	<u>Fiscal 2009</u>	<u>Fiscal 2010</u>	<u>Fiscal 2011</u>
<u>Mass. College of Liberal Arts</u>				
Tuition and fees	\$11,251,697	\$11,777,569	\$13,112,056	14,349,052
Grants and contracts	3,791,573	4,052,258	8,377,991	7,057,600
State support	19,100,846	16,673,081	13,784,934	16,287,867
Auxiliary enterprises	6,128,976	6,456,204	7,279,028	7,650,045
Other revenues	2,150,847	1,394,852	1,291,125	1,582,911
Scholarship allowance (credit)	<u>(3,041,004)</u>	<u>(3,080,385)</u>	<u>(4,105,491)</u>	<u>(4,524,668)</u>
Total revenues	<u>\$39,382,935</u>	<u>\$37,273,579</u>	<u>\$39,739,643</u>	<u>42,402,807</u>
<u>Massachusetts Maritime Academy</u>				
Tuition and fees	\$9,819,057	\$10,774,684	\$11,813,847	14,439,406
Grants and contracts ²	999,195	1,500,661	5,565,460	2,764,240
State support	18,772,124	16,157,942	13,634,827	16,157,386
Auxiliary enterprises	8,903,796	10,394,832	11,085,033	12,234,856
Other revenues	1,828,799	617,475	566,329	604,372
Scholarship allowance (credit)	<u>(672,692)</u>	<u>(820,192)</u>	<u>(993,264)</u>	<u>(1,719,694)</u>
Total revenues	<u>\$39,650,279</u>	<u>\$38,625,402</u>	<u>\$41,672,232</u>	<u>44,480,566</u>
<u>Salem State</u>				
Tuition and fees	\$51,584,011	\$55,762,583	\$59,236,549	61,601,195
Grants and contracts ³	13,379,282	14,166,134	21,748,533	28,011,374
State support	52,537,178	46,587,268	37,615,098	45,808,118
Auxiliary enterprises	8,201,774	8,227,918	10,034,568	13,213,478
Other revenues	3,224,585	2,098,948	2,368,374	3,722,807
Scholarship allowance (credit)	<u>(11,242,704)</u>	<u>(8,759,171)</u>	<u>(11,550,446)</u>	<u>(12,774,319)</u>
Total revenues	<u>\$115,205,192</u>	<u>\$117,684,126</u>	<u>\$114,641,088</u>	<u>139,582,653</u>
<u>Westfield State</u>				
Tuition and fees	\$30,705,832	\$33,491,105	\$36,558,739	39,818,365
Grants and contracts ⁴	5,768,218	6,401,758	8,100,961	13,112,352
State support	28,741,286	24,677,747	26,423,319	25,389,047
Auxiliary enterprises	15,475,007	19,907,414	21,771,249	23,283,254
Other revenues	1,591,992	659,911	594,304	836,244
Scholarship allowance (credit)	<u>(2,892,147)</u>	<u>(4,969,620)</u>	<u>(6,519,355)</u>	<u>(7,854,008)</u>
Total revenues	<u>\$79,390,188</u>	<u>\$80,168,315</u>	<u>\$86,929,217</u>	<u>94,585,254</u>
<u>Worcester State</u>				
Tuition and fees	\$28,246,121	\$30,480,355	\$33,228,317	36,322,718
Grants and contracts	5,406,788	6,128,495	10,435,600	12,722,573
State support	29,809,731	25,909,130	21,428,433	25,931,430
Auxiliary enterprises	5,843,101	6,405,207	6,742,819	8,277,300
Other revenues	2,506,174	1,217,067	1,217,214	1,127,693
Scholarship allowance (credit)	<u>(3,923,175)</u>	<u>(5,242,157)</u>	<u>(6,464,179)</u>	<u>(7,347,390)</u>
Total revenues	<u>\$67,888,740</u>	<u>\$64,898,097</u>	<u>\$66,588,204</u>	<u>77,034,324</u>

Source: Board of Higher Education.

State Higher Education Admissions Data

The following table sets forth freshman application and acceptance information for the system of public higher education for Fall 2007 through Fall 2010. This information is based solely on fall semester statistics.

	<u>Fall 2007</u>			<u>Fall 2008</u>			<u>Fall 2009</u>			<u>Fall 2010</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>	<u>Applied</u>	<u>Accepted</u>	<u>% Registered</u>
Bridgewater	6,540	4,551	35.60%	7,477	4,753	36.70%	7,739	4,839	36.43%	7,272	4,882	35.76%
Fitchburg	3,391	2,230	31.70%	3,651	2,354	32.90%	3,817	2,461	31.80%	3,497	2,392	30.73%
Framingham	3,898	2,194	29.20%	3,964	2,417	26.90%	3,384	2,141	33.80%	3,458	2,265	31.88%
Mass. College of Art and Design	1,431	1,018	34.80%	1,232	961	34.50%	1,564	837	37.60%	1,377	788	35.28%
Mass. College of Liberal Arts	1,296	736	38.90%	1,510	779	35.40%	1,685	1,187	29.50%	1,661	1,166	30.27%
Mass. Maritime Academy	792	479	54.90%	854	524	56.50%	1,068	533	55.90%	951	499	55.91%
Salem	6,890	4,118	26.50%	6,676	3,656	31.60%	5,834	3,514	28.30%	5,697	3,268	30.60%
Westfield	5,094	2,875	33.40%	5,202	3,224	35.40%	5,404	3,134	36.70%	5,198	3,286	34.91%
Worcester	<u>3,810</u>	<u>2,030</u>	<u>34.50%</u>	<u>3,736</u>	<u>2,025</u>	<u>33.70%</u>	<u>3,559</u>	<u>2,101</u>	<u>33.50%</u>	<u>3,916</u>	<u>2,534</u>	<u>32.56%</u>
Total State Universities	<u>33,142</u>	<u>20,231</u>	<u>32.70%</u>	<u>34,302</u>	<u>20,693</u>	<u>34.10%</u>	<u>34,054</u>	<u>20,747</u>	<u>34.10%</u>	<u>33,027</u>	<u>21,080</u>	<u>33.61%</u>
Community Colleges	<u>37,550</u>	<u>31,921</u>	61.00%	<u>40,241</u>	<u>34,567</u>	60.00%	<u>43,763</u>	<u>38,739</u>	60.39%	<u>44,719</u>	<u>38,599</u>	57.27%
University of Massachusetts	<u>43,671</u>	<u>28,709</u>	28.70%	<u>47,007</u>	<u>30,596</u>	27.00%	<u>48,552</u>	<u>32,582</u>	25.02%	<u>52,698</u>	<u>35,654</u>	24.32%
Total	<u>114,363</u>	<u>80,861</u>	<u>42.40%</u>	<u>121,550</u>	<u>85,856</u>	<u>42.00%</u>	<u>126,369</u>	<u>92,068</u>	<u>39.80%</u>	<u>130,444</u>	<u>95,333</u>	<u>38.40%</u>

Source: Board of Higher Education

State University Faculty Levels

The following table sets forth for each State University the number of faculty members for the fall semester of the academic years 2007-2008 through 2010-2011.

	Academic Year <u>2007-2008</u>	Academic Year <u>2008 – 2009</u>	Academic Year <u>2009 – 2010</u>	Academic Year <u>2010 – 2011</u>
Bridgewater	460	304	306	309
Fitchburg	176	180	184	176
Framingham	184	164	168	163
Mass. College of Art and Design	103	104	98	100
Mass. College of Liberal Arts	102	84	90	89
Mass. Maritime Academy	61	62	67	68
Salem	327	331	338	233
Westfield	223	221	204	213
Worcester	<u>182</u>	<u>179</u>	<u>180</u>	<u>181</u>
Total*	<u>1,818</u>	<u>1,629</u>	<u>1,635</u>	<u>1,632</u>

Source: Integrated Postsecondary Education Data System

* Totals may not add due to rounding.

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FINANCIAL STATEMENTS OF THE AUTHORITY

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MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
(a component unit of the Commonwealth of Massachusetts)

**REPORT ON AUDITS OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

YEARS ENDED JUNE 30, 2011 AND 2010



MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
(a component unit of the Commonwealth of Massachusetts)

REPORT ON AUDITS OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

YEARS ENDED JUNE 30, 2011 AND 2010

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MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

(a component unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis

For the Years Ended June 30, 2011 and 2010

Unaudited

The following discussion and analysis provides management's overview of the financial position of the Massachusetts State College Building Authority (the Authority) as of June 30, 2011 and 2010, and the results of its operations and cash flows for the years then ended. This analysis should be read in conjunction with the Authority's financial statements and notes thereto which are also presented in this document.

The Authority was created pursuant to Chapter 703 of the Acts of 1963 ("the Act") of the Commonwealth of Massachusetts (the "Commonwealth"), as amended, as a body politic and corporate and a public instrumentality for the general purpose of providing residence halls, dining commons, parking, athletic, cultural, and other student activity facilities primarily for use by students and staff of certain institutions of public higher education 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 campuses 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.

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 therefore payable solely from its revenues. The projects of the Authority include 42 residence hall complexes, two dining halls, and three parking facilities.

The Authority also has participated in improvements made to campus facilities including parking lots, dining halls, student centers and athletic fields. The Authority is located in Boston, Massachusetts, and employs an Executive Director and 12 staff members. The nine Members of the Authority (the Board) oversee the operation of the Authority and are appointed by the Governor to staggered 5-year terms; three Members must also be members of the Board of Higher Education. Irrespective of the term of appointment or reappointment, Members continue to serve until they are replaced.

Highlights

Residence Hall Construction and Renovation

At Bridgewater State, the Authority completed a solar panel installation at Crimson Hall, renovations at Great Hill Apartments and Shea-Durgin Hall, floor repairs at Woodward Hall, and furniture replacement at Miles-Dinardo Halls. A new housing capacity study was completed and schematic design is underway for a new 500-bed residence hall, set to open Fall 2013. Summer 2011 renovations at Woodward Hall commenced and consist of replacing the heating system, upgrading the fire alarm system, and replacing exterior wood window sills.

At Fitchburg State, the Authority completed three renovation projects: window replacement and security upgrade to exterior doors at Aubuchon Hall; renovations to bathrooms at Mara Village and upgrades to the Mara Commons building; and improvements to the exteriors of the Cedar House complex including roof replacement, exterior cleaning and painting, and site improvements. Summer 2011 renovations to Cedar House commenced and will include: kitchen and bathroom renovations, accessibility improvements, and interior finish restorations. Renovations to the Townhouse Apartment Complex and Aubuchon Hall are under review.

At Framingham State, the Authority substantially completed construction of a new residence hall, North Hall, which opened August 2011 and provides housing for 410 students.

At the Massachusetts College of Art and Design, the Authority continued construction of a new residence hall, scheduled to open Spring 2012. This 490-bed residence hall will include a 2,600 square foot health center. Renovations of Smith Hall continue Summer 2011 and will include the installation of a new emergency generator on the roof to replace the existing stand-by generator in the basement. In addition, the workrooms in the Artists' Residence were reconfigured to include student lounges on the upper levels and a domestic water heater was replaced.

At the Massachusetts College of Liberal Arts, the Authority completed three renovation projects: replacement of all windows and installation of fire alarm and emergency stair lighting at the Flagg Townhouse complex and replacement and relocation of the transformer and switchgear at Berkshire Towers. Renovations on Hoosac Hall continue through Summer 2012 and include replacement of bathrooms on all levels, replacement of corridor ceilings, lighting and flooring on levels 2 through 6, a new entrance, and reconfiguration of the first floor to add 27 additional beds.

At the Massachusetts Maritime Academy, the Authority executed the purchase of the contiguous Beachmoor Inn, adding an additional 20-beds and providing a new venue for conferences and events.

At Salem State, the Authority completed a new residence hall, Marsh Hall, in August 2010, providing housing for an additional 525 students and a 13,000 square foot dining hall. In addition, the Authority completed installation of the Solar Thermal panels at Marsh Hall. The Authority completed sprinkler and fire protection upgrades in Bowditch Hall and upgrades to the life safety systems in Bates Hall. In addition, replacement of all boilers, hot water heaters, and dehumidifiers in all remaining Bates Hall buildings (B,D,E,F & Common) began Summer 2011.

At Westfield State, the Authority completed repairs to the exterior stairs at the Apartment complex, and completed renovations to the bathrooms and improved building access at Scanlon Hall. In addition, all windows and interior window trim throughout Lammers Hall will be replaced beginning Summer 2011. Given increased enrollment and demand for on-campus housing, a feasibility study for new housing capacity was completed and schematic design is underway for a new 400-bed residence hall, scheduled to open Fall 2013.

At Worcester State, the Authority completed renovations and construction of the expansion to Dowden Hall providing housing for 170 students. A solar installation project at Wasylean Hall was completed in August 2011. In addition, Summer 2011 renovations at Chandler Village and Wasylean Hall began and include installation of emergency light fixtures, replacement of common area carpeting, and some bedroom furniture. A feasibility study for new housing was initiated and continues in Summer 2011.

In addition to completing capital projects on time and on budget, the Authority continues to strive for design quality and environmental sustainability. North Hall at Framingham State and the New Residence Hall at MassArt have been submitted for certification as LEED Silver (Leadership in Energy and Environmental Design). Marsh Hall at Salem State and Dowden Hall at Worcester State have been submitted for certification as LEED Gold.

Student Activity Facilities

At Bridgewater State, the Authority completed upgrades to Swenson Field, which included: removal and replacement of existing bleachers and press box; new seating capacity; and demolition and replacement of the existing running track and athletic fields. In fiscal 2011, the Authority initiated construction of a new 840-space parking structure on East Campus on Great Hill Drive, scheduled for completion January 2012.

At Framingham State, the Authority began renovations and repairs of O'Connor Hall, with eventual conversion to University use. The conversion will be phased in over more than one summer and will eventually include the relocation of the University's Planetarium, an elevator serving all levels, and conversion of all floors to office use.

At Fitchburg State, planning and feasibility analysis for improvements to the Hammond Student Center continued through fiscal 2011. Phase I of construction and improvements began Spring 2011 and includes: a new atrium addition, lobby renovations, upgrades to the server, a new café, renovations to the student lounge, new meeting rooms and offices, new and renovated accessible restrooms, a new chiller and cooling tower, new air handling equipment and mechanical, electrical and plumbing distribution to the renovated spaces, and landscaping and site work which reconfigure the front entry plaza. This work will continue through July 2012. The Hammond Student Center project has been submitted for LEED certification.

At Massachusetts College of Art and Design, the Authority began reconstruction to the Kennedy Campus Center Dining Servery. The project was completed August 2011. The Kennedy Center project has been certified LEED Silver.

At the Massachusetts College of Liberal Arts, construction continued to replace the gymnasium floor in the Amsler Center. In addition, upgrades to the Shapiro building on Ashland Street began and include the removal of approximately one third of the building footprint loading dock area to allow for the construction of a parking area adjacent to the building.

At Westfield State, the Authority began Phase 1 of a project that will add approximately 5,000 square feet of new space to Tim and Jeanne’s Dining Center to provide additional seating and other student activity space; construction began Summer 2011.

Finance and Administration

In December 2010, the Authority closed a \$60,000,000 issuance of Project Revenue Bonds, Series 2010A/B. The Authority received ratings from: Moody’s Investors Service of “Aa2” and Standard & Poor’s Financial Services of “AA-“. The 2010A series (\$12,120,000) was issued as traditional tax-exempt debt with an all-in cost of 2.477%. The 2010B series (\$47,880,000) was the Authority’s second taxable bond issue and was issued as Federally taxable Build America Bonds (BABs) which receive a Federal subsidy equal to 35% of the interest cost. The all-in cost of the BABs (including subsidy) is 4.136%. The blended all-in cost of the 2010A/B issue is 3.99%.

The Authority also maximized earnings on the debt service reserve funds associated with the 2010A/B bonds by purchasing Build America Bonds issued by the Commonwealth of Massachusetts. These investments earn 4.285%, 5.631% and 5.731% and will earn approximately \$1.7 million more over 30 years as compared to a 30-year U.S. Treasury. Earnings on these reserve funds are used to offset debt service expenses.

The following table lists the 2010A/B projects and respective bond issuance amounts:

2010A/B Project Description	Issuance Amount
East Campus garage at Bridgewater State	\$13.7 million
Hammond Campus Center renovation at Fitchburg State	\$15.5 million
Purchase of Beachmoor Inn at Massachusetts Maritime Academy	\$1.7 million
Modernization and expansion of Hemenway Science Center at Framingham State	\$11.1 million
Expansion of Tim and Jeanne Dining Center at Westfield State	\$4.3 million
Current phase (summer 2011) of the Authority’s capital plan to conduct repairs to various System Projects at Bridgewater, Fitchburg, and Westfield State and Massachusetts College of Liberal Arts.	\$13.7 million
Total	\$60.0 million

In May 2011, the Authority undertook a refinancing of a portion of its 2003A and 2004A Project Revenue Bonds. The 2011A Bonds refunded \$53,350,000 of outstanding debt generating total present value savings of \$2,822,354 with over 5.290% of refunded par, the lowest cost financing for the Authority to-date.

The following highlights are discussed in more detail in the sections that follow this summary:

For the year ended June 30, 2011, the Authority's operating revenues of \$52,129,575 exceeded its operating expenses of \$27,227,223 by \$24,902,352. Compared to Fiscal Year 2010, operating revenues increased approximately 21.8%, primarily due to increased revenue from residence halls and student facilities. Operating expenses increased approximately 16.3%, primarily due to a 19.7% increase in depreciation.

Total assets increased at June 30, 2011 to \$901,408,309 as compared to \$834,616,300 at June 30, 2010. The increase results from the receipt of the 2010A/B bond proceeds, continued additions to Capital Assets and increased receivables for University-owned portions of the 2010A/B bond issue.

Payments for capital assets for the year ended June 30, 2011 were \$99,147,555 as compared to \$92,299,498 for the year ended June 30, 2010; this results from continued spending on projects from the 2009A and 2009B/C bond issues and initial spending on projects of the 2010A/B bond issue. As of June 30, 2011, the majority of the 2009A and 2009B/C bond issue projects were either completed or near completion and the majority of the 2010A/B bond issue projects were still in progress.

As of June 30, 2011, the Authority's reserve balances totaled \$98,014,628, including \$18,435,696 in Capital Improvement Reserve funds, \$77,764,342 in Debt Service Reserves and \$1,814,590 in other reserves.

Overview of the Financial Statements

The Authority's financial statements comprise two primary components: (1) the financial statements and (2) the notes to the financial statements. Additionally, the financial statements focus on the Authority as a whole, rather than upon individual funds or activities.

The Financial Statements

The financial statements (pages 3-5 of this report) are designed to provide readers with a broad overview of the Authority's finances and are comprised of three basic statements.

The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets* presents information showing how the Authority's net assets changed during the fiscal years presented. All changes in net assets 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 Universities 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). The Governmental Accounting Standards Board (GASB) Statements 34 and 35 require this method to be used.

The Massachusetts State College Building Authority reports its activity as a business type entity using the accrual basis of accounting. The Authority is a component unit of the Commonwealth of Massachusetts. Therefore, the results of the Authority's operations, its net assets and cash flows are also summarized in the Commonwealth's Comprehensive Annual Financial Report as a blended component unit.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes provide information regarding both the accounting policies and procedures the

Authority has adopted as well as additional details of certain amounts contained in the financial statements. The notes to the financial statements can be found on pages 6-31 of the audited financials.

Financial Analysis

By far the largest portion of the Authority's net assets reflects its investment in capital assets (e.g., land, buildings, furniture, and equipment) less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide services to students, faculty, and administration; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. In fiscal 2002, the Authority began depreciating its capital assets in accordance with GASB Statements 34 and 35. At that time, the Authority recorded initial accumulated depreciation of approximately \$81,450,000 representing 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.

Highlights – Statements of Net Assets

	Fiscal year ended June 30		\$ Change	% Change
	<u>2011</u>	<u>2010</u>		
Current assets	\$118,297,189	\$101,609,716	\$16,687,473	16.4%
Capital assets, net	595,028,276	516,663,661	78,364,615	15.2%
Other noncurrent assets	<u>188,082,844</u>	<u>216,342,923</u>	<u>(28,260,079)</u>	-13.1%
Total assets	<u>901,408,309</u>	<u>834,616,300</u>	<u>66,792,009</u>	8.0%
Current liabilities	70,728,560	47,083,433	23,645,127	50.2%
Noncurrent liabilities	<u>837,832,838</u>	<u>794,125,863</u>	<u>43,706,975</u>	5.5%
Total liabilities	<u>\$908,561,398</u>	<u>\$841,209,296</u>	<u>\$67,352,102</u>	8.0%
Net assets:				
Invested in capital assets, net of related debt	(22,524,180)	(41,041,522)	18,517,342	45.1%
Restricted	1,897,286	2,555,116	(657,830)	-25.7%
Unrestricted	<u>13,473,805</u>	<u>31,893,410</u>	<u>(18,419,605)</u>	-57.8%
Net assets	<u><u>(\$7,153,089)</u></u>	<u><u>(\$6,592,996)</u></u>	<u><u>(\$560,093)</u></u>	-8.5%

- Total assets at June 30, 2011 increased 8.0% as compared to the prior fiscal year end. This primarily reflects the net impact of funds from the 2010A/B bond issue, continued additions to Capital Assets and increased receivables for University-owned portions of the 2010A/B bond issue. The spending of 2009B/C and 2010A/B project funds increased net capital assets (reflecting capital improvements made during the year, net of depreciation). Investments decreased by \$69,662,975 as compared to the prior year as a result of the maturity of 2009B/C project funds invested in U.S. Agency Obligations. Cash and cash equivalents increased by \$28,896,416 as compared to the prior year primarily due to proceeds from the 2010A/B bond issue, increased transfers from Universities, proceeds from the sale of Lincoln Street condominium, and a settlement with Bank of America. Accounts receivables increased from the prior year due to new 2010A/B bonds issued to fund University-owned projects.
- The Authority had reserves for capital improvements, multi-purpose and operating, at June 30, 2011 in the amount of \$20,250,286 as compared to \$16,075,446 at June 30, 2010. The Authority also had debt service reserves of \$77,764,342 at June 30, 2011 as compared to \$72,415,950 at June 30, 2010. These

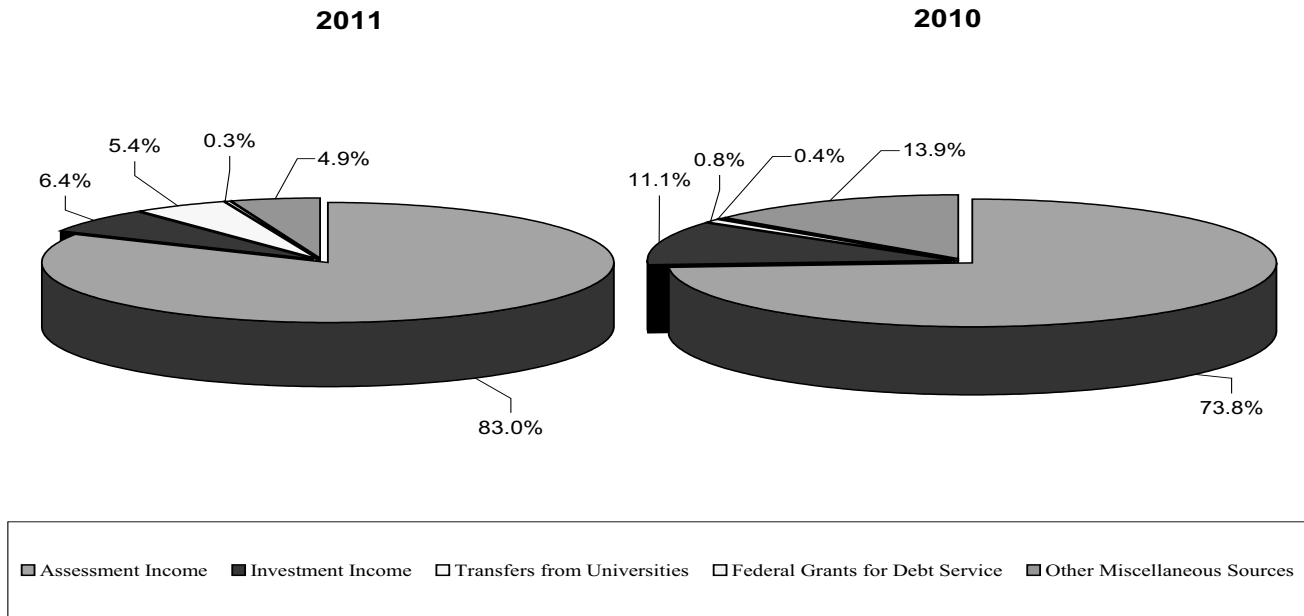
amounts are included in cash and cash equivalents and investments in the statement of net assets at June 30, 2011.

- Total liabilities at June 30, 2011 increased 8.0% as compared with the prior fiscal year end. This results primarily from an increase in bonds payable and interagency payables. Bonds payable increased from \$807,555,230 at June 30, 2010 to \$851,784,887 at June 30, 2011, primarily due to the addition of 2010A/B debt service offset by payments of principal on bonds during Fiscal Year 2011. Interagency Payables increased from the prior year in an amount of \$21,230,477. This net increase results from the proceeds from the 2010A/B bond issue for university owned student activity projects still under construction along with proceeds from the 2009B/C bond issue for university owned student activity projects still under construction.
- A deficiency in net assets exists due to depreciation and interest expenses exceeding operating and non-operating revenues over time. The Authority’s investment in its capital assets is reported net of related debt and depreciation (a non-cash operating expense); it should be noted that the funds needed to repay debt and to replace or renew capital assets are provided from operating revenues (e.g. rent, fees and charges). The change in net assets for the year ended June 30, 2011 excluding depreciation was an increase in net assets of \$24,408,608.

Highlights – Revenues, Expenses and Changes in Net Assets

The Authority’s revenue is primarily derived from assessment income (residence hall rents and student activity fees) pursuant to contracts entered into with the State Universities. These contracts provide the revenue needed to fund annual debt service requirements associated with capital projects as well as reserve deposits, insurance, and Authority operating expenses. Other revenue sources include investment income on project funds and reserves, transfers from the universities in support of capital projects, and Federal grants for debt service. New items in fiscal year 2011 are the Build America Bonds interest subsidy for the 2010A/B bonds. The chart below compares total revenue for Fiscal Year 2011 with Fiscal Year 2010.

Summary of Total Revenue

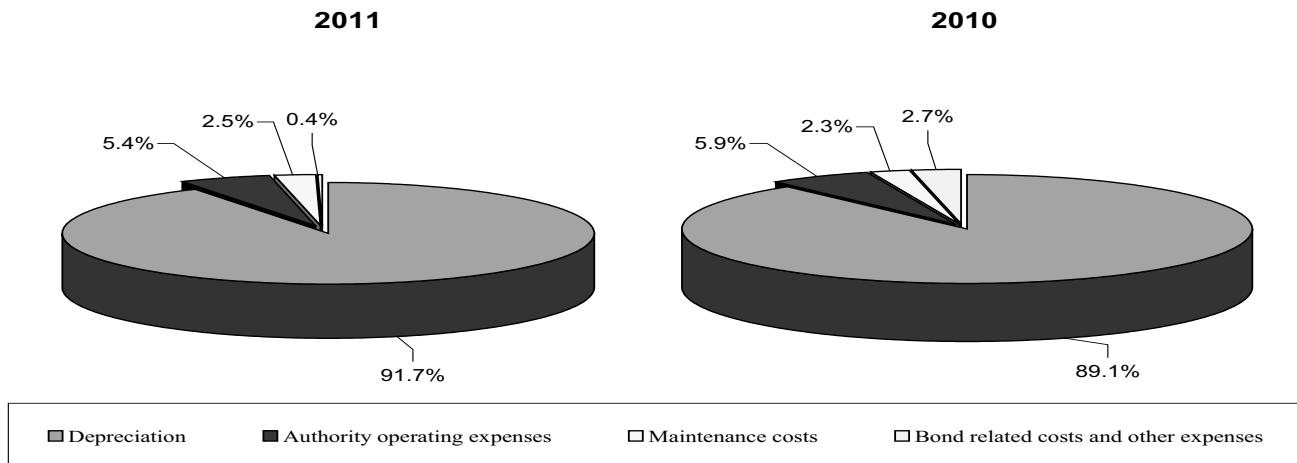


Investment income consists primarily of interest on construction funds and on debt service reserves. The share of revenue derived from investment income was 6.4% in Fiscal Year 2011 compared with 11.1% in Fiscal Year

2010. Transfers from universities were higher than Fiscal Year 2010 reflecting higher university contributions to Authority-owned facilities. The majority of the Authority's expenditures relate to capital assets (additions to assets plus depreciation) and repayment of revenue bonds issued to fund the additions to assets.

In Fiscal Year 2011, revenues were more than sufficient to cover operating expenses and debt service obligations. The chart below compares total expenses for Fiscal Year 2011 with Fiscal Year 2010.

Summary of Total Expenses



Comparison of Operating and Non-operating Revenues and Expenses

	Fiscal year ended June 30		\$ Change	% Change
	2011	2010		
Total operating revenues	\$52,129,575	\$42,785,016	\$9,344,559	21.8%
Total operating expenses	27,227,223	23,417,198	3,810,025	16.3%
Operating income	24,902,352	19,367,818	5,534,534	28.6%
Nonoperating expenses, net	(25,462,445)	(13,357,983)	(12,104,462)	90.6%
Increase (decrease) in net assets	(560,093)	6,009,835	(6,569,928)	-109.3%
Net assets - beginning of the year	(6,592,996)	(12,602,831)	6,009,835	47.7%
Net assets - end of the year	(\$7,153,089)	(\$6,592,996)	(\$560,093)	-8.5%

- Operating revenues include all revenue sources except investment income, transfers from state universities, capital grants, Build America Bond subsidies, gain on the sale of Lincoln Street, and the Bank of America settlement. The 21.8% increase in revenue for Fiscal Year 2011 reflects an increase in design occupancy and rental rates and continued strong occupancy for the residence halls as well as additional assessments for debt service associated with student activity projects.
- Operating expenses include depreciation, maintenance and repairs to capital assets and operating expenses associated with Authority operations. In Fiscal Year 2011, 91.7% of the Authority's operating

expense was for depreciation of \$24,968,701, as compared with \$20,854,040 (89.1%) in the prior fiscal year.

- Depreciation expense increased 19.7% compared to Fiscal Year 2010 due to the additional depreciable assets brought on line in Fiscal 2011. There were major renovations, and repairs at Bridgewater State (Great Hill and Pope/Scott), Fitchburg State (Aubuchon/Mara and Cedar House), MCLA (Berkshire Towers), Salem (Bates), Westfield (Scanlon), and Worcester (Dowden). New capacity assets were brought on line at MMA (Beachmoor) and Salem (Marsh).
- For Fiscal Year 2011, approximately 7.9% of the operating expenses paid for maintenance/repairs and Authority operating expenses, as compared to 8.2% in Fiscal Year 2010.
- Maintenance costs, comprised of capital improvement expenses (below the capitalization policy threshold) and property and liability insurance, increased from \$535,276 in 2010 to \$668,168 in 2011. Authority Operating expenses increased from \$1,392,357 in 2010 to \$1,483,170 in 2011.
- The primary components of net non-operating expenses are the gross annual interest expense incurred on the collective debt obligations of the Authority, less investment income used to offset debt service requirements. Interest expense increased by 25.71% in fiscal year 2011 compared to fiscal year 2010. The increase is a result of increased interest expense of the 2009A bond issue, the first full year of interest expense on the 2009B/C bond issue net of amount capitalized and interest accrued for seven months on the 2010A/B bond issue. Net investment income decreased by 37.79% in fiscal year 2011 compared to fiscal year 2010. The Authority also earned Build America Bonds interest subsidies of \$1,887,838 in fiscal 2011 as compared to \$700,809 in fiscal 2010.
- Net nonoperating expenses at June 30, 2011 were \$25,462,445 as compared to \$13,357,983 at June 30, 2010. The change results primarily from increased interest expense for bonds issued in fiscal 2010, higher transfers from the Universities, new Build America Bonds interest subsidies, and a combination of several non-recurring events; a state appropriations transfer in fiscal 2010 in the amount of \$6,881,873 and the sale of property and a settlement in 2011 of \$400,141 and \$201,756, respectively. In addition, fiscal 2011 net investment income is lower than the prior year primarily due to unrealized gains on investment securities in the prior year as compared to unrealized losses in the current year.

Highlights - Statements of Cash Flows

	Fiscal year ended June 30	
	<u>2011</u>	<u>2010</u>
Cash received from operations	\$52,129,743	\$42,885,113
Cash expended for operations	<u>(2,317,570)</u>	<u>(2,470,718)</u>
Net cash provided by operations	49,812,173	40,414,395
Net cash provided by (used) in capital and related financing activities	(93,351,760)	8,923,026
Net cash provided by (used in) investing activities	<u>72,436,003</u>	<u>(10,870,661)</u>
Net increase (decrease) in cash and cash equivalents	28,896,416	38,466,760
Cash and cash equivalents, beginning of year	92,655,895	54,189,135
Cash and cash equivalents, end of year	<u>\$121,552,311</u>	<u>\$92,655,895</u>

- Cash and cash equivalents were \$121,552,311 at June 30, 2011 compared to \$92,655,895 at June 30, 2010. This increase primarily relates to the unspent 2010A/B bond proceeds (\$11,213,579 and \$37,073,713 respectively as of June 30, 2011).
- Net cash provided by operations exceeded the cash expended for operations. As noted above, the increase in cash received from operations results from higher residence hall and student activity revenue. The increase in cash expended for operations is primarily due to increases in Authority insurance and operating expenditures, maintenance expenses and other expenses in accordance with the approved budget.
- Net cash used by capital and related financing activities was \$93,351,760 for Fiscal Year 2011 compared to net cash provided of \$8,923,026 for Fiscal Year 2010. Cash was used primarily by the 2011A advanced bond refunding.
- Net cash provided by investing activities was \$72,436,003 for Fiscal Year 2011 compared to net cash used of \$10,870,661 for Fiscal Year 2010. Purchases of investments in fiscal 2011 were significantly less than in fiscal 2010 due to the amount of bond proceeds (project, capitalized interest and debt service reserve funds) invested in each year: 2009B/C-related investments totaled \$107.5 million as compared to the 2010A/B investments of \$5.5 million. The 2010A/B bond issue was significantly smaller than 2009B/C and did not include any capitalized interest for new residence halls; project fund proceeds are scheduled for expenditure over a much shorter time period and have been retained in cash. This decrease in purchase of investments was offset in part by lower sales and maturities of investments in fiscal 2011 as compared to fiscal 2010. In fiscal 2010, more project fund investments were converted to cash for expenditure on projects.

Capital Assets and Debts of the Authority

The Authority's investment in capital assets as of June 30, 2011 amounted to \$595,028,276 net of accumulated depreciation. This investment in capital assets includes land, buildings (including improvements), furnishings and equipment. Net capital assets increased during fiscal year 2011 by \$78,364,615. This increase was due to completed capital improvements described earlier in this report. During 2011:

- Construction in progress was recorded at \$93,537,885 as compared to \$104,448,807 the prior fiscal year;
- Buildings and improvements were recorded at \$680,671,878 as compared to \$571,713,398 the prior fiscal year reflecting all major additions offset by the sale of Lincoln Street; and
- Furnishings and equipment were recorded at \$37,741,760 as compared to \$33,971,954 the prior fiscal year; and
- Land was recorded at \$3,832,388 as compared to \$2,680,388 the prior fiscal year reflecting the purchase of Beachmoor at MassMaritime.

The Authority has entered into various commitments for the purchase of equipment, construction of certain facilities and other improvements. The amounts under commitment were approximately \$52,000,000 and \$75,800,000, respectively, as of June 30, 2011 and 2010.

The Authority carries debt in the form of bond obligations which, net of deferred losses on refundings, amounted to \$851,784,887 and \$807,555,230, as of June 30, 2011 and 2010, respectively.

Interagency Payables increased to \$30,859,441 at June 30, 2011 from \$9,628,964 at June 30, 2010. These payables consist of unspent University contributions plus unspent bond proceeds and related bond amounts associated with capital projects on University-owned property.

Economic Factors, Occupancy, and Residence Hall Rent Rates

Economic Factors

The seasonally adjusted unemployment rate for the Commonwealth of Massachusetts from which the State Universities primarily draw students decreased to 7.6% at June 30, 2011 as compared to 9.0% at June 30, 2010. This compares to a national rate of 9.2% in 2011 and 9.5% in 2010.

Historically, in times of economic slow-down, the State Universities which the Authority serves have experienced increases in their enrollments as high school graduates and unemployed and underemployed workers seek to update and upgrade their skills. The Authority cannot predict the extent to which enrollment may vary in this current environment.

Occupancy

Semi-annual State University residence hall occupancy reports to the Authority and the Commonwealth's Department of Higher Education certify the number of students housed in on-campus housing owned by the Massachusetts State College Building Authority. Occupancy reports show that during the fall semester of the 2010/11 academic year 14,426 students were housed in residence halls or 103.6% of design occupancy. In the spring semester, 13,610 students were housed in residence halls, an occupancy rate of 97.7%. The average annual occupancy rates are shown below.

RESIDENCE HALL OCCUPANCY TABLE

Academic Years

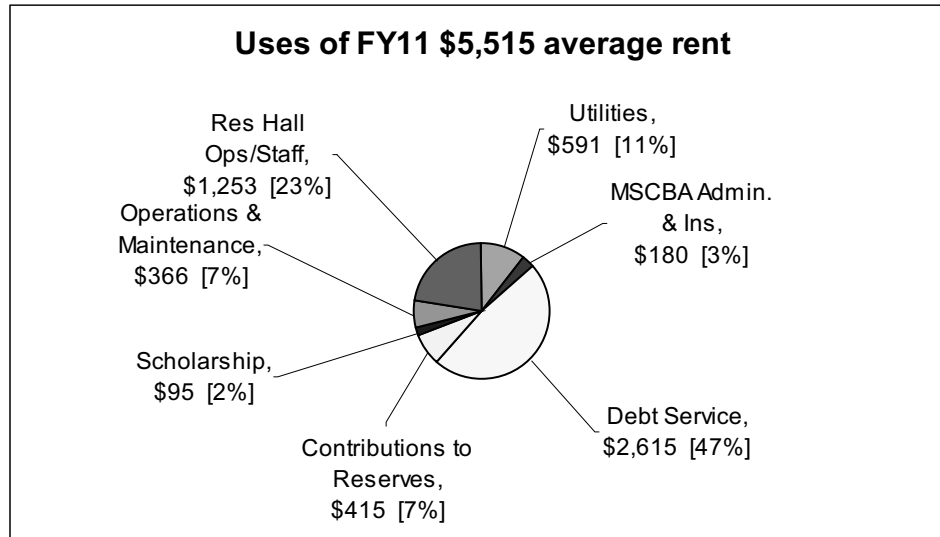
Institution	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Bridgewater	107%	105%	105%	105%	105%	104%	103%	104%	101%	100%
Fitchburg	89%	95%	99%	100%	100%	102%	104%	103%	105%	104%
Framingham	99%	105%	102%	100%	100%	100%	99%	101%	101%	104%
Mass. College of Art & Design	104%	100%	100%	99%	98%	101%	99%	100%	100%	99%
Mass. College of Liberal Arts	71%	81%	82%	88%	89%	95%	89%	88%	94%	99%
Mass. Maritime Academy	89%	93%	95%	96%	99%	103%	92%	94%	100%	103%
Salem	106%	105%	105%	100%	103%	101%	100%	104%	106%	94%
Westfield	107%	109%	106%	109%	106%	108%	107%	107%	105%	104%
Worcester	103%	100%	101%	96%	97%	101%	100%	102%	102%	100%
Average	97%	101%	101%	101%	100%	103%	101%	102%	102%	101%

The Authority attributes strong demand for on-campus housing to three factors: (1) the increase in the number of full-time undergraduate students who desire to live on campus (2) increased attractiveness of housing due to the Authority's Strategic Capital Plan renewal investment, and (3) the high cost and limited supply of off-campus housing. From 2002 through 2011, the Authority has constructed 3,513 new beds, while maintaining occupancy rates of 100% or more of capacity. As noted earlier in this analysis, additional beds are scheduled to open Fall 2011, 410 at Framingham State and Spring 2012, 490 at MassArt.

Residence Hall Rent Rates

For the academic year 2010-2011 (Fiscal Year 2011), the average on-campus room rent was \$5,515 per bed (\$613 per month).

There are no Commonwealth appropriations for residence halls. Student rents fund the costs of operating the residence halls and the Authority obligations, including debt service for capital projects. The chart below illustrates the uses of the average student rent:



Capital Reinvestment

In 1999, the Authority began a system-wide asset management analysis and capital reinvestment program. At that time the 34 residence hall complexes (approximately 2.5 million square feet) were in poor to fair condition based on a Facility Condition Index (FCI) methodology (i.e., the ratio of deferred maintenance compared to current replacement value). From 2000 through 2011, the Authority committed approximately \$194 million in capital repairs, life safety and accessibility improvements, and infrastructure and furniture replacement for existing residence halls. During fiscal year 2011, the Authority completed significant capital improvement projects for residence halls at Massachusetts College of Art and Design and Massachusetts College of Liberal Arts and at the State Universities at Bridgewater, Fitchburg, Framingham, Salem, Worcester, and Westfield. Due to the reinvestment in physical plant, the Facility Condition Index for Authority facilities is now in the excellent range (the estimated cost of cumulative deferred maintenance projects is less than five percent of the current replacement value of these buildings). Further, student activity facility projects (academic, athletic, and dining) were completed at Framingham, Fitchburg, MassArt, MCLA, and Westfield. In addition, construction of new residence hall capacity was completed at Framingham and continued at MassArt.

New Construction Projects

Construction in progress at the end of fiscal years 2011 and 2010 was \$93,537,885 and \$104,448,807, respectively.

Projects underway include the following:

- Construction of a new residence hall at Massachusetts College of Art and Design.
- Schematic design for new capacity projects at Bridgewater State and Westfield State.
- Renovations and repairs at Bridgewater State (Woodward), Fitchburg State (Aubuchon and Cedar House), MassArt (Smith), MCLA (Hoosac), Salem State (Bates), Westfield State (Lammers), and Worcester State (Chandler Village, Dowden, and Wasylean).

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Massachusetts State College Building Authority, 253 Summer Street, Suite 300, Boston, Massachusetts 02210.



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INDEPENDENT AUDITOR'S REPORT

To the Board
Massachusetts State College Building Authority
Boston, Massachusetts

We have audited the accompanying financial statements of the business-type activities of Massachusetts State College Building Authority (a component unit of the Commonwealth of Massachusetts) (the Authority) as of and for the years ended June 30, 2011 and 2010 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2011 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, grant agreements and other matters for the year ended June 30, 2011. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our 2011 audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through xi 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 operations, 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statistical section contained on pages 32 through 36 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Ercoleini & Company LLP

Boston, Massachusetts
September 20, 2011

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
(a component unit of the Commonwealth of Massachusetts)

STATEMENTS OF NET ASSETS (DEFICIENCY IN NET ASSETS)

JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 52,961,725	\$ 65,563,514
Restricted cash and cash equivalents	61,280,385	20,870,378
Restricted investments, including amounts held by bond trustee	-	11,983,504
Accounts receivable, net	<u>4,055,079</u>	<u>3,192,320</u>
Total current assets	<u>118,297,189</u>	<u>101,609,716</u>
Noncurrent assets:		
Restricted cash and cash equivalents	7,310,201	6,222,003
Restricted investments, including amounts held by bond trustee	93,686,304	151,365,775
Accounts receivable, net	75,186,365	46,782,366
Capital assets, net	595,028,276	516,663,661
Deposit	-	16,250
Bond issuance costs, net	<u>11,899,974</u>	<u>11,956,529</u>
Total noncurrent assets	<u>783,111,120</u>	<u>733,006,584</u>
Total assets	<u>\$ 901,408,309</u>	<u>\$ 834,616,300</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 25,572,562	\$ 23,716,612
Accrued payroll	43,878	44,003
Interagency payables	24,799,324	6,391,325
Compensated absences	83,869	93,541
Current portion of bonds payable, net of deferred loss	<u>20,228,927</u>	<u>16,837,952</u>
Total current liabilities	<u>70,728,560</u>	<u>47,083,433</u>
Noncurrent liabilities:		
Accounts payable and accrued liabilities	137,884	100,097
Compensated absences	78,877	70,849
Interagency payables	6,060,117	3,237,639
Bonds payable, net of deferred loss	<u>831,555,960</u>	<u>790,717,278</u>
Total noncurrent liabilities	<u>837,832,838</u>	<u>794,125,863</u>
Total liabilities	<u>908,561,398</u>	<u>841,209,296</u>
Net Assets (Deficiency in Net Assets)		
Invested in capital assets, net of related debt	(22,524,180)	(41,041,522)
Restricted:		
Expendable:		
Capital projects	1,897,286	2,555,116
Unrestricted	<u>13,473,805</u>	<u>31,893,410</u>
Total net assets (deficiency in net assets)	<u>(7,153,089)</u>	<u>(6,592,996)</u>
Liabilities and Net Assets (Deficiency in Net Assets)	<u>\$ 901,408,309</u>	<u>\$ 834,616,300</u>

See notes to financial statements.

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
(a component unit of the Commonwealth of Massachusetts)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Income from contracts for financial assistance, management, and services	\$ 51,349,024	\$ 42,453,490
Federal grants for debt service	211,890	211,890
Other miscellaneous revenues	<u>568,661</u>	<u>119,636</u>
Total operating revenues	<u>52,129,575</u>	<u>42,785,016</u>
Operating expenses:		
Maintenance costs	668,168	535,276
Authority operating expenses	1,483,170	1,392,357
Depreciation	24,968,701	20,854,040
Bond related costs and other expenses	<u>107,184</u>	<u>635,525</u>
Total operating expenses	<u>27,227,223</u>	<u>23,417,198</u>
Operating income	<u>24,902,352</u>	<u>19,367,818</u>
Nonoperating revenues (expenses):		
Net investment income	3,977,455	6,393,208
Interest expense	(35,282,322)	(28,067,213)
Transfers from State Universities	3,352,687	440,267
State capital appropriations transfer	-	6,881,873
Build America Bonds interest subsidy	1,887,838	700,809
Gain (loss) on sale of capital assets	400,141	-
Miscellaneous nonoperating revenue	201,756	-
Capital grants	<u>-</u>	<u>293,073</u>
Net nonoperating revenues (expenses)	<u>(25,462,445)</u>	<u>(13,357,983)</u>
Increase (decrease) in net assets	<u>(560,093)</u>	<u>6,009,835</u>
Net assets (deficiency in net assets), beginning of year	<u>(6,592,996)</u>	<u>(12,602,831)</u>
Net assets (deficiency in net assets), end of year	<u>(\$ 7,153,089)</u>	<u>(\$ 6,592,996)</u>

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
(a component unit of the Commonwealth of Massachusetts)

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash received from contracts for financial assistance, management, and services	\$ 51,349,024	\$ 42,453,490
Federal grants for debt service	211,890	211,890
Other miscellaneous receipts	568,829	219,733
Payments for maintenance costs	(670,373)	(530,467)
Payments for operating expenses	(1,484,939)	(1,364,785)
Payments for other expenses	(162,258)	(575,466)
Net cash provided by (used in) operating activities	<u>49,812,173</u>	<u>40,414,395</u>
Cash flows from capital and related financing activities:		
Proceeds from bond issuance	120,581,681	152,128,185
Cash paid to bond trustee related to advance refundings	(59,010,392)	-
Build America Bonds interest subsidy	1,716,819	478,330
State capital appropriations transfer	-	6,881,873
Payment of bond issuance costs	(780,005)	(1,322,362)
Payments for capital assets	(99,147,555)	(92,299,498)
Proceeds from sale of assets	527,486	-
Miscellaneous receipts	201,756	-
Capital grants	-	293,073
Release from (payment to) escrow for deposit on capital assets	16,250	(16,250)
Collections of debt service receivables	4,473,638	3,688,523
Transfer of funds from State Universities	3,352,687	340,267
Payments from funds held for others	(12,333,571)	(13,407,123)
Funds received and held for others	4,018,190	2,678,595
Principal paid on capital debt	(16,449,998)	(13,810,000)
Interest paid on capital debt	(40,518,746)	(36,710,587)
Net cash provided by (used in) capital and related financing activities	<u>(93,351,760)</u>	<u>8,923,026</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	142,805,470	163,795,554
Purchases of investments	(74,051,715)	(177,994,050)
Interest on investments	3,682,248	3,327,835
Net cash provided by (used in) investing activities	<u>72,436,003</u>	<u>(10,870,661)</u>
Net increase (decrease) in cash and cash equivalents	28,896,416	38,466,760
Cash and cash equivalents, beginning of year	<u>92,655,895</u>	<u>54,189,135</u>
Cash and cash equivalents, end of year	<u>\$ 121,552,311</u>	<u>\$ 92,655,895</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	\$ 24,902,352	\$ 19,367,818
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	24,968,701	20,854,040
Loss on transfer of land to DCAM	-	6,250
Amortization of bond issuance costs, bond premium and deferred loss on refunding	(55,074)	53,809
Changes in assets and liabilities:		
Accounts payable and accrued liabilities	(2,037)	104,906
Accrued payroll and compensated absences	(1,769)	27,572
Net cash provided by (used in) operating activities	<u>\$ 49,812,173</u>	<u>\$ 40,414,395</u>

See notes to financial statements.

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
(a component unit of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

1. Summary of significant accounting policies:

Organization:

Massachusetts State College Building Authority (the Authority) was created pursuant to Chapter 703 of the Act of 1963 of the Commonwealth of Massachusetts (the State and the Commonwealth), as amended, 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 universities 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 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 Authority provides bond financing, design and construction management of new facilities, major renovations and capital repairs for its projects at the State Universities. Annual obligations of the Authority include rent setting and oversight of State University operating budgets. The Authority operates on the basis of Contracts for Financial Assistance, Management and Services with the Department of Higher Education (formerly the Board of Higher Education) of the Commonwealth (DHE), in which the DHE commits the State Universities 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 assets 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
(a component unit of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

1. Summary of significant accounting policies - continued:

Net assets:

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

- **Invested in capital assets, net of related debt:**

Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

- **Restricted - nonexpendable:**

Net assets subject to externally imposed conditions that the Authority must maintain them in perpetuity.

- **Restricted - expendable:**

Net assets whose 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 assets. Unrestricted net assets 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 Authority Bond Indenture and the Commonwealth of Massachusetts, 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.

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
(a component unit of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

1. Summary of significant accounting policies - continued:

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, 2011 and 2010.

The Authority has no donor-restricted endowments.

The Authority is currently authorized by its Board and the statutes of the Commonwealth of Massachusetts to invest funds of the Authority. The Authority's Retirement Trust was established outside of the Bond Indenture and is invested given the three objectives of safety, return on investment, and liquidity. The Board will support the investment of the Retirement Trust consistent with applicable law. The Board shall establish investment policy, but delegate to the Finance and Audit Committee of the Authority to direct the 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, 2011 and 2010, as management considers all amounts fully collectible.

Capital assets:

The accompanying financial statements include the transactions of all of the Authority's capital assets, which include residence halls for approximately 13,930 students in 2011 and 13,150 students in 2010, some with dining facilities, 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 is 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.

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

1. Summary of significant accounting policies - continued:

Bond related items:

Bond issuance costs and bond premiums are being amortized to expense on a straight-line basis over the terms of the related debt agreements. Deferred losses on bond refundings are being amortized to expense principally on the effective interest method over the terms of the old debt or new debt agreements, whichever are shorter.

Interest expense and capitalization:

The Authority capitalizes 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. During 2011 and 2010, total interest costs were accounted for as follows:

	<u>2011</u>	<u>2010</u>
Total interest incurred	\$ 40,537,039	\$ 36,151,551
Less: capitalized portion of interest incurred	(5,254,717)	(8,084,338)
Interest expense	<u>\$ 35,282,322</u>	<u>\$ 28,067,213</u>
Capitalized portion of interest incurred	\$ 5,254,717	\$ 8,084,338
Less: interest income on unused funds from tax-exempt borrowings	(1,039,075)	(1,303,587)
Net capitalized interest	<u>\$ 4,215,642</u>	<u>\$ 6,780,751</u>

Fringe benefits:

The Authority participates in the Commonwealth's fringe benefit programs, including health insurance, unemployment, and pension. Health insurance, unemployment and pension costs are billed through a fringe benefit rate charged to the Authority. Worker's compensation insurance is purchased as a separate policy within the Authority's insurance portfolio.

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 this accrued balance.

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

1. Summary of significant accounting policies - continued:

Tax status:

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

Reclassifications:

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 presentation.

Recent accounting pronouncements:

Recently adopted accounting pronouncements -

In June, 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 59, *Financial Instruments Omnibus*. GASB Statement No. 59 updates and clarifies existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. GASB Statement No. 59, among other items, amends GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, to provide that interest rate risk information should be disclosed only for debt investment pools such as bond mutual funds and certain external bond investment pools and not for mutual funds and external investment pools that hold a mix of debt and equity investments. GASB Statement No. 59 is effective for periods beginning after June 15, 2010. Adoption of GASB Statement No. 59 by the Authority in fiscal 2011 had no material impact on the Authority's financial statements.

In December, 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (i) Financial Accounting Standards Board (FASB) Statements and Interpretations; (ii) Accounting Principles Board Opinions; and (iii) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures. GASB Statement No. 62 also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. The requirements of GASB Statement No. 62 are effective for financial statements for periods beginning after December 15, 2011 with earlier application encouraged. The Authority elected to early adopt the requirements of this Statement in fiscal 2011. The adoption of GASB Statement No. 62 did not have a material impact on the Authority's financial statements.

Recent accounting pronouncements not yet adopted -

In November 2010, the GASB issued GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. GASB Statement No. 60 addresses the accounting, financial reporting and disclosure related to service concession arrangements. A service concession arrangement is an

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

1. Summary of significant accounting policies - continued:

Recent accounting pronouncements - continued:

Recent accounting pronouncements not yet adopted - continued -

arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a facility) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. GASB Statement No. 60 is effective for financial statements for periods beginning after December 15, 2011. The Authority does not believe that its adoption of this Statement in fiscal 2013 will have a material impact on the Authority's financial statements.

In June 2011, the GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources (consumption of net assets that is applicable to a future reporting period) and deferred inflows of resources (acquisition of net assets that is applicable to a future reporting period) and distinguishes them from assets and liabilities. GASB Statement No. 63 also renames *net assets* to *net position* as the residual measure of the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources within a statement of financial position. GASB Statement No. 63 is effective for financial statements for periods beginning after December 15, 2011. Other than renaming the *Statement of Net Assets* to the *Statement of Net Position* and renaming and reformatting certain line items within the Statement of Net Position, the Authority does not believe that its adoption of this Statement in fiscal 2013 will have a material impact on the Authority's financial statements.

2. Cash and cash equivalents, and investments:

Credit risk

The Authority has a formal investment policy pursuant to which investments may be made in: (i) U.S. Government Treasuries, U.S. Government securities, and other obligations guaranteed by the U.S. Government or its agencies and instrumentalities; (ii) interest bearing time deposits or certificates of deposit, provided that such deposits or certificates shall be continuously and fully secured by obligations described in (i) above; and (iii) any of the securities described above which are subject to repurchase agreements, as defined. The Authority is also required to comply with the Commonwealth of Massachusetts' 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 for deposits is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a formal deposit policy for custodial credit risk. As of June 30, 2011, \$90,592,149 of the Authority's bank balances were exposed to custodial credit risk because they were uninsured and uncollateralized.

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

2. Cash and cash equivalents, and investments - continued:

Custodial credit risk - continued

The Authority has cash equivalents invested in mutual funds that are held at US Bank. The funds at US Bank are invested in the Fidelity Institutional Money Market Government Fund 57 which has a fair value of \$90,592,149 and \$68,637,981 at June 30, 2011 and 2010, respectively. The Fidelity Institutional Money Market Government Fund 57 invests primarily in U.S. government securities, repurchase agreements, and may invest in reverse repurchase agreements guaranteed by U. S. Treasury obligations, while seeking to preserve the investment value of \$1 per share. The Fund's investment securities maintain a weighted average maturity of 60 days or less.

The Authority's investments are held at US Bank and Citizens Bank and are represented by the following at June 30, 2011 and 2010:

	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. Agencies	\$ 68,212,053	\$ 68,877,527	\$ 142,440,808	\$ 143,424,280
State taxable bonds	17,475,000	18,134,785	12,000,000	12,730,080
U.S. Treasuries	<u>6,821,484</u>	<u>6,673,992</u>	<u>6,821,484</u>	<u>7,194,919</u>
	<u>\$ 92,508,537</u>	<u>\$ 93,686,304</u>	<u>\$ 161,262,292</u>	<u>\$ 163,349,279</u>

At June 30, 2011, the Authority's investments, investment maturities and credit quality ratings, based on Moody's Investors Service, Inc. ratings, are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>				<u>Credit Rating</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Greater Than 10</u>	
Fannie Mae Corporation (FNMA) U.S. Govt. Issues	\$ 7,723,672	\$ 7,723,672	\$ -	\$ -	\$ -	AAA
Federal Home Loan Banks (FHLB) discount note	7,062,223	7,062,223	-	-	-	AAA
Federal Home Loan Banks (FHLB) U.S. Govt. Issues	7,428,783	-	5,426,373	2,002,410	-	AAA
Fannie Mae Corporation (FNMA) discount notes	20,509,495	20,509,495	-	-	-	AAA
Federal Home Loan Mortgage Corp.(FHLMC) U.S. Govt. Issues	23,853,208	11,665,695	-	12,187,513	-	AAA
Federal Farm Credit Banks (FFCB)	2,300,146	-	2,300,146	-	-	AAA
Massachusetts ST Bonds	18,134,785	-	-	1,393,075	16,741,710	AA
U.S. Government Securities - Treasury Bonds	<u>6,673,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,673,992</u>	AAA
Total	<u>\$ 93,686,304</u>	<u>\$ 46,961,085</u>	<u>\$ 7,726,519</u>	<u>\$ 15,582,998</u>	<u>\$ 23,415,702</u>	

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

2. Cash and cash equivalents, and investments - continued:

Custodial credit risk - continued

The Authority classifies its restricted cash and cash equivalents, and investments between current and noncurrent classifications in the accompanying statements of net assets 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 reserve funds.

3. Accounts receivable:

Accounts receivable include the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Debt service receivables	\$ 78,078,251	\$ 48,811,467
Interest receivable on investments	769,695	940,740
Build America Bonds interest subsidy receivable	<u>393,498</u>	<u>222,479</u>
	<u>\$ 79,241,444</u>	<u>\$ 49,974,686</u>

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

The Commonwealth of Massachusetts' 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 Universities. Conversely, the State Universities recognize a corresponding liability to the Authority.

During fiscal 2011, accounts receivable, net of unearned interest income, totaling \$31,325,875 were recorded in connection with projects at three State Universities. During fiscal 2010, accounts receivable, net of unearned interest income, totaling \$6,222,819 were recorded in connection with projects at three State Universities. A corresponding Interagency payable was also recorded by the Authority in both years as discussed further in Note 7.

Additionally, during fiscal 2011, the Authority made a miscellaneous adjustment of \$67,723 to accounts receivable and unearned income that reflects interest savings due to the current year bond refunding.

The components of the Authority's investment in these renovation projects as of June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Total payments to be received	\$ 114,733,418	\$ 70,751,963
Less: unearned income	<u>(36,655,167)</u>	<u>(21,940,496)</u>
Net investment in renovation projects	<u>\$ 78,078,251</u>	<u>\$ 48,811,467</u>

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

3. Accounts receivable - continued:

The following table sets forth the total payments to be received under these agreements as of June 30, 2011:

Year ending June 30:	
2012	\$ 5,981,178
2013	5,981,843
2014	5,986,446
2015	5,971,367
2016	5,985,725
2017 - 2021	29,856,373
2022 - 2026	32,052,101
2027 - 2031	19,676,026
2032 - 2036	<u>3,242,359</u>
Total	<u>\$ 114,733,418</u>

4. Capital assets:

Capital assets activity for the years ended June 30, 2011 and 2010 are as follows:

	2011			
	<u>Totals</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Reclassifications</u> <u>and</u> <u>Reductions</u>	<u>Totals</u> <u>June 30, 2011</u>
Land	\$ 2,680,388	\$ 1,152,000	\$ -	\$ 3,832,388
Construction in progress	<u>104,448,807</u>	<u>94,132,526</u>	<u>(105,043,448)</u>	<u>93,537,885</u>
Total not being depreciated	<u>107,129,195</u>	<u>95,284,526</u>	<u>(105,043,448)</u>	<u>97,370,273</u>
Buildings and improvements	571,713,398	4,406,329	104,552,151	680,671,878
Furnishings and equipment	<u>33,971,954</u>	<u>3,769,806</u>	<u>-</u>	<u>37,741,760</u>
Total depreciable assets	<u>605,685,352</u>	<u>8,176,135</u>	<u>104,552,151</u>	<u>718,413,638</u>
Total capital assets	<u>712,814,547</u>	<u>103,460,661</u>	<u>(491,297)</u>	<u>815,783,911</u>
Less accumulated depreciation:				
Buildings and improvements	(184,612,501)	(23,079,286)	363,952	(207,327,835)
Furnishings and equipment	<u>(11,538,385)</u>	<u>(1,889,415)</u>	<u>-</u>	<u>(13,427,800)</u>
Total accumulated depreciation	<u>(196,150,886)</u>	<u>(24,968,701)</u>	<u>363,952</u>	<u>(220,755,635)</u>
Capital assets, net	<u>\$ 516,663,661</u>	<u>\$ 78,491,960</u>	<u>(\$ 127,345)</u>	<u>\$ 595,028,276</u>

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

4. Capital assets - continued:

	2010			
	<u>Totals</u> <u>June 30, 2009</u>	<u>Additions</u>	Reclassifications and <u>Reductions</u>	<u>Totals</u> <u>June 30, 2010</u>
Land	\$ 3,346,638	\$ -	(\$ 666,250)	\$ 2,680,388
Construction in progress	<u>70,458,160</u>	<u>99,132,258</u>	<u>(65,141,611)</u>	<u>104,448,807</u>
Total not being depreciated	<u>73,804,798</u>	<u>99,132,258</u>	<u>(65,807,861)</u>	<u>107,129,195</u>
Buildings and improvements	506,431,794	139,993	65,141,611	571,713,398
Furnishings and equipment	<u>31,116,002</u>	<u>2,855,952</u>	<u>-</u>	<u>33,971,954</u>
Total depreciable assets	<u>537,547,796</u>	<u>2,995,945</u>	<u>65,141,611</u>	<u>605,685,352</u>
Total capital assets	<u>611,352,594</u>	<u>102,128,203</u>	<u>(666,250)</u>	<u>712,814,547</u>
Less accumulated depreciation:				
Buildings and improvements	(165,741,192)	(18,871,309)		(184,612,501)
Furnishings and equipment	<u>(9,555,654)</u>	<u>(1,982,731)</u>	<u>-</u>	<u>(11,538,385)</u>
Total accumulated depreciation	<u>(175,296,846)</u>	<u>(20,854,040)</u>	<u>-</u>	<u>(196,150,886)</u>
Capital assets, net	<u>\$ 436,055,748</u>	<u>\$ 81,274,163</u>	<u>(\$ 666,250)</u>	<u>\$ 516,663,661</u>

On June 10, 2010, the Authority entered into a Purchase and Sale Agreement to sell its previously used office facilities located on Lincoln Street in Boston, Massachusetts to an unrelated party for a sales price of \$575,000. On July 27, 2010, the sale closed for a contract sales price of \$575,000. Proceeds received by the Authority, net of broker commissions, legal costs and other adjustments, amounted to \$527,486. The property had a cost basis of \$491,297 and a net book value of \$127,345, resulting in a gain on the sale of \$400,141.

During 2010, the Authority transferred a parcel of land located on Adams Road in Framingham, MA to the Commonwealth of Massachusetts, acting through its Division of Capital Asset Management and Maintenance. This parcel of land, with a cost basis of \$666,250, is to be used by the Authority for construction of a new dormitory for Framingham State University. In accordance with the Authority's accounting policy for capital and renovation projects for the State Universities with ownership of the underlying asset, an accounts receivable from Framingham State University was recorded in a net amount of \$705,526 which includes the land at a cost basis of \$660,000 and \$45,526 of debt service reserve funds from the associated bond issuance used to acquire the land. A loss of \$6,250 was realized upon the transfer of the land.

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, 2011 and 2010.

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

4. Capital assets - continued:

As of June 30, 2011 and 2010, capital assets with a cost of approximately \$39,000,000 and \$31,800,000, respectively, were fully depreciated and still in service.

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 \$52,000,000 and \$75,800,000, respectively, as of June 30, 2011 and 2010.

5. Bond related items:

Bond issuance costs consisted of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Gross costs	\$ 14,280,804	\$ 14,383,485
Less: accumulated amortization	(2,380,830)	(2,426,956)
Net	<u>\$ 11,899,974</u>	<u>\$ 11,956,529</u>

Amortization of bond issuance costs amounted to \$428,498 in fiscal 2011 and \$403,938 in fiscal 2010. Due to a bond refunding during fiscal 2011, bond issuance costs of \$882,686 and related accumulated amortization of \$474,624 were reclassified as part of the loss on refunding as discussed further in Note 8.

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, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Unamortized balance, beginning	\$ 25,758,017	\$ 23,122,112
Current year additions	8,971,685	3,633,185
Unamortized premium on bonds refunded	(3,022,238)	-
Current year amortization	(1,166,103)	(997,280)
Unamortized balance, ending	<u>\$ 30,541,361</u>	<u>\$ 25,758,017</u>

Unamortized deferred losses on bond refundings are reflected as a deduction from bonds payable and consisted of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Unamortized balance, beginning	\$ 17,055,810	\$ 17,702,961
Current year additions	3,046,216	-
Current year amortization	(682,531)	(647,151)
Unamortized balance, ending	<u>\$ 19,419,495</u>	<u>\$ 17,055,810</u>

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

6. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consisted of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Capital assets and construction payables	\$ 15,536,017	\$ 15,438,553
Accrued bond interest payable	6,621,956	6,528,273
Arbitrage payable - short term	-	113,009
Arbitrage payable - long term	37,619	-
Contractor payables for State University owned assets	3,404,485	1,624,468
Lease deposit (see Note 15)	100,265	100,097
Authority operating and maintenance expenses	<u>10,104</u>	<u>12,309</u>
	<u>\$ 25,710,446</u>	<u>\$ 23,816,709</u>

7. Interagency payables:

Under the provisions of the 2010A, 2010B, 2009C, 2009B, 2009A, 2008A, 2006A, 2005A and 2003A bond agreements (see Note 8), a portion of the bond proceeds, together with certain earnings thereon, are being used to finance the costs of capital projects for certain of the State Universities on State University owned property. The State Universities 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 Universities reflecting its net investment 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 Universities may also be required to commit additional funding for the projects over and above the amounts provided from bond proceeds. Such amounts (the State University contributions) received from the State Universities are also included in restricted cash and cash equivalents, and restricted investments. The Authority has recorded corresponding Interagency payables to the State Universities for the unspent State University 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.

As of June 30, 2011 and 2010, the Authority has an aggregate liability for Interagency payables of \$30,859,441 and \$9,628,964, respectively.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

8. Bonds payable:

Bonds payable consisted of the following at June 30, 2011 and 2010:

1994-A Refunding Revenue Bonds, November 1, 1994:

In 1994, the Authority undertook a refinancing of its 1986 Series Bonds. The 1994 Refunding Revenue Bonds are obligations of the Authority payable solely from the funds provided under the provisions of the Enabling Act and the 1994 Trust Agreement. The Authority and the Commonwealth have entered into a contract providing that the Commonwealth will guarantee the payment of principal and interest on the 1994-A Bonds. Sources of revenue for these obligations are interest income, student rent, and HUD grant reimbursements. As of June 30, 2011 and 2010, bonds payable amounted to \$19,753,109 and \$25,474,145, respectively, including premium. These bonds carry interest rates that range from 4% to 7.5%, and are payable annually on May 1 until 2016. The effective interest rate for 2011 and 2010 amounted to 7.50% for both years. In February 2004, the Authority issued Series 2004-B Bonds, which refunded a portion of the 1994-A Bonds scheduled to mature on May 1, 2016 totaling \$15,150,000.

2003 A/B Series Bonds, March 5, 2003:

In March 2003, the Authority issued the Series 2003-A Project Bonds in the amount of \$105,490,000. The proceeds of the bonds, together with certain earnings thereon, were used to fund the construction of new residence halls at Salem State University and Worcester State University, improvements at Framingham State University, and the renovation of various system projects. Certain proceeds of the Series 2003-A Bonds were used to pay a portion of the interest on the Series 2003 Bonds during construction, to fund the debt service reserve fund and to pay costs of issuance. These bonds are not Commonwealth guaranteed. The bonds were issued under the provisions of a new 2003 Trust Agreement. As of June 30, 2011 and 2010, bonds payable amounted to \$65,785,650 and \$100,578,477, respectively, including premium. These bonds carry interest rates that range from 2.0% to 5.25%, and are payable annually on May 1 until 2043. The effective interest rate for 2011 and 2010 amounted to 4.97% and 4.98%, respectively. In June 2011, the Authority issued Series 2011-A Refunding Bonds, which refunded a portion of the 2003-A Bonds scheduled to mature between May 1, 2014 and May 1, 2025 totaling \$31,735,000.

In March 2003, the Authority also undertook a refinancing of its Project Revenue Bonds, Senior Series 1999-A, Series 1999-1 and Series 2000-1. The 2003-B Refunding Revenue Bonds in the amount of \$117,513,022 are obligations of the Authority payable solely from the funds provided under the provisions of the Enabling Act and the 2003 Trust Agreement. These bonds are not Commonwealth guaranteed. As of June 30, 2011 and 2010, bonds payable amounted to \$112,429,016 and \$113,978,992, respectively, including premium. These bonds carry interest rates that range from 2.0% to 5.5%, and are payable annually on May 1 until 2039. The effective interest rate for 2011 and 2010 amounted to 3.61% and 3.62%, respectively. The Authority was also required to enter into an Escrow Reinvestment Agreement for \$2,231,000 to be used to purchase U.S. Government Securities to be placed in the escrow accounts.

The Authority was required to deposit \$126,198,247 in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1999-A, Series 1999-1 and Series 2000-1 Bonds. As a result, all three Series are considered to be defeased and the liability for those bonds and the assets held to repay the debt have been removed from the Authority's records. In February 2009, the Authority restructured the escrow account related to the Series 1999-1 Bonds. As part of the escrow restructuring

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

8. Bonds payable - continued:

2003 A/B Series Bonds, March 5, 2003 - continued:

transaction, the Authority exercised a call option to fully redeem the Series 1999-1 Bonds in November 2011. Additionally, the Authority exercised a call option in May 2010 to fully redeem the Series 2000-1 Bonds for the remaining unpaid principal amount of \$20,235,000. Assets held in the trust account for the repayment of these bonds had an aggregate market value of \$111,432,843 at June 30, 2011. The unpaid principal amount plus accreted interest, as applicable, of the two remaining Series of refunded bonds at June 30, 2011 totaled \$96,025,835.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$21,535,590. This difference, reported in the accompanying financial statements as a deduction from the bonds payable, is being charged to expense at various dates through the year 2039 using the effective interest method. The Authority completed the advance refunding to reduce its debt service payments by \$1,769,263 and to obtain an economic gain of \$729,611. The unamortized balance of this deferred loss on bond refunding amounted to \$16,347,270 and \$17,008,620 at June 30, 2011 and 2010, respectively.

2004 A Series Bonds, January 15, 2004:

In January 2004, the Authority issued the Series 2004-A Project Bonds in the amount of \$61,505,000. The proceeds of the bonds, together with certain earnings thereon, were used to fund the construction of a new residence hall for Westfield State University, improvements to an existing parking lot at Salem State University and the repair and renovation of certain system projects. Certain proceeds of the Series 2004-A Bonds were used to pay a portion of the interest on the Series 2004-A Bonds during construction, to fund the debt service reserve fund and to pay costs of issuance. These bonds are not Commonwealth guaranteed. The bonds were issued under the provisions of a new 2004 Trust Agreement, and are secured by revenues derived from fees, rents, rates, and other charges imposed by the Authority on State Universities for the use and occupancy of the projects initially financed with the prior bonds and projects financed with bonds that are refunded with a portion of the proceeds of the Series 2003 Bonds, the 2003-A Projects, the Series 2004-A Projects and any future projects. As of June 30, 2011 and 2010, the Series 2004-A Bonds payable amounted to \$34,128,476 and \$58,690,193, respectively, including premium. These bonds carry interest rates that range from 2.0% to 5.0%, and are payable annually on May 1 until 2043. The effective interest rate for 2011 and 2010 amounted to 4.88% and 4.89%, respectively. In June 2011, the Authority issued Series 2011-A Refunding Bonds, which refunded a portion of the 2004-A Bonds scheduled to mature between May 1, 2015 and May 1, 2023 totaling \$21,615,000.

2004 B Series Bonds, February 12, 2004:

In February 2004, the Authority undertook a refinancing of a portion of its 1994 Refunding Revenue Bonds scheduled to mature on May 1, 2016. The 2004-B Bonds in the amount of \$15,125,000 were used to refund the Refunding Revenue Bonds and to pay the costs of issuance of the Series 2004-B Bonds, including a payment to Lehman Brothers Special Financing Inc. pursuant to an Option Agreement dated February 12, 1998 between the Authority and Lehman. In the Option Agreement, the Authority granted an option to Lehman to cause the Authority to issue Guaranteed Bonds under the Trust Agreement to refund the Refunding Bonds under certain circumstances, and the Series 2004-B Bonds are being issued pursuant to

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

8. Bonds payable - continued:

2004 B Series Bonds, February 12, 2004 - continued:

Lehman's exercise of that option. As of June 30, 2011 and 2010, the Series 2004-B Bonds payable amounted to \$18,355,068 and \$18,459,264, respectively, including premium. These bonds carry interest rates that range from 6.4% to 7.0%, and are payable annually on May 1, 2015 and May 1, 2016. The effective interest rate for 2011 and 2010 amounted to 6.71% for both years.

The refunding resulted in a difference between the reacquisition price of \$15,656,010 and the net carrying amount of the old debt of \$15,525,060 by \$130,950. This difference, reported in the accompanying financial statements as a deduction from the bonds payable, is being charged to expense at various dates through the year 2016 using the straight-line method. The unamortized balance of this deferred loss on bond refunding amounted to \$39,325 and \$47,190 at June 30, 2011 and 2010, respectively.

2005 A Series Bonds, March 23, 2005:

In March 2005, the Authority issued the Series 2005-A Project Bonds in the amount of \$36,875,000. The proceeds of the bonds, together with certain earnings thereon, were used to finance the costs of capital improvements for certain State Universities, including renovations of a dining hall and athletic fields at Fitchburg State University, renovation of a campus center at Framingham State University, improvements to an athletic field at Salem State University and repairs and renovations of certain system projects. Certain proceeds of the Series 2005-A Bonds were used to fund the debt service reserve fund and to pay costs of issuance. These bonds are not Commonwealth guaranteed. The bonds were issued under the provisions of a new 2005 Trust Agreement, and are secured by revenues derived from fees, rents, rates, and other charges imposed by the Authority on State Universities for the use and occupancy of the projects initially financed with the prior bonds and projects financed with bonds that are refunded with a portion of the proceeds of the Series 2003 Bonds, the 2003-A Projects, the Series 2004-A Projects, the Series 2005-A Projects, and any future projects. As of June 30, 2011 and 2010, the Series 2005-A Bonds payable amounted to \$30,094,066 and \$31,572,004, respectively, including premium. These bonds carry interest rates that range from 3.0 to 5.0% and are payable annually on May 1 until 2026. The effective interest rate for 2011 and 2010 amounted to 4.28% and 4.24%, respectively.

2006 A Series Bonds, March 8, 2006:

In March 2006, the Authority issued the Series 2006-A Project Bonds in the amount of \$98,025,000. The proceeds of the bonds, together with certain earnings thereon, were used to finance the costs of capital improvements for certain State Universities, including construction and expansion of residence halls at Bridgewater State University and the Massachusetts Maritime Academy, construction, renovation and improvement of dining, parking, athletic and other student life facilities at certain of the State Universities and repairs and renovations of certain System Projects at certain of the State Universities. Certain proceeds of the Series 2006-A Bonds will be used to fund the Debt Service Reserve Fund, to pay interest on the Series 2006-A Bonds during the construction period of certain 2006-A Projects and to pay costs of issuance. These bonds are not Commonwealth guaranteed. The bonds were issued under the provisions of a new 2006 Trust Agreement, and are secured by revenues derived from fees, rents, rates, and other charges imposed by the Authority on State Universities for the use and occupancy of the projects initially financed with the prior bonds and projects financed with bonds that are refunded with a portion of the proceeds of the Series 2003 Bonds, the 2003-A Projects, the Series 2004-A Projects, the Series 2005-A Projects, the

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

8. Bonds payable - continued:

2006 A Series Bonds, March 8, 2006 - continued:

Series 2006-A Projects, and any future projects. As of June 30, 2011 and 2010, the Series 2006-A Bonds payable amounted to \$96,569,513 and \$98,524,328, respectively, including premium. These bonds carry interest rates that range from 3.5 to 5.0% and are payable annually on May 1 until 2041. The effective interest rate for 2011 and 2010 amounted to 4.89% and 4.88%, respectively.

2008 A Series Bonds, March 12, 2008:

In March 2008, the Authority issued the Series 2008-A Project Bonds in the amount of \$95,670,000. The proceeds of the bonds, together with certain earnings thereon, will be used to finance the costs of capital improvements for certain State Universities, including construction and expansion of residence halls at Bridgewater State University and Fitchburg State University, construction, renovation and improvement of dining and other student life facilities at certain of the State Universities and repairs and renovations of certain System Projects at certain of the State Universities. Certain proceeds of the Series 2008-A Bonds will be used to fund the Debt Service Reserve Fund, to pay interest on the Series 2008-A Bonds during the construction period of certain 2008-A Projects and to pay costs of issuance. These bonds are not Commonwealth guaranteed. The bonds were issued under the provisions of a new 2008 Trust Agreement, and are secured by revenues derived from fees, rents, rates, and other charges imposed by the Authority on State Universities for the use and occupancy of the projects initially financed with the prior bonds and projects financed with bonds that are refunded with a portion of the proceeds of the Series 2003 Bonds, the 2003-A Projects, the Series 2004-A Projects, the Series 2005-A Projects, the Series 2006-A Projects, the Series 2008-A Projects and any future projects. As of June 30, 2011, and 2010, the Series 2008-A Bonds payable amounted to \$95,325,251 and \$96,568,552, respectively, including premium. These bonds carry interest rates that range from 3.0 to 5.0% and are payable annually on May 1 until 2038. The effective interest rate for 2011 and 2010 amounted to 4.86% and 4.83%, respectively.

2009 A Series Bonds, January 28, 2009:

In January 2009, the Authority issued the Series 2009-A Project Bonds in the amount of \$128,570,000. The proceeds of the bonds, together with certain earnings thereon, will be used to finance the costs of capital improvements for certain State Universities, including construction and expansion of residence halls at Salem State University and Worcester State University, construction, renovation and improvement of dining and other student life facilities at certain of the State Universities and repairs and renovations of certain System Projects at certain of the State Universities. Certain proceeds of the Series 2009-A Bonds will be used to fund the Debt Service Reserve Fund, to pay interest on the Series 2009-A Bonds during the construction period of certain 2009-A Projects and to pay costs of issuance. These bonds are not Commonwealth guaranteed. The bonds were issued under the provisions of a new 2009 Trust Agreement, and are secured by revenues derived from fees, rents, rates, and other charges imposed by the Authority on State Universities for the use and occupancy of the projects initially financed with the prior bonds and projects financed with bonds that are refunded with a portion of the proceeds of the Series 2003 Bonds, the 2003-A Projects, the Series 2004-A Projects, the Series 2005-A Projects, the Series 2006-A Projects, the Series 2008-A Projects, the Series 2009-A Projects and any future projects. As of June 30, 2011 and 2010, the Series 2009-A Bonds payable amounted to \$127,172,965 and \$128,696,788, respectively, including premium. These bonds carry interest rates that range from 3.0% to 5.75% and are payable annually on May 1 until 2049. The effective interest rate for 2011 and 2010 amounted to 5.12% for both years.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

8. Bonds payable - continued:

2009 B/C Series Bonds, December 22, 2009:

In December 2009, the Authority issued the Series 2009-B Project Bonds in the amount of \$82,085,000. The proceeds of the bonds, together with certain earnings thereon, will be used to fund the construction of new residence halls at Framingham State University and the Massachusetts College of Art & Design, construction, renovation and improvement of student life facilities at certain of the State Universities, and the renovation of various System Projects. Certain proceeds of the Series 2009-B Bonds will be used to pay a portion of the interest on the Series 2009-B Bonds during construction, to fund the debt service reserve fund and to pay costs of issuance. These bonds are not Commonwealth guaranteed. The bonds were issued under the provisions of a new 2009 Trust Agreement, and are secured by revenues derived from fees, rents, rates, and other charges imposed by the Authority on State Universities for the use and occupancy of the projects initially financed with the prior bonds and projects financed with bonds that are refunded with a portion of the proceeds of the Series 2003 Bonds, the 2003-A Projects, the Series 2004-A Projects, the Series 2005-A Projects, the Series 2006-A Projects, the Series 2008-A Projects, the Series 2009-A Projects, the Series 2009-B Projects and any future projects. As of June 30, 2011 and 2010, the Series 2009-B Bonds payable amounted to \$84,708,522 and \$85,658,297, respectively, including premium. These bonds carry interest rates that range from 2.0% to 5.0%, and are payable annually on May 1 until 2040. The effective interest rate for 2011 and 2010 amounted to 4.71% and 4.56%, respectively.

In December 2009, the Authority issued the Series 2009-C Project Bonds in the amount of \$66,410,000. The Series 2009-C are federally taxable Build America Bonds (BABs), which provide for a 35% subsidy of the issuer's interest cost. The proceeds of the bonds, together with certain earnings thereon, will be used to fund the construction of the new residence hall at Framingham State University, construction, renovation and improvement of student life facilities at certain of the State Universities, and the renovation of various System Projects. Certain proceeds of the Series 2009-C Bonds will be used to pay a portion of the interest on the Series 2009-C Bonds during construction, to fund the debt service reserve fund and to pay costs of issuance. These bonds are not Commonwealth guaranteed. The bonds were issued under the provisions of a new 2009 Trust Agreement, and are secured by revenues derived from fees, rents, rates, and other charges imposed by the Authority on State Universities for the use and occupancy of the projects initially financed with the prior bonds and projects financed with bonds that are refunded with a portion of the proceeds of the Series 2003 Bonds, the 2003-A Projects, the Series 2004-A Projects, the Series 2005-A Projects, the Series 2006-A Projects, the Series 2008-A Projects, the Series 2009-A Projects, the Series 2009-C Projects and any future projects. As of June 30, 2011 and 2010, the Series 2009-C Bonds payable amounted to \$66,410,000 (no premium). These bonds carry interest rates that range from 4.584% to 5.932%, and are payable annually on May 1 until 2040. The effective interest rate for 2011 and 2010 amounted to 5.74% and 5.57%, respectively.

2010A/B Series Bonds, December 17, 2010:

In December 2010, the Authority issued the Series 2010-A Project Bonds in the amount of \$12,120,000. The Series 2010-A bonds were issued as traditional tax-exempt bonds with an all-in cost to the Authority of 2.477%. The proceeds of the bonds, together with certain earnings thereon, will be used to fund the construction of a parking facility at Bridgewater State University, renovation and improvement of certain student life facilities, and repairs and renovations of certain System Projects at certain State Universities. Certain proceeds of the Series 2010-A Bonds will be used to fund the debt service reserve fund and to pay

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

8. Bonds payable - continued:

costs of issuance. These bonds are not Commonwealth guaranteed. The bonds were issued under the provisions of a new 2010 Trust Agreement, and are secured by revenues derived from fees, rents, rates, and other charges imposed by the Authority on State Universities for the use and occupancy of the projects initially financed with the prior bonds and projects financed with bonds that are refunded with a portion of the proceeds of the Series 2003 bonds, the 2003-A Projects, the Series 2004-A Projects, the Series 2005-A Projects, the Series 2006-A Projects, the Series 2008-A Projects, the Series 2009-A Projects, the Series 2009-B Projects, the Series 2009-C Projects, the Series 2010-A Projects and any future projects. As of June 30, 2011, bonds payable amounted to \$13,138,235, including premium. These bonds carry interest rates that range from 3.0% to 5.0%, and are payable annually on May 1 until 2018. The effective interest rate for 2011 amounted to 4.03%.

In December 2010, the Authority also issued the Series 2010-B Project Bonds in the amount of \$47,880,000 with an all-in cost to the Authority, including the federal interest subsidy, of 4.136%. The Series 2010-B are federally taxable Build America Bonds (BABs), which provide for a 35% subsidy of the issuer's interest cost. The proceeds of the bonds, together with certain earnings thereon, will be used to fund the construction of a parking facility at Bridgewater State University, construction of a student life facility at Framingham State University, renovation and improvement of certain student life facilities, and repairs and renovations of certain System Projects at certain State Universities. Certain proceeds of the Series 2010-B Bonds will be used to fund the debt service reserve fund and to pay costs of issuance. These bonds are not Commonwealth guaranteed. The bonds were issued under the provisions of a new 2010 Trust Agreement, and are secured by revenues derived from fees, rents, rates, and other charges imposed by the Authority on State Universities for the use and occupancy of the projects initially financed with the prior bonds and projects financed with bonds that are refunded with a portion of the proceeds of the Series 2003 bonds, the 2003-A Projects, the Series 2004-A Projects, the Series 2005-A Projects, the Series 2006-A Projects, the Series 2008-A Projects, the Series 2009-A Projects, the Series 2009-B Projects, the Series 2009-C Projects, the Series 2010-A Projects, the Series 2010-B Projects and any future projects. As of June 30, 2011, bonds payable amounted to \$47,880,000 (no premium). These bonds carry interest rates that range from 4.888% to 6.54%, and are payable annually on May 1 until 2040. The effective interest rate for 2011 amounted to 6.09%.

2011A Series Bonds, May 25, 2011:

In June 2011, the Authority undertook a refinancing of a portion of its 2003-A and 2004-A Project Revenue Bonds both scheduled to mature at various dates through May 1, 2043. The 2011-A Refunding Revenue Bonds in the amount of \$51,610,000 are obligations of the Authority payable solely from the funds provided under the provisions of the Enabling Act and the new 2011 Trust Agreement. These bonds are not Commonwealth guaranteed. As of June 30, 2011, bonds payable amounted to \$59,454,511, including premium. These bonds carry interest rates that range from 2.0% to 5.0%, and are payable annually on May 1 until 2025. The effective interest rate for 2011 amounted to 3.80%.

The Authority was required to deposit \$59,010,392 in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portions of the Series 2003-A and Series 2004-A Bonds. As a result, a portion of both Series are considered to be defeased and the liability for those bonds and the assets held to repay the debt have been removed from the Authority's records. Assets held in the trust account for repayment of these bonds had an aggregate market value of \$59,006,630 at June 30, 2011. The aggregate unpaid principal amount of the two remaining Series of refunded bonds at June 30, 2011 totaled \$53,350,000.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

8. Bonds payable - continued:

2011A Series Bonds, May 25, 2011 - continued:

The Authority completed the advance refunding to reduce its debt service payments by \$3,518,799 and to obtain an economic gain of \$2,822,354. The advance refunding resulted in a difference of \$3,046,216 between the reacquisition price of \$59,010,392 and the net carrying amount of the old debt of \$55,964,176. This difference, reported in the accompanying financial statements as a deduction from the bonds payable, is being charged to expense at various dates through the year 2025 using the straight line method. The unamortized balance of this deferred loss on the bond refunding amounted to \$3,032,900 at June 30, 2011.

Amortization tables for bond issues and unamortized premiums as of June 30, 2011:

The following table sets forth the amounts required for the payment of principal due on the Bonds, the interest on the Bonds, the total debt service on the Bonds and the total annual requirements for the Bonds to maturity:

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Debt Service</u>
Year ending June 30:			
2012	\$ 19,400,000	\$ 41,309,408	\$ 60,709,408
2013	20,930,000	40,600,095	61,530,095
2014	21,925,000	39,540,845	61,465,845
2015	23,890,000	38,403,395	62,293,395
2016	27,771,780	39,057,899	66,829,679
2017 - 2021	130,820,073	185,174,743	315,994,816
2022 - 2026	150,683,264	166,239,053	316,922,317
2027 - 2031	147,677,906	115,570,564	263,248,470
2032 - 2036	141,380,000	63,870,667	205,250,667
2037 - 2041	119,865,000	25,839,409	145,704,409
2042 - 2046	28,885,000	5,413,075	34,298,075
2047 - 2049	<u>7,434,998</u>	<u>852,338</u>	<u>8,287,336</u>
	840,663,021	<u>\$ 761,871,491</u>	<u>\$ 1,602,534,512</u>
Plus: unamortized premium	<u>30,541,361</u> 871,204,382		
Less: deferred loss on refunding	(<u>19,419,495</u>)		
	<u>\$ 851,784,887</u>		

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

9. Long-term liabilities:

Long-term liabilities at June 30, 2011 and 2010 consisted of the following:

	2011				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Bonds payable:					
Bonds payable	\$ 824,611,040	\$ 120,581,681	\$ (73,988,339)	\$ 871,204,382	\$ 21,139,334
Deferred loss on refunding	(17,055,810)	(3,046,216)	682,531	(19,419,495)	(910,407)
Total bonds payable	807,555,230	117,535,465	(73,305,808)	851,784,887	20,228,927
Interagency payables	9,628,964	35,344,065	(14,113,588)	30,859,441	24,799,324
Other liabilities:					
Accounts payable and accrued liabilities	100,097	168	-	100,265	-
Arbitrage payable	113,009	54,623	(130,013)	37,619	-
Compensated absences	164,390	111,924	(113,568)	162,746	83,869
Total long-term liabilities	\$ 817,561,690	\$ 153,046,245	\$ (87,662,977)	\$ 882,944,958	\$ 45,112,120
	2010				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Bonds payable:					
Bonds payable	\$ 687,290,135	\$ 152,128,185	\$ (14,807,280)	\$ 824,611,040	\$ 17,507,167
Deferred loss on refunding	(17,702,961)	-	647,151	(17,055,810)	(669,215)
Total bonds payable	669,587,174	152,128,185	(14,160,129)	807,555,230	16,837,952
Interagency payables	15,101,224	8,224,121	(13,696,381)	9,628,964	6,391,325
Other liabilities:					
Accounts payable and accrued liabilities	66,392	100,097	(66,392)	100,097	-
Arbitrage payable	137,859	59,566	(84,416)	113,009	113,009
Compensated absences	146,841	113,917	(96,368)	164,390	93,541
Total long-term liabilities	\$ 685,039,490	\$ 160,625,886	\$ (28,103,686)	\$ 817,561,690	\$ 23,435,827

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

10. Restricted - net assets:

The Authority is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. These funds are comprised of the following:

	<u>2011</u>	<u>2010</u>
Restricted - expendable:		
DCAM/MSCBA contract restricted for life safety and access improvements and repositioning of O'Connor Hall (Note 17)	<u>\$ 1,897,286</u>	<u>\$ 2,555,116</u>

11. 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.

The Authority receives financial assistance from the U.S. Department of Housing and Urban Development in the form of grants. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit. Any disallowed expenditures resulting from such audits become a liability of the Authority. In the opinion of management, such liabilities, if any, are not expected to materially affect the financial condition of the Authority.

12. Operating expenses:

The Authority's operating expenses for the years ended June 30, 2011 and 2010, on a natural classification basis, are comprised of the following:

	<u>2011</u>	<u>2010</u>
Compensation	\$ 729,800	\$ 779,090
Supplies and services	1,528,722	1,784,068
Depreciation	<u>24,968,701</u>	<u>20,854,040</u>
	<u>\$ 27,227,223</u>	<u>\$ 23,417,198</u>

13. Retirement plan:

The Authority's full-time employees are covered by the Massachusetts State Employees' Retirement System (SERS). SERS, a single employer defined benefit public employee retirement system, is administered by the Massachusetts State Retirement Board and covers substantially all non-student employees. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Chapter 32 of the General Laws of the Commonwealth of Massachusetts assigns the authority to establish and amend benefit provisions to the Massachusetts Legislature. For active Authority employees covered by SERS, the Authority is not required to make contributions to the Plan. For

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

13. Retirement plan - continued:

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 \$84,452, \$89,249 and \$96,931 for the years ended June 30, 2011, 2010 and 2009, respectively, which equaled the required contributions each year. Annual covered payroll was approximately 100% of annual total payroll for the Authority in 2011, 2010 and 2009.

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 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.

All full-time staff are covered by and must participate in SERS. Benefits fully vest after 10 years of full-time employment. An employee may receive retirement benefits after 20 years of service, or after 10 years of service and having attained the age of 55.

Based on State statute, covered employees of the Authority contribute an amount ranging from 5% to 9% (depending on date of employment) of their eligible compensation to SERS. Employees hired after January 1, 1979, are required to contribute an additional 2% for the eligible compensation over \$30,000 per year. The Board of the Authority has voted to make actuarially determined contributions to a retirement trust fund.

14. Retiree health plan:

The Authority contributes to the Commonwealth of Massachusetts' Group Insurance Commission (GIC), which manages a cost-sharing multiple-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.

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, 2011, 2010, and 2009, were \$113,318, \$89,767 and \$92,077, respectively, which equaled the required contributions each year. Required contributions include contributions for the total health plan costs for both active and retired employees.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

15. Lease commitments and receivables:

On July 24, 2009, the Authority entered into a lease agreement with an unrelated third party for new 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 provides for a minimum annual base rent of \$115,885 for the initial year of the lease agreement and increases to \$184,470 per year for year eight and each of the remaining two years thereafter in the lease term. The initial year base rent also reflects a two-month free rent period. The lease is for a term of 120 months and expires in February 2020. 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, 2011 and 2010, rent expense incurred, including additional costs for monthly storage and parking which are not provided under the terms of the lease agreement, amounted to \$160,780 and \$31,177, respectively.

Future minimum rental payments under this operating lease agreement are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2012	\$ 146,630
2013	156,090
2014	169,334
2015	173,118
2016	173,118
2017 - 2020	<u>668,822</u>
	<u>\$ 1,487,112</u>

On June 25, 2010, the Authority entered into a lease agreement with the Massachusetts College of Pharmacy and Health Sciences (MCPHS) for the purpose of leasing a portion of the dormitory residences of the new student residence hall at the Massachusetts College of Art and Design which is currently under construction and scheduled for occupancy in the beginning of the Fall 2012 academic semester. The cost of the portion of the property that will be leased to MCPHS amounts to approximately \$14,340,000 and \$2,440,000 at June 30, 2011 and 2010, respectively, and is included in construction in progress on the accompanying statements of net assets. In accordance with the lease agreement, MCPHS deposited \$100,000 with the Authority in December 2009, which together with interest earned thereon, shall be credited towards the payment of MCPHS's first installment of annual rent. As of June 30, 2011 and 2010, the deposit and interest earned thereon, in the amount of \$100,265 and \$100,097, respectively, are included in noncurrent restricted cash and cash equivalents and noncurrent accounts payable and accrued liabilities in the accompanying 2011 and 2010 statements of net assets (deficiency in net assets).

The lease agreement provides for an initial term of five academic years commencing on the later of August 15, 2012 and the date that the premises are substantially complete, and thereafter, at the option of MCPHS, may be extended for three additional, consecutive 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 for an academic year shall be due and payable in equal installments in September and February. Annual rent during the periods of extension provide for rent increases as defined in the lease agreement.

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
(a component unit of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

15. Lease commitments and receivables - continued:

Future minimum rentals receivable under this operating lease agreement are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2012	\$ -
2013	2,500,000
2014	2,500,000
2015	2,500,000
2016	2,600,000
2017	<u>2,600,000</u>
	<u>\$ 12,700,000</u>

16. Supplemental cash flows information:

Schedule of noncash investing and financing activities:

2011

Acquisition of capital assets	\$ 103,460,661
Accounts payable thereon:	
Beginning of year	15,438,553
End of year	(15,536,017)
Net interest incurred and earned, capitalized in construction in progress	<u>(4,215,642)</u>
Payments for capital assets	<u>\$ 99,147,555</u>
Accounts receivable and Interagency payables related to State University capital projects on State University owned property	<u>\$ 31,258,152</u>
Unearned interest income on accounts receivable related to State University capital projects on State University owned property	<u>\$ 17,196,941</u>
Contractor accounts payable related to State University capital projects on State University owned property	<u>\$ 3,404,485</u>
Unrealized loss on investment securities	<u>\$ 909,220</u>
Net bond issue costs related to bonds refunded	<u>\$ 408,062</u>
Unamortized bond premium related to bonds refunded	<u>\$ 3,022,238</u>

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
(a component unit of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

16. Supplemental cash flows information - continued:

Schedule of noncash investing and financing activities - continued:

2010

Acquisition of capital assets	\$ 102,128,203
Accounts payable thereon:	
Beginning of year	12,390,599
End of year	(15,438,553)
Net interest incurred and earned, capitalized in construction in progress	(<u>6,780,751</u>)
Payments for capital assets	<u>\$ 92,299,498</u>
Transfer of land to DCAM	<u>\$ 666,250</u>
Accounts receivable and Interagency payables related to State University capital projects on State University owned property	<u>\$ 6,222,819</u>
Unearned interest income on accounts receivable related to State University capital projects on State University owned property	<u>\$ 2,694,729</u>
Contractor accounts payable related to State University capital projects on State University owned property	<u>\$ 1,624,468</u>
Unrealized gain on investment securities	<u>\$ 1,792,137</u>

17. State capital appropriations transfer:

In July, 2008, the Authority entered into a four party letter-agreement with the Commonwealth of Massachusetts' Division of Capital Asset Management (DCAM), the Department of Higher Education (DHE) and Framingham State University (Framingham). The agreement calls for the repositioning of O'Connor Hall on the Framingham Campus from its current use as a residence hall to an academic/faculty/student activity support facility by the beginning of the Fall 2011 academic semester. The expected cost of the renovations and the furnishings is \$2,400,000. The agreement also calls for funding in the amount of \$7,000,000 to be provided for costs toward the design and construction of a new residence hall on the Framingham Campus. Funding for these projects will be provided by DCAM in the total amount of \$9,400,000. During July 2009, MSCBA received \$6,881,873, which represented a present value discounted amount of the initial \$7,000,000 due under the agreement for the new residence hall. Funds received by the Authority related to this agreement are included as a component of nonoperating revenue in the Authority's fiscal 2010 statement of revenues, expenses and changes in net assets. In fiscal 2011, there were no such funds received by the Authority related to this agreement.

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
(a component unit of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

18. Bank of America settlement:

On December 10, 2010, the Authority was notified that as a result of a claim settlement agreement, Bank of America Securities LLC (BoA) would be remitting a payment to the Authority in the amount of \$201,756 for a settlement relating to the Master Repo Agreement with BoA for the 1999-1 and 1999-A Construction Fund and Capitalized Interest Fund. The matter involved BoA's role in certain improper bidding practices during a time period in which the Authority's repo was bid out. After conferring with bond counsel, the Authority will use the funds for capital renewal work on campuses which participated in the 1999-1 and 1999-A bond issues. The settlement reflects the earnings that would have been earned had the improper bidding practices by BoA not occurred. The settlement proceeds are reported as miscellaneous revenue in the accompanying 2011 statement of revenues, expenses and changes in net assets. The full amount of the settlement was received in December 2010.

SUPPLEMENTAL INFORMATION

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
(a component unit of the Commonwealth of Massachusetts)

Supplemental Statistical Information - Unaudited

Schedule of Net Assets (Deficiency) by Category

	<u>2002</u>	<u>2003</u>	<u>2004</u> (as restated)	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Invested in capital assets, net of related debt	\$ (33,197,391)	\$ (27,292,678)	\$ (25,322,851)	\$ (13,976,826)	\$ (30,169,951)	\$ (28,139,209)	\$ (39,228,780)	\$ (30,567,499)	\$ (41,041,522)	\$ (22,524,180)
Restricted - expendable	8,896,485	5,346,405	3,036,958	930,636	363,076	330,731	106,446	8,976	2,555,116	1,897,286
Unrestricted	22,737,878	18,194,516	19,239,245	7,447,070	21,658,274	18,530,376	27,805,831	17,955,692	31,893,410	13,473,805
Total Net Assets (Deficiency)	\$ (1,563,028)	\$ (3,751,757)	\$ (3,046,648)	\$ (5,599,120)	\$ (8,148,601)	\$ (9,278,102)	\$ (11,316,503)	\$ (12,602,831)	\$ (6,592,996)	\$ (7,153,089)

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MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
(a component unit of the Commonwealth of Massachusetts)

Supplemental Statistical Information - Unaudited

Changes in Net Assets

	<u>2002</u>	<u>2003</u>	<u>2004</u> (as restated)	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Operating Revenue										
Income from assessments	\$ 12,580,947	\$ 14,492,876	\$ 19,732,282	\$ 22,919,644	\$ 27,045,308	\$ 30,196,978	\$ 33,715,219	\$ 36,555,398	\$ 42,453,490	\$ 51,349,024
Federal grants for debt service	211,890	211,890	211,890	211,890	211,890	211,890	211,890	211,890	211,890	211,890
Other miscellaneous revenue	17,572	18,831	45,593	62,811	128,063	119,862	174,592	216,054	119,636	568,661
Total operating revenue	12,810,409	14,723,597	19,989,765	23,194,345	27,385,261	30,528,730	34,101,701	36,983,342	42,785,016	52,129,575
Non-Operating Revenue										
Net investment income	4,015,781	2,087,665	1,922,229	2,826,980	3,898,869	4,864,785	5,009,751	4,674,885	6,393,208	3,977,455
Transfers from State Universities	-	145,968	(446,726)	527,740	978,769	536,914	347,388	1,684,693	440,267	3,352,687
State capital appropriations	4,748,525	-	-	-	-	-	-	-	6,881,873	-
Build America Bonds interest subsidy	-	-	-	-	-	-	-	-	700,809	1,887,838
Gain (loss) on sale of assets	-	-	-	-	-	-	-	-	-	400,141
Miscellaneous nonoperating revenue	-	-	-	-	-	-	-	-	-	201,756
Capital grants	-	-	-	-	-	-	344,224	34,255	293,073	-
Total non-operating revenue	8,764,306	2,233,633	1,475,503	3,354,720	4,877,638	5,401,699	5,701,363	6,393,833	14,709,230	9,819,877
Total Revenue	21,574,715	16,957,230	21,465,268	26,549,065	32,262,899	35,930,429	39,803,064	43,377,175	57,494,246	61,949,452
Operating Expenses										
Maintenance costs	(1,343,573)	(1,336,792)	(1,186,513)	(746,323)	(421,828)	(701,992)	(607,595)	(500,864)	(535,276)	(668,168)
Authority operating costs	(544,325)	(625,750)	(695,514)	(766,641)	(882,143)	(1,012,269)	(1,060,471)	(1,282,995)	(1,392,357)	(1,483,170)
Depreciation	(5,122,604)	(6,876,356)	(8,391,555)	(12,272,209)	(14,577,806)	(15,821,798)	(17,306,821)	(18,614,829)	(20,854,040)	(24,968,701)
Bond related costs	-	(256,735)	(473,268)	(354,127)	(130,156)	(124,902)	(47,522)	(67,804)	(52,160)	49,576
Other expenses	(573,673)	(14,840)	(85,079)	(73,389)	(164,687)	(239,798)	(181,503)	(224,192)	(583,365)	(156,760)
Total operating expenses	(7,584,175)	(9,110,473)	(10,831,929)	(14,212,689)	(16,176,620)	(17,900,759)	(19,203,912)	(20,690,684)	(23,417,198)	(27,227,223)
Non-operating expense										
Interest expense	(9,450,580)	(10,035,486)	(10,502,678)	(14,888,848)	(18,635,760)	(19,159,171)	(22,637,553)	(23,972,819)	(28,067,213)	(35,282,322)
Total non-operating expense	(9,450,580)	(10,035,486)	(10,502,678)	(14,888,848)	(18,635,760)	(19,159,171)	(22,637,553)	(23,972,819)	(28,067,213)	(35,282,322)
Total Expenses	(17,034,755)	(19,145,959)	(21,334,607)	(29,101,537)	(34,812,380)	(37,059,930)	(41,841,465)	(44,663,503)	(51,484,411)	(62,509,545)
Increase (decrease) in net assets	\$ 4,539,960	\$ (2,188,729)	\$ 130,661	\$ (2,552,472)	\$ (2,549,481)	\$ (1,129,501)	\$ (2,038,401)	\$ (1,286,328)	\$ 6,009,835	\$ (560,093)

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
(a component unit of the Commonwealth of Massachusetts)

Supplemental Statistical Information - Unaudited

Schedule of Revenue

<u>Institution</u>	<u>2002</u>	<u>2003</u>	<u>2004</u> (as restated)	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Bridgewater	\$ 2,628,580	\$ 3,161,417	\$ 4,457,535	\$ 4,482,867	\$ 4,795,486	\$ 5,438,523	\$ 7,822,115	\$ 8,322,153	\$ 10,167,907	\$ 12,019,967
Fitchburg	1,487,219	1,676,966	1,939,892	2,318,513	2,636,155	2,877,521	2,777,823	3,114,788	4,318,236	4,705,990
Framingham	1,651,135	1,674,230	2,849,386	2,539,490	3,107,535	3,601,883	3,566,123	4,296,966	4,440,318	4,923,218
Mass. College of Art	311,286	971,662	2,867,911	2,058,637	2,053,837	2,085,066	2,093,382	2,123,909	2,166,434	2,203,147
Mass. College of Liberal Arts	1,038,352	1,159,129	1,180,626	1,289,002	1,327,074	1,480,142	1,540,548	1,607,082	2,225,289	2,397,236
Mass. Maritime Academy	935,850	1,037,854	1,163,726	1,291,439	1,470,468	1,753,164	2,604,399	3,076,898	3,376,425	3,545,353
Salem	1,199,538	1,273,968	1,421,436	3,425,419	3,975,228	4,401,671	4,415,071	4,411,494	4,972,018	9,128,481
Westfield	2,299,794	2,447,706	2,563,974	2,744,803	4,563,833	4,979,345	5,002,812	5,552,861	6,264,556	6,649,381
Worcester	1,029,193	1,089,944	1,287,796	2,769,474	3,115,692	3,579,663	3,892,946	4,049,247	4,522,307	5,776,251
Total	\$ 12,580,947	\$ 14,492,876	\$ 19,732,282	\$ 22,919,644	\$ 27,045,308	\$ 30,196,978	\$ 33,715,219	\$ 36,555,398	\$ 42,453,490	\$ 51,349,024

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
(a component unit of the Commonwealth of Massachusetts)

Supplemental Statistical Information - Unaudited

Room Rates of Residence Facilities

<u>Institution</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Bridgewater	\$2,516-3,005	\$2,650-4,600	\$2,784-4,600	\$3,002-4,808	\$3,192-4,954	\$3,560-5,138	\$4,350-6,400	\$5,100-6,656	\$5,640-6,962	\$5,800-7,100
Fitchburg	\$2,482-2,692	\$2,654-3,012	\$2,916-3,250	\$3,192-3,582	\$3,414-3,840	\$3,736-4,418	\$3,812-\$4,464	\$4,160-5,170	\$4,642-5,345	\$4,782-6,000
Framingham	\$2,388-2,769	\$2,590-2,992	\$2,808-3,290	\$3,074-3,800	\$3,504-4,336	\$3,846-4,736	\$4,034-4,974	\$4,382-5,382	\$4,755-5,755	\$5,105-6,105
Mass. College of Art	\$4,420	\$4,886-7,850	\$5,216-8,244	\$5,450-8,614	\$6,050-9,074	\$6,400-9,300	\$6,400-\$9,300	\$6,710-9,580	\$6,777-9,676	\$7,350-10,280
Mass. College of Liberal Arts	\$2,529-2,545	\$2,738-2,844	\$2,894-3,070	\$3,218-3,444	\$3,266-3,530	\$3,454-3,720	\$3,622-\$3,882	\$3,800-4,202	\$4,175-4,575	\$4,375-4,875
Mass. Maritime Academy	\$2,362	\$2,530	\$2,684	\$2,886	\$3,098	\$3,366	\$4,100	\$4,668	\$4,978	\$5,125
Salem	\$2,495-2,811	\$2,720-3,036	\$3,032-3,466	\$3,242-6,030	\$3,588-6,272	\$3,948-6,568	\$4,114-6,766	\$4,610-7,445	\$5,071-8,204	\$5,730-9,110
Westfield	\$2,602-3,044	\$2,746-3,352	\$2,884-3,502	\$3,034-3,828	\$3,264-5,750	\$3,386-5,930	\$3,588-5,990	\$3,984-6,230	\$4,303-6,516	\$4,650-6,800
Worcester	\$2,936-3,119	\$3,102-3,292	\$3,292-3,754	\$3,692-5,900	\$3,764-6,250	\$4,046-6,294	\$4,220-6,484	\$4,880-6,847	\$5,272-7,165	\$6,150-7,487

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**MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
(a component unit of the Commonwealth of Massachusetts)**

Supplemental Statistical Information - Unaudited

Occupancy as a Percentage of Design Capacity at Residence Facilities

<u>Institution</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Bridgewater	107%	105%	105%	105%	105%	104%	103%	104%	101%	100%
Fitchburg	89%	95%	99%	100%	100%	102%	104%	103%	105%	104%
Framingham	99%	105%	102%	100%	100%	100%	99%	101%	101%	104%
Mass. College of Art	104%	100%	100%	99%	98%	101%	99%	100%	100%	99%
Mass. College of Liberal Arts	71%	81%	82%	88%	89%	95%	89%	88%	94%	99%
Mass. Maritime Academy	89%	93%	95%	96%	99%	103%	92%	94%	100%	103%
Salem	106%	105%	105%	100%	103%	101%	100%	104%	106%	94%
Westfield	107%	109%	106%	109%	106%	108%	107%	107%	105%	104%
Worcester	103%	100%	101%	96%	97%	101%	100%	102%	102%	100%
State University Average	97%	101%	101%	101%	100%	103%	101%	102%	102%	101%

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**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
Boston, Massachusetts

We have audited the financial statements of Massachusetts State College Building Authority (a component unit of the Commonwealth of Massachusetts) (the Authority) as of and for the year ended June 30, 2011, and have issued our report thereon, dated September 20, 2011. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 determination of financial statement amounts. 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.

This report is intended solely for the information and use of the Board, management, and others within the Authority, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Escolini & Company LLP

Boston, Massachusetts
September 20, 2011

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 Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. or any other 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.

“Bonds” means the Prior Bonds and 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 the Parity Bonds.

“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.

“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 Guaranty” means the guaranty by the Commonwealth pursuant to the Act of the payment of principal of and interest on Guaranteed Bonds. The term “Commonwealth Guaranty” shall not include a Credit Facility or Pledged Funds.

“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 as of any date of calculation, an amount equal to the least of (i) 10% of the aggregate original net proceeds from the sale of all Bonds Outstanding other than Guaranteed Bonds, (ii) 125% of average annual Debt Service on all Bonds Outstanding other than Guaranteed Bonds and (iii) the maximum amount of Debt Service due in any future Fiscal Year on all Bonds Outstanding other than Guaranteed Bonds.

“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.

“Guaranteed Bonds” means the Prior Bonds and the Authority’s Refunding Revenue Bonds, Series 2004B.

“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.

“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.

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

“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.”

“Parity Bonds” means the Authority’s Project Revenue Bonds, Series 2003A, Refunding Revenue Bonds, Series 2003B, Project Revenue Bonds, Series 2004A, Refunding Revenue Bonds, Series 2004B, Project Revenue Bonds, Series 2005A, Project Revenue Bonds, Series 2006A, Project Revenue Bonds, Series 2008A, Project Revenue Bonds, Series 2009A, Project Revenue Bonds, Series 2009B, Project Revenue Bonds, Series 2009C, Project Revenue Bonds, Series 2010A, Project Revenue Bonds, Series 2010B, Refunding Revenue Bonds, Series 2011A, Project Revenue Bonds, Series 2012A and any other bonds issued under the Trust Agreement.

“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 Bonds” shall mean the Authority’s Project and Refunding Revenue Bonds, Series 1994-A.

“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.

“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 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 the Prior Bonds.

“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 (the “1994 Trust Agreement”) between the Authority and U.S. Bank National Association, as successor Trustee (the “Trustee”), as amended by the First Supplemental Agreement to 1994 Trust Agreement dated as of January 1, 1996 (the “First Supplemental Agreement”), the Second Supplemental Agreement to 1994 Trust Agreement dated as of August 1, 1999 (the “Second Supplemental Agreement”) and the Third Supplemental Agreement dated as of April 1, 2000 (the “Third Supplemental Agreement”), 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 (the “Fourth Supplemental Agreement”), as further supplemented by the Fifth Supplemental Trust Agreement dated as of February 1, 2003 (the “Fifth Supplemental Agreement”), providing for the issuance of the Authority’s Project Revenue Bonds, Series 2003A, and Refunding Revenue Bonds, Series 2003B (collectively, the “Series 2003 Bonds”), as further amended by the Sixth Supplemental Trust Agreement dated as of November 1, 2003 (the “Sixth Supplemental Agreement”), as further supplemented by the Seventh Supplemental Trust Agreement dated as of January 1, 2004 (the “Seventh Supplemental Agreement”), providing for the issuance of the Authority’s Project Revenue Bonds, Series 2004A (the “Series 2004A Bonds”), as further supplemented by the Eighth Supplemental Trust Agreement dated as of February 1, 2004 (the “Eighth Supplemental Agreement”), providing for the issuance of the Series 2004B Bonds, as

further supplemented by the Ninth Supplemental Trust Agreement dated as of March 1, 2005 (the “Ninth Supplemental Agreement”), providing for the issuance of the Authority’s Project Revenue Bonds, Series 2005A (the “Series 2005A Bonds”), as further supplemented by the Tenth Supplemental Agreement dated as of March 1, 2006 (the “Tenth Supplemental Agreement”) and the Eleventh Supplemental Agreement dated as of April 1, 2006 (the “Eleventh Supplemental Agreement”), providing for the issuance of the Authority’s Project Revenue Bonds, Series 2006A (the “Series 2006A Bonds”), as further supplemented and amended by the Twelfth Supplemental Agreement dated as of March 1, 2008 (the “Twelfth Supplemental Agreement”), providing for the issuance of the Series 2008A Bonds (the “Series 2008A Bonds”), as further supplemented and amended by the Thirteenth Supplemental Trust Agreement dated as of January 1, 2009 (the “Thirteenth Supplemental Agreement”), as further supplemented by the Fourteenth Supplemental Trust Agreement dated as of January 1, 2009 (the “Fourteenth Supplemental Trust Agreement”), providing for the issuance of the Series 2009A Bonds (the “Series 2009A Bonds”) each between the Authority and the Trustee, as further amended and restated by the Fifteenth Supplemental Trust Agreement dated as of December 1, 2009 (the “Fifteenth Supplemental Agreement”) as further supplemented by the Sixteenth Supplemental Trust Agreement dated as of December 1, 2009 (the “Sixteenth Supplemental Agreement), providing for the issuance of the Series 2009B Bonds, and as further supplemented by the Seventeenth Supplemental Trust Agreement dated as of December 1, 2009 (the “Seventeenth Supplemental Agreement), providing for the issuance of the Series 2009C Bonds, as further supplemented and amended by the Eighteenth Supplemental Trust Agreement dated as of December 1, 2010 (the Eighteenth Supplemental Agreement), as further supplemented by the Nineteenth Supplemental Trust Agreement dated as of December 1, 2010 (the “Nineteenth Supplemental Agreement), providing for the issuance of the Series 2010A Bonds, as further supplemented by the Twentieth Supplemental Trust Agreement dated as of December 1, 2010 (the “Twentieth Supplemental Agreement), 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 (the “Twenty-first Supplemental Agreement”), 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 (the “Twenty-second Supplemental Trust Agreement”), and as further supplemented by the Twenty-third Supplemental Trust Agreement dated as of January 1, 2012 (the “Twenty-third Supplemental Trust Agreement”), providing for the issuance of the Series 2012A 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.

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 (but junior to the pledge securing the Prior 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. All Revenues, all moneys and securities on deposit in all funds and accounts created under the Trust Agreement are thereby pledged for the payment of the Principal Installments and Redemption Price of and interest on the Prior 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, (except for the Project Fund, the Operating Fund, the Debt Service Fund, the Debt Service Reserve Fund and the Rebate Fund) and all rights of the Authority under the Contract to receive all Revenues payable to the Authority thereunder. Subject only to the foregoing prior pledge created for the payment of Prior Bonds, and on the terms and conditions set forth therein with respect to such prior pledge, there are pledged for the payment of the Principal Installments and Redemption Price of and interest on the Bonds other than the Prior 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, the Prior Bonds Debt Service Fund, the Section 10 Reserve 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, provided that moneys and securities in the Section 10 Reserve Fund are pledged to all Guaranteed Bonds and provided, further, that neither Pledged Funds nor moneys and securities in the Debt Service Reserve Fund are pledged to Guaranteed Bonds.

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) Prior Bonds Debt Service Fund;
- (4) Section 10 Reserve Fund;
- (5) Operating Fund;
- (6) Debt Service Fund;
- (7) Debt Service Reserve Fund;
- (7) Rebate Fund;
- (8) 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
- (9) 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 each April 10 and October 10, the Trustee shall apply amounts available in the Revenue Fund to the following purposes and in the following order:

- (i) to the Prior Bonds Debt Service Fund, an amount which, when added to other amounts on deposit in such Fund and available for such purpose, will equal the interest to become due and payable on Outstanding Prior Bonds on the next interest payment date and one-half of any Principal Installment to become due and payable on any Outstanding Prior Bonds on or before the next date (within the next twelve months) on which such Principal Installment is payable;

- (ii) to the Section 10 Reserve Fund, an amount which, together with the amounts on deposit therein, will equal one-half of the aggregate of the applicable Annual Series Requirements;
- (iii) 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, other than Prior Bonds, on the next interest payment date and any Principal Installment to become due and payable on Outstanding Bonds, other than Prior 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);
- (iv) to the Debt Service Reserve Fund, an amount which, together with the amounts on deposit therein, will equal the Debt Service Reserve Fund Requirement;
- (v) to the Authority for deposit in the Operating Fund, the amount directed in writing to be deposited therein by an Authorized Officer;
- (vi) 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
- (vii) 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.

Prior Bonds Debt Service Fund. The Trustee shall pay out of the Prior Bonds Debt Service Fund to the Paying Agent (i) on or before each interest payment date for any of the Prior Bonds the amount required for the interest and Principal Installments payable on such date and (ii) on or before each redemption date for any Prior Bonds, other than a redemption date on account of Sinking Fund Installments, the amount required for the payment of the Redemption Price of and interest on the Prior Bonds then to be redeemed.

Section 10 Reserve Fund. The moneys in the Section 10 Reserve Fund shall be held in trust and applied as hereinafter provided and, pending such application, are pledged to, and shall be subject to a lien and charge in favor of, the Owners of Guaranteed Bonds Outstanding. The Trustee shall apply the moneys held from time to time for the credit of the Section 10 Reserve Fund to the payment to the Prior Bonds Debt Service Fund or the Debt Service Fund, as the case may be, of an amount equal to the excess of (i) the aggregate of amounts required at any interest payment date to pay interest then due on Guaranteed Bonds and, if such date is also a maturity date or a Sinking Fund Installment due date for any Guaranteed Bonds, the principal of all such Guaranteed Bonds then matured or the amount of the Sinking Fund Installment then due with respect to Guaranteed Bonds, as the case may be, over (ii) moneys then held for the credit of the Prior Bonds Debt Service Fund or Debt Service Fund, as the case may be, and available for the payment of such interest, principal or Sinking Fund Installment, respectively.

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 other than the Prior 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 (other than Guaranteed 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.

So long as unspent original sale proceeds of the Series 2010B Bonds remain on deposit in the 2010B Capitalized Interest Account in the Debt Service Fund or in the 2010B Project Account in the Project Fund, income earned on investment of moneys in the Debt Service Reserve Fund allocable to the Series 2010B Bonds will be credited to and deposited in the 2010B Capitalized Interest Account or the 2010B Project Account, or both, as the Authority may direct by a certificate of an Authorized Officer. Thereafter, such income shall be credited to and deposited in the Debt Service Fund.

Except as may be otherwise provided in a Supplemental Trust Agreement, in lieu of the required deposits and transfers to the Debt Service Reserve Fund or as a replacement or substitution for any moneys or Investment Obligations then on deposit in the Debt Service Reserve Fund, the Authority may at any time cause to be deposited into the Debt Service Reserve Fund for the benefit of the Owners of the Bonds other than Guaranteed Bonds a surety bond, an insurance policy, a letter of credit or another similar obligation (and may replace such surety bond, insurance policy, letter of credit or similar obligation from time to time) providing for payments in an amount equal to the difference between the Debt Service Reserve Fund Requirement and the sums, if any, then on deposit in the Debt Service Reserve Fund or being deposited in the Debt Service Reserve Fund concurrently with such surety bond, insurance policy, letter of credit or other similar obligation. The surety bond, insurance policy, letter of credit or other similar obligation shall be payable (upon the giving of notice as required thereunder) on any date on which moneys will be required to be withdrawn from the Debt Service Reserve Fund and applied to the payment of a Principal Installment of or interest on any Bonds other than Guaranteed Bonds and such withdrawal cannot be met by moneys and Investment Obligations on deposit in the Debt Service Reserve Fund. If a disbursement is made pursuant to a surety bond, an insurance policy, a letter of credit or other similar obligation provided pursuant to the Trust Agreement, the Authority shall be obligated, but only from the sources of payment specified therein, either (i) to reinstate the maximum limits of such surety bond, insurance policy, letter of credit or other similar obligation, (ii) to deposit into the Debt Service Reserve Fund, funds in the amount of the disbursement made under such surety bond, insurance policy, letter of credit or other similar obligation, (iii) to promptly deposit into the Debt Service Reserve Fund a different surety bond, insurance policy, letter of credit or other similar obligations having a maximum limit equal to the amount of the disbursement made under the existing surety bond, insurance policy, letter of credit or other similar obligation, or (iv) to utilize any combination of the alternatives set forth in clauses (i), (ii) or (iii) above as shall provide that the amount in the Debt Service Reserve Fund equals the Debt Service Reserve Fund Requirement. Subject to the provisions of the Trust Agreement, moneys and Investment Obligations on deposit in the Debt Service Reserve Fund may, if required by the terms of any surety bond, letter of credit or other similar obligation, be utilized by the Authority to repay any drawings on such surety bond, letter of credit or other similar obligation, but only if such repayment will result in a reinstatement of the amount available to be drawn under such surety bond, letter of credit or other similar obligation in an amount at least equal to the amount of such repayment.

In the event of the refunding of any Bonds other than Guaranteed Bonds, the Authority may direct the Trustee to withdraw from the Debt Service Reserve Fund all, or any portion of, the amounts accumulated therein with respect to such Bonds being refunded and deposit such amounts with the Trustee in a separate account to be held for the payment of the principal or Redemption Price, if applicable, and interest on such Bonds being refunded, provided that such withdrawal shall not be made unless (i) immediately thereafter such Bonds being refunded shall be deemed to have been paid pursuant to paragraph (b) under the heading "Defeasance" and (ii) the amount remaining in the Debt Service Reserve Fund, after giving effect to the issuance of any Refunding Bonds and the disposition of the proceeds thereof and to any surety bond, insurance policy, letter of credit or other similar obligation deposited in such Fund pursuant to the requirements under this heading, shall not be less than the Debt Service Reserve Fund Requirement. In the event of such refunding, the Authority may also direct the Trustee to withdraw from the Debt Service Reserve Fund all or any portion of the amounts accumulated therein with respect to

Debt Service on such Bonds being refunded and deposit such amounts in any Fund or Account, provided, however, that such withdrawal shall not be made unless items (i) and (ii) referred to hereinabove have been satisfied.

Regardless of the provisions of the Trust Agreement regarding the Revenue Fund, in the event that at any time the amount on deposit in the Debt Service Reserve Fund, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation deposited in such Fund pursuant to the applicable provisions under this heading, shall be less than the Debt Service Reserve Fund Requirement as a result of any withdrawal from said Fund or as a result of the valuation of such Fund performed in accordance with the Trust Agreement, the Authority shall restore the amount on deposit in the Debt Service Reserve Fund, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation deposited in said Fund pursuant to the applicable provisions under this heading, to the Debt Service Reserve Fund Requirement, in the case of restoration after a withdrawal in 12 equal monthly installments commencing within 90 days of such withdrawal, and in the case of restoration as a result of valuation in six equal monthly installments commencing 30 days after such valuation.

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 (other than the Section 10 Reserve Fund) for any purpose, Investment Obligations shall be valued at par, or if purchased at other than par, shall be valued at Amortized Value. Investment Obligations in the Section 10 Reserve Fund shall be valued at par. 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 Section 10 Reserve Fund shall be valued at par as aforesaid, and 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 aggregate of the twelve Annual Series Requirements, in the case of the Section 10 Reserve Fund, or the Debt Service Reserve Fund Requirement, in the case of the Debt Service Reserve Fund.

Satisfaction of Sinking Fund Installments. Any amount accumulated in the Prior Bonds Debt Service Fund or 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 Prior Bonds Debt Service Fund or the Debt Service Fund, as the case may be, 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 (other than the Prior Bonds Debt Service Fund or in the Section 10 Reserve Fund), as directed by the Authority in a certificate of an Authorized Officer, provided that Pledged Funds may not be used to pay the principal of or interest on Guaranteed Bonds. If there are insufficient moneys in the Revenue Fund to make the deposits required by clauses (iii) and (iv) 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, (i) to the end that the Commonwealth Guaranty therein provided and the pledge of the full faith and credit of the Commonwealth for such Commonwealth Guaranty shall remain in full force and effect and binding upon the Commonwealth as authorized by the Act and provided by the Contract, said Commonwealth Guaranty and pledge being evidenced by the guaranty executed on each Prior Bond by an officer of the BHE, and (ii) 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. 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 of the Trust Agreement will be met with respect to the principal and Redemption Price of Bonds and interest thereon required by the

applicable provisions of the Trust Agreement to be deemed to be paid. 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 120 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 (other than Guaranteed 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 provide for the issuance of Guaranteed Bonds other than the Prior Bonds or, if permitted by the Act, to provide for the issuance of other Bonds that are guaranteed by the Commonwealth;
- (vi) 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;
- (vii) to cure any ambiguity or to cure, correct or supplement any defect or inconsistent provisions contained in the Trust Agreement; and
- (viii) 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 51% in principal amount of the Prior Bonds Outstanding and 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. So long as any Prior Bonds are Outstanding, no such modification or amendment shall permit the creation of a lien or pledge of Revenues ranking prior to or on a parity with the lien securing the Prior Bonds or permit or create a preference or priority of any Bonds over the Prior Bonds. 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 or of the Owners of not less than 25% in aggregate principal amount of the Prior 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 the Outstanding Prior Bonds (or of not less than 25% in aggregate principal amount of all Outstanding Bonds, if fewer than 25% in aggregate principal amount of the Prior Bonds make such request) 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. To the extent that the allocation of such moneys, securities, funds and Revenues is not otherwise provided for in the Trust Agreement, the Trustee shall establish and deposit the same into a separate account in the Prior Bonds Debt Service Fund. 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 Prior 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;

Second: To the payment to the persons entitled thereto of the unpaid principal of any Prior 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 Prior Bonds, and, if the amount available shall not be sufficient to pay in full all the Prior 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;

Third: To the payment to the persons entitled thereto of all installments of interest then due on Bonds other than the Prior 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

Fourth: To the payment to the persons entitled thereto of the unpaid principal of any Bonds other than the Prior 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 other than the Prior 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 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 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 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 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 Project is located, to be used to make Capital Improvements to the Campus 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 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 Project during the prior 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 Revenue Procedure 97-13 of the Internal Revenue Code. 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.

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 (excluding debt service costs related to Guaranteed Bonds), 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 (other than Guaranteed 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 (other than Guaranteed 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 semiannually 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. Subject to the foregoing, the Authority agrees to purchase and maintain in effect with respect to each Commonwealth-owned Project 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. 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. Such Addenda shall be numbered sequentially and attached to the Contract. The first four Addenda shall incorporate provisions in the 1999 Bridgewater Contract, the Framingham Contract, the 2000 Bridgewater Contract and the MassArt Dining Hall Contract that differ from the general provisions of the Contract.

Credit of the Commonwealth; Commonwealth Guaranty. The Commonwealth Guaranty shall remain in full force and effect, in accordance with its terms as executed on each of the Prior Bonds, until all of the Prior Bonds have been paid, and the full faith and credit of the Commonwealth are pledged for the performance of the Commonwealth Guaranty. The Commonwealth has agreed to guarantee to the Owners of all Guaranteed Bonds and to the Trustee, as trustee for such Owners, the payment of the principal of and interest on all of the Guaranteed Bonds as the same become due and payable, and in case the Authority shall default in making any such payment as and when the same shall be due and payable, the Commonwealth has agreed to make such payment as the same becomes due and payable and has pledged its full faith and credit for the performance of such guaranty, provided that the total amount of bonds and notes issued by the Authority and guaranteed by the Commonwealth under the Act shall not exceed the amount from time to time authorized by the Act to be so guaranteed, exclusive of such bonds and notes as the Act may permit to be excluded from such amount.

However, 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 other than performance of the Commonwealth Guaranty on the Guaranteed Bonds.

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the Series 2012A Bonds, Bond Counsel proposes to deliver to the Underwriters an opinion in substantially the following form:

[Date of Delivery]

Massachusetts State College Building Authority
253 Summer Street
Boston, Massachusetts 02210

Re: Massachusetts State College Building Authority (the "Authority") Project Revenue Bonds, Series 2012A (the "Series 2012A Bonds")

We have acted as bond counsel to the Authority in connection with the issuance by the Authority of the Series 2012A Bonds pursuant to (i) Chapter 703 of the Acts of 1963, as amended (the "Act"), (ii) the Fifteenth Supplemental Trust Agreement dated as of December 1, 2009, as amended (the "Fifteenth Supplemental Trust Agreement"), between the Authority and U. S. Bank National Association, as successor trustee (the "Trustee"), amending and restating the Trust Agreement dated as of November 1, 1994, and (iii) the Twenty-third Supplemental Trust Agreement dated as of January 1, 2012 (the "Twenty-third Supplemental Trust Agreement" and, together with the Fifteenth Supplemental Trust Agreement, the "Trust Agreement") between the Authority and the Trustee. 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 2012A Bonds when due.

As to questions of fact material to our opinion, we have relied upon the representations of the Authority contained in the Trust Agreement and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon and subject to the foregoing, we are of the opinion that, under existing law:

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 2012A 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 2012A Bonds issued thereunder on a parity with other bonds issued under the Trust Agreement but subordinated to the lien pledged for the security of the Authority's Project and Refunding Revenue Bonds, Series 1994-A.

5. The Series 2012A 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 2012A 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 2012A Bonds.

6. (i) Interest on the Series 2012A Bonds will not be included in the gross income of holders of such Series 2012A Bonds for federal income tax purposes. This opinion is rendered subject to the condition that the Authority comply with various requirements of the Internal Revenue Code of 1986, as amended, which requirements must be satisfied subsequent to the date of issuance of the Series 2012A Bonds in order to ensure that the interest on the Series 2012A Bonds is and continues to be excludable from the gross income of the holders of the Series 2012A Bonds for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Series 2012A Bonds to be included in the gross income of holders of such Series 2012A Bonds retroactive to the date of issuance of the Series 2012A Bonds.

(ii) While interest on the Series 2012A Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed under federal tax law on individuals and corporations, interest on the Series 2012A Bonds will be included in the “adjusted current earnings” of corporate holders of the Series 2012A Bonds and therefore will be taken into account in computing the alternative minimum tax imposed on certain corporations.

(iii) We express no opinion regarding other federal tax consequences arising with respect to the Series 2012A Bonds.

7. Interest on the Series 2012A Bonds and any profit on the sale thereof are exempt from Massachusetts personal income taxes, and the Series 2012A 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 2012A Bonds nor as to the taxability of the Series 2012A Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, under the laws of any state other than the Commonwealth of Massachusetts.

It is to be understood that the rights of the holders of the Series 2012A Bonds and the enforceability of the Series 2012A Bonds, the Trust Agreement and the Contract may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally heretofore or hereafter enacted and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING

Massachusetts State College Building Authority
Project Revenue Bonds, Series 2012A

Authority Disclosure Agreement

Prior to the issuance of the above Bonds (the “Series 2012A 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 2012A Bonds. The Authority will undertake for the benefit of the registered owners and Beneficial Owners (the “owners”) of the Series 2012A 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 2012A 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 2012A 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 2002-2012 for the System of Public Higher Education”
4. Summary presentation of the amount of Pledged Trust Funds for each State University.	“SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS – 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”

Financial Information and Operating Data Category	Reference to Official Statement for Level of Detail
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 2012A 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 Authority¹;
- (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 2012A 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 2012A 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 2012A 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 2012A 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 2012A 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 2012A 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 2012A 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 2012A Bonds affected thereby at or prior to the time of such amendment.

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.

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