

NEW ISSUE-BOOK-ENTRY ONLY

Moody's: Aa2
Standard & Poors: AA
See "RATINGS", herein.

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 2012C Bonds will not be included in the gross income of holders of such Series 2012C Bonds for federal income tax purposes. Interest on the Series 2012C 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 2012C 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 2012C Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Series 2012C Bonds are exempt from Massachusetts personal property taxes. The Series 2012C 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.

\$153,840,000
MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
Project Revenue Bonds
Series 2012C

Dated: Date of Initial Delivery

Due: May 1, as shown on the inside cover

The \$153,840,000 Project Revenue Bonds, Series 2012C (the "Series 2012C Bonds") of the Massachusetts State College Building Authority (the "Authority"), will be issued as fully registered bonds and will be registered in the name of Cede & Co., as Bondholder and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series 2012C Bonds. Purchases of the Series 2012C 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 2012C Bonds will be made to purchasers. So long as Cede & Co. is the registered holder of the Series 2012C Bonds, principal and semiannual interest (payable May 1 and November 1, commencing November 1, 2013) are payable to DTC by U. S. Bank National Association, as Trustee. See Appendix C "Book-Entry Only System" herein.

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

The Series 2012C Bonds will be special obligations of the Authority secured by a pledge of revenues, as more fully described herein. In addition, the Series 2012C Bonds will be secured by an intercept of appropriations to the State Universities, as more fully described herein. See "SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS – Commonwealth Appropriation Intercept."

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

The Series 2012C 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. Acacia Financial Group, Inc. is acting as financial advisor to the Authority in connection with the issuance of the Series 2012C Bonds. It is expected that the Series 2012C Bonds in definitive form will be available for delivery through DTC in New York, New York, or its custodial agent, on or about December 20, 2012.

Dated: December 6, 2012

\$153,840,000
Massachusetts State College Building Authority
Project Revenue Bonds, Series 2012C

Dated: Date of Initial Delivery

Due: May 1, as shown below

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number</u> [†]	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number</u> [†]
2014	\$ 1,595,000	5.00%	0.360% ¹	575832VK3	2026	\$ 6,500,000	2.25%	2.359% ¹	575832VX5
2015	4,270,000	5.00	0.480 ¹	575832VL1	2027	6,645,000	3.00	2.510 ²	575832VY3
2016	4,480,000	4.00	0.590 ¹	575832VM9	2028	6,850,000	3.00	2.570 ²	575832VZ0
2017	4,665,000	4.00	0.720 ¹	575832VN7	2029	7,045,000	3.00	2.630 ²	575832WA4
2018	4,860,000	4.00	0.870 ¹	575832VP2	2030	7,265,000	3.00	2.690 ²	575832WB2
2019	5,040,000	5.00	0.980 ¹	575832VQ0	2031	7,490,000	3.00	2.750 ²	575832WC0
2020	5,285,000	4.00	1.160 ¹	575832VR8	2032	7,700,000	3.00	2.810 ²	575832WD8
2021	5,495,000	5.00	1.370 ¹	575832VS6	2033	3,865,000	3.00	2.870 ²	575832WE6
2022	5,765,000	4.00	1.590 ¹	575832VT4	2034	3,980,000	3.00	2.940 ²	575832WF3
2023	6,015,000	3.00	1.810 ²	575832VU1	2035	4,100,000	3.00	3.010 ¹	575832WG1
2024	6,180,000	3.00	2.010 ²	575832VV9	2036	4,225,000	3.00	3.080 ¹	575832WH9
2025	6,370,000	2.00	2.200 ¹	575832VW7					

\$ 8,840,000 3.00% Term Bond Due May 1, 2038, Yield: 3.115%¹ CUSIP: 575832WJ5

\$ 19,315,000 3.00% Term Bond Due May 1, 2042, Yield: 3.157%¹ CUSIP: 575832WK2

[†] Copyright 2012, 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 2012C 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 2012C 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 2012C Bonds.

¹ Yield to maturity.

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

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 original purchasers of the Series 2012C Bonds to give any information or to make any representation with respect to the Series 2012C 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 2012C 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 original purchasers of the Series 2012C Bonds. 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 2012C 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.

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OFFICIAL STATEMENT

\$153,840,000

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

INTRODUCTION

This Official Statement (including the cover page and Appendices attached hereto) provides certain information in connection with the issuance by the Massachusetts State College Building Authority (the “Authority”) of its \$153,840,000 Project Revenue Bonds, Series 2012C (the “Series 2012C Bonds”). The Series 2012C Bonds are being issued pursuant to Chapter 703 of the Massachusetts Acts of 1963, as amended (the “Act”), and under the Trust Agreement dated as of November 1, 1994, as amended, 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 2012C Bonds, is herein referred to as the “Trust Agreement.” Reference is also made to 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 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 D.

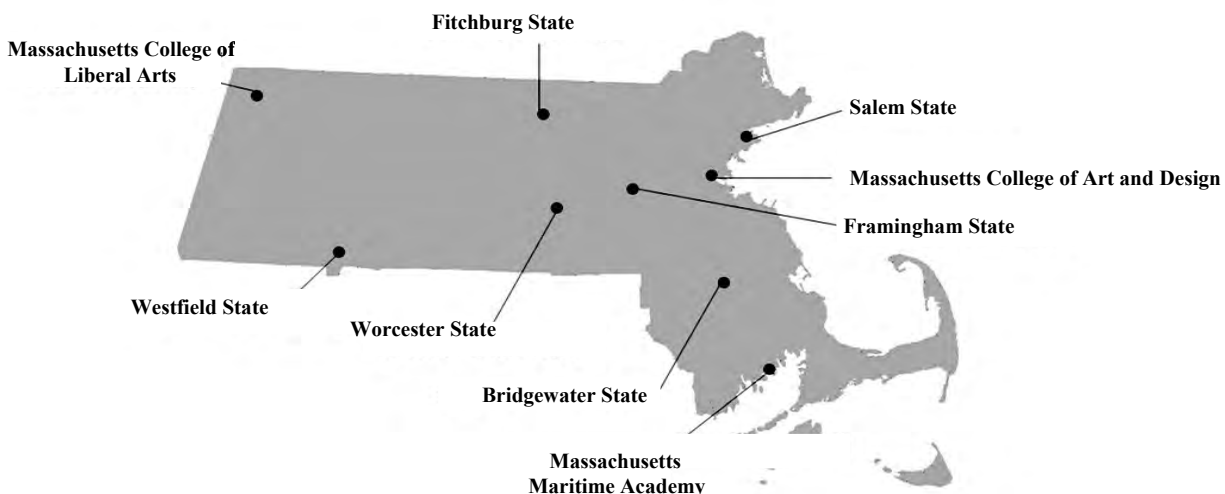
The Series 2012C Bonds will be special obligations of the Authority secured by a pledge of revenues, as more fully described herein. In addition, the Series 2012C Bonds will be secured by an intercept of Commonwealth appropriations to the State Universities, as more fully described herein. The Series 2012C Bonds shall not be deemed to constitute a debt or liability of the Commonwealth or any political subdivision thereof. Neither the faith and credit nor the taxing power of the Commonwealth or of any political subdivision or instrumentality thereof is pledged to the payment of the principal of or premium or interest on the Series 2012C Bonds. The Authority does not have taxing power. See “SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS”, herein.

The Series 2012C Bonds are being issued to finance certain capital projects of the Authority. See “ESTIMATED SOURCES AND USES OF FUNDS – Application of Proceeds of the Series 2012C Bonds”, herein.

The Series 2012C Bonds were sold through a competitive, electronic bidding process on December 6, 2012 in accordance with the terms of the Official Notice of Sale attached hereto as Appendix G.

The Authority

The Authority was created by the Act in 1963 to finance, design and construct residential, dining, parking, athletic, cultural, healthcare, and other revenue-producing facilities for the Massachusetts state 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”). The Authority portfolio currently has capacity for approximately 15,000 students in 44 residential complexes. These facilities house approximately 42% of the undergraduate student population and comprise approximately 4.3 million square feet of space in 96 separate structures on the nine State University campuses. See “THE AUTHORITY,” herein.



Purpose and Content of Official Statement

This Official Statement describes the terms and use of proceeds of, and security for, the Series 2012C Bonds. This introduction is subject in all respects to the additional information contained in this Official Statement, including Appendices A through G. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document.

Appendix E attached hereto contains the proposed form of legal opinion of Bond Counsel with respect to the Bonds. Appendix F attached hereto contains the proposed form of the Authority's continuing disclosure undertaking to be included in the form of the Series 2012C Bonds to facilitate compliance by the successful bidder of the Series 2012C Bonds with the requirements of paragraph (b)(5) of Rule 15c2-12 of the Securities and Exchange Commission.

THE SERIES 2012C BONDS

General

The Series 2012C 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 2012C Bonds will be available in denominations of \$5,000 and integral multiples thereof. Interest on the Series 2012C Bonds will be payable on November 1, 2013 and on each May 1 and November 1 thereafter.

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

Redemption Provisions

Optional Redemption. The Series 2012C 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 2012C Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date.

Sinking Fund Redemption. The Series 2012C Bonds maturing on May 1, 2038 and May 1, 2042 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 2012C Bonds called for redemption, plus accrued interest to the redemption date as follows:

Series 2012C Bonds Maturing May 1, 2038

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
5/1/2037	\$4,355,000	5/1/2038 [†]	\$4,485,000

[†] Final Maturity

Series 2012C Bonds Maturing May 1, 2042

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
5/1/2039	\$4,620,000	5/1/2041	\$4,895,000
5/1/2040	4,755,000	5/1/2042 [†]	5,045,000

[†] Final Maturity

Notice of Redemption. The Trustee is required to give notice of redemption of any Series 2012C 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 2012C Bonds, or portions thereof, to be redeemed.

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

SOURCES AND USES OF FUNDS

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

Sources of Funds

Par amount of Series 2012C Bonds	\$ 153,840,000
Net original issue premium	8,934,761
Total	<u>\$162,774,761</u>

Uses of Funds

Deposit to the Project Fund	\$ 154,550,000
Deposit to the 2012C Capitalized Interest Account.....	3,807,678
Deposit to the Debt Service Reserve Fund.....	2,586,110
Underwriter's discount and costs of issuance of the Series 2012C Bonds.....	1,830,972
Total	<u>\$162,774,761</u>

Application of Proceeds of the Series 2012C Bonds

The proceeds of the Series 2012C Bonds deposited to the Project Fund are expected to be used in the following approximate amounts:

<u>Campus</u>	<u>Project Description</u>	<u>Amount</u>
Bridgewater	Rondileau Campus Center improvements	\$9,000,000
Fitchburg	Hammond Campus Center improvements and renovations	11,000,000
	Parking improvements	2,500,000
Framingham	Land acquisition and parking improvements	13,000,000
	Dining facilities expansion	2,400,000
Mass College of Liberal Arts	Various student life facilities improvements	1,250,000
Mass Maritime Academy	New student housing capacity (242 beds)	24,400,000
	Marine docks and academic hall renovations	8,000,000
Worcester	New residence hall (400 beds) and dining facility	55,000,000
	Athletic facility	15,000,000
Various Campuses	Renewal and adaption projects, including bathroom renovations, mechanical, electrical, and plumbing system upgrades, window replacement, basement waterproofing and access improvements	13,000,000
Total		<u>\$154,550,000</u>

SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS

General

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

The Series 2012C Bonds will be issued pursuant to the Act and under the Trust Agreement. The Series 2012C 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 2012C 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 2012C Bonds will be the fifteenth 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 2012C Bonds, there will be approximately \$1.1 billion 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 \$15.1 million. 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 \$13.2 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.

Pursuant to the Act, the Authority is precluded from issuing any additional bonds guaranteed by the Commonwealth.

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.

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 "SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS - The Contract; *Annual Budget and the Fixing of Rents and Fees*" and "THE BOARD OF HIGHER EDUCATION."

Debt Service Reserve Fund

The Trust Agreement establishes a Debt Service Reserve Fund as security for all Bonds 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 2012C Bonds, the amount on deposit in the Debt Service Reserve Fund will be equal to the Debt Service Reserve Requirement. 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 D.

Other Reserves

The Trust Agreement also establishes a Section 10 Reserve Fund (See "Prior Bonds and Guaranteed Bonds," above), 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 "SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS - The Contract; *Trust Funds and Reserves of State Universities*." See also "SUMMARY OF LEGAL DOCUMENTS - Summary of the Trust Agreement; *Capital Improvement Reserve Fund*" and "SUMMARY OF LEGAL DOCUMENTS – Summary of Contract for Financial Assistance, Management and Services; *Operating Reserves*" and "SUMMARY OF LEGAL DOCUMENTS – Summary of Contract for Financial Assistance, Management and Services; *Capital Improvement Reserve Accounts*" in Appendix D.

Capital Improvement Reserve Fund. The Trust Agreement establishes the Capital Improvement Reserve Fund, including the following accounts within such fund: the "System Projects Capital 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. "System Projects" are projects financed with Prior Bonds. 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 the prior 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. "Campus Projects" are projects financed and those to be financed in the future with bonds other than Prior Bonds. 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%, (iii) in each of the next five fiscal years, 7.5%, and (iv) in each year thereafter, 10%.

Multipurpose Reserve Fund. The Multipurpose Reserve Fund is funded from the Revenue Fund at the discretion of the Authority to the extent provided in any Supplemental Trust Agreement or as directed in a certificate of an Authorized Officer of the Authority. Amounts not subject to the lien of the Trust Agreement may be deposited by the Authority in the Multipurpose Reserve Fund at any time. In recent years, the Multipurpose Reserve Fund has been funded at \$400,000 per year from assessments on System Projects. 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 "SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS - The Contract; *Trust Funds and Reserves of State Universities.*" Pursuant to the Authority's Annual Budget, and at such time or times in each fiscal year as may be specified in the Annual Budget, commencing with the second full Fiscal Year after completion of a Campus Project, the applicable State University is required to add to the balance in such trust fund held as an operating reserve the amount, if any, necessary to cause such reserve amount to equal the following percentages of the operating expenses for the Campus Project for the fiscal year prior to the year in which the deposit is to be made: (i) in the second full fiscal year after completion of the Campus Project, 1%, (ii) in the third year, 2%, (iii) in the fourth year, 3%, (iv) in the fifth year, 4%, and (v) in the sixth year and thereafter, 5%.

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

The Contract

The Authority and the BHE have entered into the Contract in order to provide Revenues and Pledged Funds for the payment of debt service on the Bonds. The BHE, acting in the name of the Commonwealth, is authorized by

the Act to enter into the Contract and to offer the services of the various State Universities. The Trust Agreement assigns to the Trustee all rights of the Authority under the Contract to receive Revenues payable to the Authority thereunder.

Annual Budget and the Fixing of Rents and Fees. The Contract requires the Authority to submit its Annual Budget to the BHE by February 1 of each year detailing, among other things, projected costs of operating, maintaining and repairing the Projects, the Authority's projected debt service costs, the Authority's projected operating and administrative costs, any projected required deposits to reserves, 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. As of June 30, 2012, the aggregate amount of Pledged Trust Funds pledged by the various State Universities ranged from \$468,754 to \$4.3 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 "SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS - Commonwealth Appropriation Intercept." Pledged Trust Funds and Pledged Appropriations are collectively referred to herein as "Pledged Funds."

The Contract requires the BHE to make payments from Pledged Funds if and to the extent Revenues related to a particular State University and other moneys received by the Authority or otherwise available pursuant to the Trust Agreement in connection with the Projects of such State University are insufficient to pay debt service on the Bonds (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 "SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS - Commonwealth Appropriation Intercept." If such report is not received by the Comptroller during the month of September or January, as the case may be, the Contract requires the Comptroller to prevent any amounts from being expended from the appropriations account of any State University until such time as the Comptroller has determined whether there is an insufficiency of available funds to pay debt service. If such report indicates that there is an insufficiency of funds available to pay debt service, or if, in the absence of a report, the Comptroller ascertains that there is such an insufficiency, the Comptroller shall, within five days, but not later than the last business day in February (in the case of a May 1 debt service payment) or October 10 (in the case of a November 1 debt service payment), transfer amounts, without further allotment, from the appropriation account of one or more State Universities, as appropriate, to cure such insufficiency in accordance with the provisions of this section.

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

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

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

Commonwealth Appropriation Intercept

As additional security for all Bonds 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 D- “SUMMARY OF LEGAL DOCUMENTS - Summary of the Trust Agreement; *Pledged Funds*.”

Total Appropriations for Fiscal 2003-2013 for the System of Public Higher Education. The following table sets forth appropriation information for the system of public higher education for fiscal years 2003-2013. 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.

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Total Appropriations for Fiscal 2003 – 2013 for the System of Public Higher Education

	<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>	<u>2013</u>
Bridgewater	\$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	\$33,860,038
Fitchburg	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	23,467,647
Framingham	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	21,466,256
Mass. College of Art	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	13,405,202
Mass. College of Liberal Arts	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	12,559,859
Mass. Maritime Academy	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	12,330,691
Salem	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	34,614,021
Westfield	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	20,139,642
Worcester	<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>	<u>19,941,794</u>
Total State Universities	<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>	<u>191,785,150</u>
Community Colleges	<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>	<u>208,154,311</u>
University of Massachusetts	<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>	<u>418,107,753</u>
Total	<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>	<u>\$818,047,214</u>

Source: Commonwealth of Massachusetts

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 \$28.3 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. Pursuant to the Act, each member continues in office for a term expiring on June thirtieth in the sixth calendar year after the calendar year in which the term of office of such member began, except that a person appointed to fill a vacancy in any such membership shall serve only for the unexpired term. Presently, two membership positions are vacant and the terms of six members have expired. Members serve until a successor is appointed and qualified. The members of the Authority are sometimes referred to as the Authority's board. The Authority annually elects a chairman and vice-chairman from its members and also elects a secretary-treasurer and may elect an assistant secretary-treasurer, neither of whom need be a member. The present members of the Authority are listed below.

James T. Morris, Chair (member since 1996). 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 (member since 2005). 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 (member since 2005). 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 (member since 2009). 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 (member since 2010). 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 (member since 2008). Dr. Ellis is the Senior Vice President and Chief Financial Officer 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 (member since 1997). 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.

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, fifteen in total, is responsible for management of facility planning, design and construction, strategic asset management, financial management, including overseeing operating budgets and advising the Authority in connection with setting rates and user fees, and implementing operating procedures. The present key staff members are listed below.

Edward H. Adelman, A.I.A., Executive Director and Assistant Secretary-Treasurer. Mr. Adelman joined the Authority as its Director of Capital Projects in 2002; in 2005, he was promoted to the position of Executive Director. Since 1979, Mr. Adelman has managed capital project planning, design and construction for public agencies and academic institutions, including Babson College, Brandeis University and Salem State University. Mr. Adelman is a registered architect in Massachusetts and a member of the American Institute of Architects. He received a Bachelor of Architecture degree from Cornell University and a Master of Architecture degree from Kent State University.

Karol D. Ostberg, Chief Financial Officer. Ms. Ostberg joined the Authority in November 2011. As Chief Financial Officer, Ms. Ostberg is responsible for managing the Authority's financial controls, accounting, reporting, debt, rates and user fees setting process and providing oversight and direction for the financial operations of the Authority. 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.

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.msoba.org.

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 "SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS - Commonwealth-owned Projects."

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

The Authority regularly updates a strategic plan to determine the number, type and location of facilities to support the State Universities, as well as a facility renewal plan to maintain quality facilities over time. Once the need for a project is determined, the staff of the Authority oversees feasibility studies that determine the revenue and expense associated with the construction and operation of the proposed facility. Once financial feasibility is determined, the project is approved by the Authority and the BHE and a project manager on the staff of the Authority is assigned to coordinate master planning and architectural design services. The planning and design process is closely coordinated with a construction management firm to control budget and schedule. Detailed design and construction site activity is managed through the use of an owner's project manager, a qualified individual or professional firm that provides quality control and assurance and assists in ensuring compliance with contract documents, budget and schedule. Throughout the study, planning and construction period the Authority prepares monthly reports to track the progress of each project which are reviewed by the design and construction committee of the Authority board on a monthly basis and by the full board. After completion of a facility, the Authority continues to assist with its operation and management through the review of occupancy reports, the preparation of

budgets, the development of rent assessments, the payment of debt service, the payment of insurance premiums and the annual review of all facilities to schedule 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 2008 to 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 Unaudited

	Fiscal 2008 Actual	Fiscal 2009 Actual	Fiscal 2010 Actual	Fiscal 2011 Actual	Fiscal 2012 Actual
Combined Beginning 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>
Building Receipts					
Room Rents	59,020,994	65,355,448	73,355,295	82,470,437	89,931,083
Non-residential Project fees	3,716,944	3,741,237	5,268,428	6,618,687	8,324,595
Other Receipts	<u>2,611,911</u>	<u>3,973,230</u>	<u>4,941,221</u>	<u>4,004,235</u>	<u>2,911,318</u>
Subtotal	<u>65,349,849</u>	<u>73,069,915</u>	<u>83,564,944</u>	<u>93,093,159</u>	<u>101,166,996</u>
Other Receipts					
Investment earnings	2,608,254	2,342,302	2,247,081	3,154,185	3,171,672
HUD grant for debt service	211,890	211,890	211,890	211,890	211,890
Transfers from Capitalized Interest Accounts	0	3,004,349	7,103,202	5,293,841	2,975,875
State University contributions	1,784,904	1,327,833	1,157,833	1,242,111	1,012,500
Build America Bond subsidy	<u>0</u>	<u>0</u>	<u>700,809</u>	<u>2,110,317</u>	<u>2,360,991</u>
Subtotal	<u>4,605,048</u>	<u>6,886,374</u>	<u>11,420,816</u>	<u>12,012,344</u>	<u>9,732,928</u>
Total Receipts	<u>\$69,954,897</u>	<u>\$79,956,289</u>	<u>\$94,985,760</u>	<u>\$105,105,503</u>	<u>\$110,899,925</u>
Building Disbursements					
Residence hall operations and staff ²	16,621,048	15,825,593	16,311,994	18,651,200	20,260,059
Facility maintenance and repair ²	4,025,582	4,895,908	5,528,278	5,946,689	8,296,809
Facility renewal	3,799,284	3,854,824	3,900,920	3,662,174	4,948,082
Utilities ²	8,277,412	8,220,067	8,210,519	8,936,000	8,876,134
Administration ²	<u>788,835</u>	<u>617,841</u>	<u>597,069</u>	<u>1,410,281</u>	<u>742,923</u>
Subtotal	<u>33,512,162</u>	<u>33,414,233</u>	<u>34,548,780</u>	<u>38,606,343</u>	<u>43,124,007</u>
Debt Service					
Prior Bonds	7,334,405	7,337,905	7,336,000	7,337,750	7,335,625
Parity Bonds	<u>24,639,447</u>	<u>30,633,618</u>	<u>42,681,406</u>	<u>49,555,603</u>	<u>50,734,821</u>
Subtotal	<u>31,973,852</u>	<u>37,971,523</u>	<u>50,017,406</u>	<u>56,893,353</u>	<u>58,070,446</u>
Other Disbursements					
Section 10 Reserve Fund deposits ⁴	0	0	0	0	0
Authority operating expenses and insurance	1,513,742	1,733,702	1,943,680	2,053,099	2,156,051
Housing Grant Scholarship Program ²	<u>1,062,209</u>	<u>1,009,869</u>	<u>1,281,321</u>	<u>1,506,724</u>	<u>1,792,564</u>
Subtotal	<u>2,575,951</u>	<u>2,743,571</u>	<u>3,225,001</u>	<u>3,559,823</u>	<u>3,948,615</u>
Total Disbursements	<u>68,061,964</u>	<u>74,129,327</u>	<u>87,791,187</u>	<u>99,059,520</u>	<u>105,143,069</u>
Net Change	<u>1,892,933</u>	<u>5,826,962</u>	<u>7,194,572</u>	<u>6,045,984</u>	<u>5,756,856</u>
Combined Ending Fund Balance³	<u>\$18,287,690</u>	<u>\$24,114,652</u>	<u>\$31,309,225</u>	<u>\$37,355,209</u>	<u>\$43,112,064</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, 2012, 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, 2012, 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, and certain deposits to reserves. The financial statements of the Authority for the year ended June 30, 2012 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 2012-2013 9-month academic year, the average on-campus room rent is \$6,207 per bed. 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 increased financing of student activity facilities.

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. Year-to-year changes are a function of the amounts in these funds and the effective interest rates. The Authority has certain long-term investment agreements providing for a guaranteed rate of return to the Authority for several Debt Service Funds and Debt Service Reserve Funds. In November, 2008, the Authority terminated seven such agreements with Lehman Brothers Special Financing Inc. ("LBSF") upon the bankruptcy filing of LBSF's corporate parent. None of the corpus of the pertinent investments was lost, and the Authority has provided for expected reduced earnings to be received in the future as a result of the termination of the guaranteed-rate investment agreements. 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 2012C 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 will expire at the end of 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 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. The annual distribution was increased to \$2.0 million for Fiscal Year 2013 and is expected to continue at that level. In fiscal year 2012, approximately 9.9% of resident students benefited from this program and the average grant equaled 21.1% of the room rate.

Debt Service Obligations

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

Year Ending May 1	Principal of the Series 2012C Bonds	Interest on the Series 2012C Bonds	Total Debt Service on the Series 2012C Bonds	Total Debt Service on Outstanding Parity Bonds*	Total Debt Service on Outstanding Prior Bonds	Total Debt Service on Outstanding Bonds
2013	\$ -	\$ -	\$ -	\$ 61,484,839	\$ 7,332,750	\$ 68,817,589
2014	1,595,000	6,930,329	8,525,329	59,796,260	7,336,875	75,658,464
2015	4,270,000	5,001,550	9,271,550	68,015,435		77,286,985
2016	4,480,000	4,788,050	9,268,050	72,540,469		81,808,519
2017	4,665,000	4,608,850	9,273,850	68,891,397		78,165,247
2018	4,860,000	4,422,250	9,282,250	69,086,128		78,368,378
2019	5,040,000	4,227,850	9,267,850	69,513,104		78,780,954
2020	5,285,000	3,975,850	9,260,850	70,285,463		79,546,313
2021	5,495,000	3,764,450	9,259,450	70,498,506		79,757,956
2022	5,765,000	3,489,700	9,254,700	71,152,604		80,407,304
2023	6,015,000	3,259,100	9,274,100	74,142,399		83,416,499
2024	6,180,000	3,078,650	9,258,650	70,017,046		79,275,696
2025	6,370,000	2,893,250	9,263,250	70,428,905		79,692,155
2026	6,500,000	2,765,850	9,265,850	72,069,271		81,335,121
2027	6,645,000	2,619,600	9,264,600	69,797,879		79,062,479
2028	6,850,000	2,420,250	9,270,250	74,854,706		84,124,956
2029	7,045,000	2,214,750	9,259,750	60,933,137		70,192,887
2030	7,265,000	2,003,400	9,268,400	53,889,224		63,157,624
2031	7,490,000	1,785,450	9,275,450	50,279,368		59,554,818
2032	7,700,000	1,560,750	9,260,750	48,488,605		57,749,355
2033	3,865,000	1,329,750	5,194,750	48,879,366		54,074,116
2034	3,980,000	1,213,800	5,193,800	49,152,002		54,345,802
2035	4,100,000	1,094,400	5,194,400	50,018,645		55,213,045
2036	4,225,000	971,400	5,196,400	48,995,487		54,191,887
2037	4,355,000	844,650	5,199,650	47,128,932		52,328,582
2038	4,485,000	714,000	5,199,000	48,316,280		53,515,280
2039	4,620,000	579,450	5,199,450	42,083,291		47,282,741
2040	4,755,000	440,850	5,195,850	36,221,753		41,417,603
2041	4,895,000	298,200	5,193,200	24,950,813		30,144,013
2042	5,045,000	151,350	5,196,350	9,371,113		14,567,463
2043				15,299,725		15,299,725
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				<u>2,762,238</u>		<u>2,762,238</u>
Total	<u>153,840,000</u>	<u>73,447,779</u>	<u>227,287,779</u>	<u>1,763,158,476</u>	<u>14,669,625</u>	<u>2,005,115,880</u>

* Figures are net of 35% Interest Subsidy Payment associated with Build America Bonds.

Project Delivery and Capital Improvement Program

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

The Authority maintains a facility renewal plan to identify the required periodic reinvestment necessary to maintain its facilities, including the estimated cost, desired frequency and anticipated funding source for these projects. Over the past ten years, the Authority has reduced estimated deferred maintenance needs from \$69 million to \$6.6 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. Typical renewal projects include the repair, replacement or extended use of building exterior components, mechanical systems and interior finishes. Specifically, these include replacement of roofing and windows, re-pointing of masonry and repainting of exterior trim; replacement of domestic water heaters, plumbing fixtures, boilers, electrical equipment and fixtures, fire alarm systems and elevators; repainting of interior walls and ceilings, replacement of flooring and repair of doors and hardware. Typical adaption projects include the provision of sprinkler systems and the improvement of access for individuals with disabilities.

The continuous improvement in facility condition and the expedited procurement model achieves best practices in facility renewal, reduces deferred maintenance, improves quality and cost control and mitigates the need for future borrowings.

Projects Financed by Parity Bonds

Since 1999, the Authority has financed approximately \$222.7 million of repairs and major renovations at a number of State Universities with bond proceeds. Such projects have included, hazardous material abatement, fire safety improvements, access for the physically disabled, sprinklers and fire alarms, elevator replacement, bathroom renovations, mechanical, electrical and plumbing upgrades, masonry and roof repairs, common area improvements, interior finishes and exterior and interior renewals. The Authority has financed approximately \$652.7 million for the design and construction of new and expanded existing residence halls with bond proceeds, and for the construction of two parking facilities. The Authority also has financed approximately \$181.6 million of student life projects with bond proceeds.

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 and Wellness Center at Westfield State. Commonwealth-Owned Projects to be financed with the proceeds of Series 2012C Bonds include the improvements to the campus centers at Bridgewater State and Fitchburg State, a land acquisition and parking improvements at Framingham State, construction of an athletic facility at Worcester State and improvements to marine docks and an academic hall at Massachusetts Maritime Academy.

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.

Demand for Authority Residence Facilities

The improved condition of the residential facilities of the Authority has resulted in improved desirability of on-campus housing. Actual occupancy for the fall 2012 semester was 103.6% of design capacity despite adding nearly 5,000 new beds since fall 2002. The predictable schedule, quality and funding of facility improvement projects reduces the likelihood of substantial unanticipated project requirements and their attendant inconvenience and expense. The revenue stream from the System Projects directly funds a system capital improvement reserve, and the revenue stream from the Campus Projects, implemented after 1999, directly funds a designated capital improvement reserve for these projects. For further information relating to demand for Authority residence facilities, see Appendix A - "STATE UNIVERSITIES SELECTED FINANCIAL AND STATISTICAL INFORMATION".

THE BOARD OF HIGHER EDUCATION

The BHE is established under Chapter 15A of the General Laws of the Commonwealth. The purpose of the BHE is to define the mission of and coordinate the system of public higher education of the Commonwealth. The system includes, in addition to the State Universities, the five-campus University of Massachusetts and fifteen community colleges. See "THE STATE UNIVERSITIES" herein for additional information on the State Universities. The University of Massachusetts, with campuses in Amherst, Boston, Dartmouth, Lowell and Worcester, offers four-year undergraduate programs and a broad range of graduate degrees. The fifteen 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 thirteen members, nine of whom are appointed by the Governor of the Commonwealth, three of whom are chosen as described below to represent public institutions of higher education and one of whom is the Secretary of Education of the Commonwealth, serving *ex officio*. The Governor appoints one of the members to be the chairman. Of the members appointed by the Governor, at least one must be a representative of organized labor, one must be a representative of the business community, and one must be a full-time undergraduate student at an institution within the higher education system. These appointed members are also to reflect regional geographic representation. Of the three members chosen to represent public institutions of higher education, one must be a member of the board of trustees of the University of Massachusetts, selected by such board, one must be a member of the board of trustees of one of the State Universities, chosen by a vote of the chairs of the boards of trustees of the State Universities, and one must be a member of the board of trustees of a community college, chosen by a vote of the chairs of the boards of trustees of the community colleges. Three of the board members appointed by the Governor serve for terms that are coterminous with that of the Governor. The remaining appointed members serve five-year terms, except the student member, who serves for a one-year term. Appointments to the student position are cycled among community college, state university and University of Massachusetts students every three years. No member may be appointed for more than two consecutive full terms, and a student member may serve only one term. Under state law, members of the BHE whose terms have expired continue to serve until a successor is appointed.

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

Charles F. Desmond, Ed.D., Chairman	Co-terminous with Governor
Louis Ricciardi, Vice Chair	7/1/2014
David J. Barron	Co-terminous with Governor
Jeanne-Marie Boylan	9/1/2012
Gianni Falzaone	4/30/2013
C. Bernard Fulp	8/1/2015
VACANT	
Nancy Hoffman, Ph.D.	9/1/2013
Keith J. Peden	8/31/2012
Fernando M. Reimers	1/1/2016
Paul Reville	Ex Officio
Henry Thomas III	9/13/2012
Paul F. Toner	9/1/2015

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.

THE STATE UNIVERSITIES

General

The State Universities are nine Massachusetts institutions of higher learning under the jurisdiction of the BHE. Each institution is under the direct administration of its own board of trustees. The State Universities are Bridgewater, Fitchburg, Framingham, Salem, Westfield and Worcester State Universities, the Massachusetts College of Art and Design, the Massachusetts College of Liberal Arts and the Massachusetts Maritime Academy. 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 35 graduate degree programs, 5 graduate certificate programs and 32 undergraduate programs with 90 concentrations.

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

Framingham State University was founded in 1839 as the first public normal school in America. The University now offers a wide variety of programs in fields ranging from business to the sciences to fashion. In recent years, the University has begun positioning itself as a leader in the areas of STEM (Science, Technology, Engineering, and Mathematics) education as employers increasingly seek to hire graduates with these skill sets. The University offers 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. 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 19 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 2010. As the Commonwealth's designated public liberal arts college, MCLA is a member of the Council for Public Liberal Arts Colleges (COPLAC).

The Massachusetts Maritime Academy was founded in 1891 and is now the largest maritime academy in the United States, with 1,368 enrolled undergraduates. It is located on 48 acres in the village of Buzzards Bay on Cape Cod. Bachelor of Science degrees are offered in seven fields, including the traditional marine engineering and marine transportation programs that prepare cadets for qualification as licensed merchant marine officers able to sail the biggest merchant ships afloat or handle tug boats in local harbors. The Academy also grants Master of Science degrees in facilities management and emergency management.

Salem State University is located in the city of Salem on five campuses totaling 115 acres. Established in 1854, it grants Bachelor of Arts and Bachelor of Science degrees in 18 disciplines. At the graduate level, the university grants eight Master's degrees. Continuing education courses are also available for credit or non-credit.

Westfield State University was founded as a teacher-training institution in 1838 by noted educator and social reformer Horace Mann. The school was the first public co-educational college in America that accepted students without consideration of race, gender or class background. The university is located in the city of Westfield, a few miles west of Springfield, in the Connecticut River Valley. It occupies a 256-acre campus and grants Bachelor of Arts and Bachelor of Science degrees in 26 majors as well as Master of Arts, Master of Science, Master of Public Administration, and Master of Education degrees. Certificates of advanced graduate study are also available.

Worcester State University was established in 1874 and is located on a 57-acre campus in the city of Worcester. It grants Bachelor of Arts or Bachelor of Science degrees in 24 disciplines and a Bachelor of Science in education. It also grants Master of Science degrees in seven disciplines, master of occupational therapy, master of education in 10 disciplines, and a certificate of graduate studies in psychology.

Certain financial and statistical information about the State Universities is provided in Appendix A. For additional information about the State Universities, specific reference is made to the audited financial statements for each of the State Universities for the fiscal year ended June 30, 2012. Copies of such financial statements have been filed with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system.

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 2008 through 2012. 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, and Build America Bond interest subsidies.

	<u>Fiscal 2008</u>	<u>Fiscal 2009</u>	<u>Fiscal 2010</u>	<u>Fiscal 2011</u>	<u>Fiscal 2012</u>
Bridgewater	\$7,918,178	\$8,421,616	\$10,326,188	\$12,468,625	\$13,432,028
Fitchburg	3,328,374	3,660,889	4,870,686	5,484,910	6,630,073
Framingham	4,428,349	5,230,202	5,893,031	6,550,874	8,614,718
Mass. College of Art and Design	2,217,741	2,251,077	3,150,625	3,187,831	3,153,924
Mass. College of Liberal Arts	1,554,022	1,620,357	2,244,426	2,445,391	2,790,892
Mass. Maritime Academy	2,604,399	3,076,899	3,376,425	3,545,353	3,710,356
Salem	4,939,372	4,931,795	5,493,768	9,650,681	9,929,470
Westfield	5,002,812	5,552,861	6,264,556	6,712,747	7,273,898
Worcester	<u>3,892,947</u>	<u>4,049,248</u>	<u>4,522,307</u>	<u>5,776,251</u>	<u>5,819,192</u>
Total [†]	<u>\$35,886,195</u>	<u>\$38,794,943</u>	<u>\$46,142,012</u>	<u>\$55,822,663</u>	<u>\$61,354,551</u>

Source: Authority

[†] Totals may not add due to rounding.

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). See "SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS - The Contract; *Pledged Funds*."

<u>State University</u>	<u>Pledged Trust Funds</u>	<u>Authority-owned Projects</u>	<u>Pledged Trust Funds</u>	<u>Commonwealth-owned Projects</u>
Bridgewater State University	\$171,673 388,992 641,287 690,192 250,305 1,170,666 949,160	East Campus Commons East Hall Crimson Hall Expansion of Pope & Scott Halls East Campus Parking Garage Weygand Hall Capital Repairs to System Projects	\$23,923 88,775 149,449	Parking Facility Swenson Athletic Facility Rondileau Campus Center
Fitchburg State University	334,778 37,014 736,290	Expansion of Mara Village Cedar Street Residence Hall Capital Repairs to System Projects ¹	59,393 71,625 643,959 41,429	Holmes Dining Hall Elliot Athletic Fields Hammond Campus Center Parking Improvements
Framingham State University	62,891 668,818 831,361	Union Avenue North Hall Capital Repairs to System Projects	35,859 223,380 13,641 330,281 246,887	Athletic Fields, Larned Parking Lot McCarthy Center Land Acquisition for New Residence Hall Parking Improvements Hemenway Science Center
Massachusetts College of Art & Design	473,230 1,130,779 32,147	The Artists' Residence Treehouse Residence Capital Repairs to System Projects	34,397 212,460 53,769	Kennedy Building Dining Hall Kennedy Center Renovation Tower Project
Massachusetts College of Liberal Arts	436,725	Capital Repairs to System Projects	3,623 19,530 8,877 13,271 3,334 4,123	Tennis Courts Ashland Street Facility Campus Center Gymnasium Athletic Center Theater Center Parking Improvements
Massachusetts Maritime Academy ²	303,440 37,557 333,613 466,866	Expansion of Companies 1-6 Beachmoor Expansion of Company 4 Capital Repairs to System Projects	49,767 83,047	Admiral's Hall Marine Dock
Salem State University	687,611 991,289 295,595	Atlantic Hall Marsh Hall Capital Repairs to System Projects	39,706 315,191 67,763	Central Campus Parking Lot O'Keefe Athletic Facility Athletic Facilities ³
Westfield State University ²	505,776 795,126 781,619	New Residence Hall University Hall Capital Repairs to System Projects	93,891 161,317	Tim & Jeanne Campus Center Ely Campus Center
Worcester State University	503,903 169,579 383,671 683,547 258,018	Wasylean Hall Parking Facility Expansion of Dowden Hall New Residence Hall Capital Repairs to System Projects	194,515 64,810	Athletic Center Dining Facility
Total State Universities	<u>\$16,203,518</u>		<u>\$3,351,992</u>	

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.

LEGAL MATTERS

All legal matters related to the authorization and issuance of the Series 2012C 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 E 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.

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 2012C Bonds or in any way contesting the validity of the Series 2012C 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 2012C 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 2012C 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 2012C 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 2012C Bonds will not be included in the gross income of holders of such Series 2012C 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 2012C Bonds in order to ensure that the interest on the Series 2012C Bonds is and continues to be excludable from the gross income of the holders of the Series 2012C Bonds for federal income tax purposes. In particular, and without limitation, section 148 of the Code requires that certain proceeds of the Series 2012C Bonds be invested at a yield not materially higher than the yield on such Series 2012C Bonds and that certain profits earned from investment of proceeds of the Series 2012C 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 2012C Bonds to be included in the gross income of the holders thereof retroactive to the date of issuance of the Series 2012C Bonds.

In the opinion of Bond Counsel, under existing law, since the Series 2012C Bonds are not "private activity bonds" under the Code, interest on the Series 2012C 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 2012C Bonds will be included in "adjusted current earnings" of corporate holders of the Series 2012C 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 2012C Bonds. However, prospective purchasers of the Series 2012C 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 2012C Bonds and, in the case of a financial institution, that portion of the holder's interest expense allocated to the Series

2012C 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 2012C Bonds; (iii) interest on the Series 2012C 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 2012C 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 2012C Bonds and (vi) receipt of investment income, including interest on the Series 2012C 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 2012C 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 2012C 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 2012C 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 2012C Bonds from gross income for federal tax purposes.

Bond Counsel is of the opinion that, under existing law, interest on the Series 2012C Bonds and any profit made on the sale thereof are also exempt from Massachusetts personal income taxes and the Series 2012C 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 2012C Bonds. Prospective purchasers should be aware, however, that the Series 2012C Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Series 2012C 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 2012C 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 2012C Bond is equal to the excess, if any, of the stated redemption price at maturity of such Series 2012C Bond over the initial offering price thereof to the public, excluding underwriters and other intermediaries, at which price a substantial amount of all Series 2012C Bonds with the same maturity were sold. Original issue discount accrues actuarially over the term of a Series 2012C 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 2012C Bond is held.

An amount equal to the excess, if any, of the purchase price of a Series 2012C 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 2012C Bond will result in reduction of the holder’s tax basis in such Series 2012C Bond. Such amortization also will result in reduction of the amount of the stated interest on such Series 2012C Bond taken into account as interest for tax purposes. Holders of Series 2012C Bonds purchased at a premium should consult their own tax advisors 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 Series 2012C 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 Series 2012C Bonds or the tax consequences of ownership of the Series 2012C 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 Series 2012C 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. Any such proposed changes could affect the market value or marketability of the Series 2012C Bonds. Holders should consult their own tax advisors with respect to any of the foregoing.

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

RATINGS

The Series 2012C 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 2012C Bonds.

FINANCIAL ADVISOR

Acacia Financial Group, Inc. is acting as financial advisor to the Authority in connection with the issuance of the Series 2012C Bonds.

UNDERWRITING

The Series 2012C Bonds have been purchased at public sale from the Authority for resale by Wells Fargo Bank, National Association (the "Bond Underwriter"). The proceeds of the Series 2012C Bonds total \$162,774,761.

The Bond Underwriter has agreed, subject to certain conditions, to purchase all but not less than all of the Series 2012C Bonds. If all of the Series 2012C Bonds are sold at the public offering prices or yields set forth on the inside cover page of this Official Statement, the Bond Underwriter anticipates total selling compensation of \$1,453,434. The public offering prices or yields of the Series 2012C Bonds may be changed from time to time by the Bond Underwriter.

CONTINUING DISCLOSURE

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

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 2012C 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 6, 2012

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STATE UNIVERSITIES SELECTED FINANCIAL AND STATISTICAL INFORMATION

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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 2012. Fees collected by State Universities for the use of Authority projects are included in auxiliary enterprise income in the table below and on the financial statements of the individual State Universities. Tuition receipts are generally remitted to the Commonwealth, and the tuition figures below include such remitted receipts. Recent state budgets have authorized the Massachusetts College of Art and Design and the Massachusetts Maritime Academy to retain all tuition and fees received by such institutions rather than remitting tuition to the state treasury. The Massachusetts College of Liberal Arts has been similarly authorized to retain out-of-state tuition and fees. The figures for state support in the table below include all unrestricted funds received by the State Universities from the Commonwealth, including appropriations and fringe benefit support, less tuition remitted to the Commonwealth.

	<u>Fiscal 2009</u>	<u>Fiscal 2010</u>	<u>Fiscal 2011</u>	<u>Fiscal 2012</u>
<u>Bridgewater State</u>				
Tuition and fees	\$61,802,441	\$68,811,712	75,905,471	81,930,733
Grants and contracts	11,446,696	20,405,741	24,485,470	18,416,139
State support	43,924,715	36,183,335	43,198,973	43,483,203
Auxiliary enterprises	18,927,733	21,116,706	21,507,908	21,047,033
Other revenues	214,606	516,923	310,288	338,680
Scholarship allowance (credit)	<u>(7,029,015)</u>	<u>(9,302,230)</u>	<u>(10,979,300)</u>	<u>(11,775,838)</u>
Total revenues	<u>\$129,287,176</u>	<u>\$137,732,187</u>	<u>154,428,810</u>	<u>153,439,950</u>
<u>Fitchburg State</u>				
Tuition and fees	\$30,715,018	\$33,929,222	36,363,200	37,236,065
Grants and contracts	4,483,292	12,779,577	9,469,200	6,440,803
State support	29,415,783	24,622,349	29,332,885	29,797,174
Auxiliary enterprises	6,467,184	8,046,782	8,042,922	8,117,577
Other revenues	2,098,358	2,096,607	2,414,750	2,121,951
Scholarship allowance (credit)	<u>(3,977,729)</u>	<u>(5,557,180)</u>	<u>(6,377,904)</u>	<u>(6,555,554)</u>
Total revenues	<u>\$69,201,906</u>	<u>\$75,917,357</u>	<u>79,245,053</u>	<u>77,158,016</u>
<u>Framingham State</u>				
Tuition and fees	\$26,269,689	\$28,481,758	31,227,411	36,691,121
Grants and contracts	3,069,398	7,533,126	5,797,750	5,345,032
State support	27,188,410	22,390,029	26,578,787	27,399,225
Auxiliary enterprises	7,712,138	8,456,561	9,354,988	12,394,711
Other revenues	1,975,343	1,975,870	1,496,656	1,754,261
Scholarship allowance (credit)	<u>(2,686,305)</u>	<u>(3,904,921)</u>	<u>(5,219,880)</u>	<u>(5,543,828)</u>
Total revenues	<u>\$63,528,673</u>	<u>\$64,932,423</u>	<u>69,235,712</u>	<u>78,040,522</u>
<u>Massachusetts College of Art and Design</u>				
Tuition and fees	\$21,995,534	\$24,848,295	26,607,919	27,853,419
Grants and contracts	2,371,523	5,725,276	5,893,320	3,303,730
State support	19,084,320	16,422,595	19,609,582	19,951,700
Auxiliary enterprises	5,502,363	5,500,557	6,291,059	6,349,173
Other revenues	2,674,891	3,777,807	5,227,126	3,242,290
Scholarship allowance (credit)	<u>(3,679,580)</u>	<u>(4,543,889)</u>	<u>(5,646,667)</u>	<u>(6,196,688)</u>
Total revenues	<u>\$47,949,051</u>	<u>\$51,730,641</u>	<u>57,982,339</u>	<u>54,503,624</u>

	<u>Fiscal 2009</u>	<u>Fiscal 2010</u>	<u>Fiscal 2011</u>	<u>Fiscal 2012</u>
<u>Mass. College of Liberal Arts</u>				
Tuition and fees	\$11,777,569	\$13,112,056	14,349,052	14,401,976
Grants and contracts	4,052,258	8,377,991	7,057,600	5,409,004
State support	16,673,081	13,784,934	16,287,867	16,555,782
Auxiliary enterprises	6,456,204	7,279,028	7,650,045	7,812,615
Other revenues	1,394,852	1,291,125	1,582,911	1,844,860
Scholarship allowance (credit)	<u>(3,080,385)</u>	<u>(4,105,491)</u>	<u>(4,524,668)</u>	<u>(4,534,306)</u>
Total revenues	<u>\$37,273,579</u>	<u>\$39,739,643</u>	<u>42,402,807</u>	<u>41,489,931</u>
<u>Massachusetts Maritime Academy</u>				
Tuition and fees	\$10,774,684	\$11,813,847	14,439,406	16,256,522
Grants and contracts	1,500,661	5,565,460	2,764,240	2,339,089
State support	16,157,942	13,634,827	16,157,386	17,053,443
Auxiliary enterprises	10,394,832	11,085,033	12,234,856	13,553,463
Other revenues	617,475	566,329	604,372	502,367
Scholarship allowance (credit)	<u>(820,192)</u>	<u>(993,264)</u>	<u>(1,719,694)</u>	<u>(2,504,271)</u>
Total revenues	<u>\$38,625,402</u>	<u>\$41,672,232</u>	<u>44,480,566</u>	<u>47,200,613</u>
<u>Salem State</u>				
Tuition and fees	\$55,762,583	\$59,236,549	61,601,195	64,923,087
Grants and contracts	14,166,134	21,748,533	28,011,374	18,550,544
State support	46,587,268	37,615,098	45,808,118	45,657,065
Auxiliary enterprises	8,227,918	10,034,568	13,213,478	14,232,877
Other revenues	2,098,948	2,368,374	3,722,807	3,869,491
Scholarship allowance (credit)	<u>(8,759,171)</u>	<u>(11,550,446)</u>	<u>(12,774,319)</u>	<u>(12,790,362)</u>
Total revenues	<u>\$117,684,126</u>	<u>\$114,641,088</u>	<u>139,582,653</u>	<u>134,442,702</u>
<u>Westfield State</u>				
Tuition and fees	\$33,491,105	\$36,558,739	39,818,365	44,196,990
Grants and contracts	6,401,758	8,100,961	13,112,352	9,448,951
State support	24,677,747	26,423,319	25,389,047	25,494,134
Auxiliary enterprises	19,907,414	21,771,249	23,283,254	25,628,290
Other revenues	659,911	594,304	836,244	1,011,457
Scholarship allowance (credit)	<u>(4,969,620)</u>	<u>(6,519,355)</u>	<u>(7,854,008)</u>	<u>(7,983,530)</u>
Total revenues	<u>\$80,168,315</u>	<u>\$86,929,217</u>	<u>94,585,254</u>	<u>97,796,292</u>
<u>Worcester State</u>				
Tuition and fees	\$30,480,355	\$33,228,317	36,322,718	38,714,217
Grants and contracts	6,128,495	10,435,600	12,722,573	8,333,005
State support	25,909,130	21,428,433	25,931,430	25,412,179
Auxiliary enterprises	6,405,207	6,742,819	8,277,300	9,017,787
Other revenues	1,217,067	1,217,214	1,127,693	1,197,025
Scholarship allowance (credit)	<u>(5,242,157)</u>	<u>(6,464,179)</u>	<u>(7,347,390)</u>	<u>(8,447,639)</u>
Total revenues	<u>\$64,898,097</u>	<u>\$66,588,204</u>	<u>77,034,324</u>	<u>74,226,574</u>

Source: University Financial Statements.

Enrollment

Enrollment at the nine State University campuses has increased system-wide by 11% from 2007 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 nearly 5,000 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 2007 through 2011 on the basis of full-time equivalent students and headcount. Fall 2012 enrollment information is available only in preliminary form. Final fall 2012 enrollment numbers will be available by January, 2013. Both degree and non-degree students are included.

	<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	7,762	8,117	8,536	8,911	9,067
Fitchburg	4,331	4,421	4,628	4,503	4,476
Framingham	4,189	4,237	4,213	4,288	4,710
Mass. College of Art and Design	1,544	1,803	1,905	1,956	1,934
Mass. College of Liberal Arts	1,796	1,589	1,684	1,715	1,617
Mass. Maritime Academy	1,179	1,221	1,308	1,297	1,403
Salem	7,182	7,279	7,343	7,438	7,260
Westfield	4,615	4,863	4,971	5,174	5,373
Worcester	<u>3,938</u>	<u>4,004</u>	<u>4,121</u>	<u>4,350</u>	<u>4,691</u>
State Universities [†]	<u>36,535</u>	<u>37,535</u>	<u>38,709</u>	<u>39,630</u>	<u>40,531</u>
Community Colleges	<u>51,257</u>	<u>54,228</u>	<u>60,599</u>	<u>62,226</u>	<u>61,761</u>
UMass System	<u>50,134</u>	<u>52,229</u>	<u>54,720</u>	<u>57,500</u>	<u>58,382</u>
Total [†]	<u>137,926</u>	<u>143,991</u>	<u>154,028</u>	<u>159,356</u>	<u>160,673</u>
<u>Headcount</u>					
Bridgewater	9,934	10,269	10,774	11,201	11,294
Fitchburg	6,692	6,761	7,043	6,771	6,891
Framingham	5,903	6,086	5,989	5,953	6,415
Mass. College of Art and Design	1,841	2,346	2,422	2,446	2,422
Mass. College of Liberal Arts	2,311	1,942	1,962	1,974	1,886
Mass. Maritime Academy	1,135	1,204	1,288	1,296	1,368
Salem	10,085	10,157	10,125	9,993	9,646
Westfield	5,392	5,548	5,675	5,891	6,092
Worcester	<u>5,358</u>	<u>5,378</u>	<u>5,473</u>	<u>5,708</u>	<u>6,204</u>
State Universities [†]	<u>48,651</u>	<u>49,691</u>	<u>50,751</u>	<u>51,233</u>	<u>52,218</u>
Community Colleges	<u>84,703</u>	<u>88,936</u>	<u>98,067</u>	<u>100,480</u>	<u>100,442</u>
UMass System	<u>60,021</u>	<u>62,102</u>	<u>64,832</u>	<u>67,157</u>	<u>68,480</u>
Total [†]	<u>193,375</u>	<u>200,729</u>	<u>213,650</u>	<u>218,870</u>	<u>221,140</u>

Source: Board of Higher Education

[†] Totals may not add due to rounding.

Tuition and Fees

The following are the tuition rates and fees for Massachusetts residents for each of the State Universities, the Community Colleges and the University of Massachusetts for the academic years 2008-2009 through 2012-2013. 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 2008 - 2009		Academic Year 2009 - 2010		Academic Year 2010-2011		Academic Year 2011-2012		Academic Year 2012-2013	
	<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	\$5,328	\$910	\$5,694	\$910	\$6,144	\$910	\$6,644	\$910	\$7,144
Fitchburg	970	5,430	970	5,930	970	6,830	970	7,330	970	7,740
Framingham	970	5,172	970	5,570	970	6,096	970	6,610	970	7,114
Mass. College of Art and Design	1030	6870	1030	7370	1030	7970	1030	8670	1030	9370
Mass. College of Liberal Arts	1030	5396	1030	5846	1030	6546	1030	7046	1030	7496
Mass. Maritime Academy	1184	4644	1242	4880	1342	5268	1396	5444	1466	5740
Salem	910	5,610	910	5,940	910	6,320	910	6,820	910	7200
Westfield	970	5,482	970	6,048	970	6,462	970	6,918	970	7328
Worcester	970	5,200	970	5,636	970	6,186	970	6,684	970	7188
State Universities*	<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>	<u>\$970</u>	<u>\$7,313</u>
Community Colleges*	<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>	<u>\$733</u>	<u>\$4,338</u>
University of Massachusetts*	<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>	<u>\$1,619</u>	<u>\$10,867</u>

Source: Board of Higher Education.

* Represents the average weighted by number of students.

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Room Rates of Residence Facilities at State Universities

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 2008-2009 through 2012-2013. 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 \$2.0 million available annually as part of financial aid for students with need. See "THE AUTHORITY – Management's Discussion and Analysis; Debt Service – *Housing Grant Scholarship Program*." Regular modest rent increases are implemented to ensure adequate funding for operating cost increases (maintenance staff and utility charges) and to fund capital improvement requirement:

<u>State University</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>
Bridgewater	\$5,100-6,656	\$5,640-6,962	\$5,800-7,100	\$6,100-7,310	\$6,300-7,460
Fitchburg	\$4,160-5,170	\$4,642-5,345	\$4,782-6,000	\$4,930-6,204	\$5,100-6,420
Framingham	\$4,382-5,382	\$4,755-5,755	\$5,105-6,105	\$5,495-8,250	\$5,885-8,630
Mass. College of Art and Design	\$6,710-9,580	\$6,777-9,676	\$7,350-10,280	\$7,610-10,640	\$7,876-11,000
Mass. College of Liberal Arts	\$3,800-4,202	\$4,175-4,575	\$4,375-4,875	\$4,530-5,050	\$4,740-5,140
Mass. Maritime Academy	\$4,668	\$4,978	\$5,125	\$5,300	\$5,470
Salem	\$4,610-7,445	\$5,071-8,204	\$5,730-9,110	\$6,150-9,350	\$6,570-9,320
Westfield	\$3,984-6,230	\$4,303-6,516	\$4,650-6,800	\$4,800-7,100	\$4,950-7,350
Worcester	\$4,880-6,847	\$5,272-7,165	\$6,150-7,487	\$6,580-7,800	\$6,750-7,800

Source: Authority

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

The following table shows for the academic years 2007-2008 through 2011-2012 and for the fall of 2012-2013 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 103%. 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 adding nearly 5,000 additional beds to the system since the Fall of 2002.

	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	Fall <u>2012-2013¹</u>
Bridgewater	102.8%	104.5%	100.9%	99.7%	99.6%	101.7%
Fitchburg	104	102.5	105.3	103.8	100.2	103.5
Framingham	98.9	101	100.9	103.9	99.8	103.3
Mass. College of Art and Design	99.1	99.8	99.9	99.4	99.6	99.9
Mass. College of Liberal Arts	89.1	87.9	94.2	97.5	93.8	93.9
Mass. Maritime Academy	92.4	94.3	100.0	102.9	106.0	109.7
Salem	99.8	104.2	105.6	93.5	102.3	108.9
Westfield	106.8	107.2	104.7	104.3	105.8	104.7
Worcester	<u>100.5</u>	<u>102</u>	<u>102.2</u>	<u>99.1</u>	<u>102.5</u>	<u>103.7</u>
State University Average ²	<u>100.6%</u>	<u>101.8%</u>	<u>102.1%</u>	<u>100.6%</u>	<u>101.4%</u>	<u>103.6%</u>

Source: Authority

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

² Represents weighted average.

Total Number of Residence Hall Beds by State University

The following table shows the total number of residence hall beds by State University for the academic years 2008-2009 through 2012-2013:

	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>
Bridgewater	2,447	2,705	2,781	2,781	2,781
Fitchburg	1,441	1,557	1,557	1,565	1,565
Framingham	1,494	1,494	1,494	1,884	1,884
Mass. College of Art and Design	426	426	426	426	919
Mass. College of Liberal Arts	1,021	1,021	1,013	1,013	1,039
Mass. Maritime Academy	1,063	1,063	1,063	1,078	1,078
Salem	1,394	1,394	1,904	1,904	1,904
Westfield	2,498	2,492	2,516	2,516	2,516
Worcester	<u>1,000</u>	<u>1,000</u>	<u>1,177</u>	<u>1,177</u>	<u>1,177</u>
Total State Universities	<u>12,784</u>	<u>13,152</u>	<u>13,931</u>	<u>14,334</u>	<u>14,863</u>

Source: Authority

State Higher Education Admissions Data

The following table sets forth freshman application and acceptance information for the system of public higher education for Fall 2008 through Fall 2011. This information is based solely on fall semester statistics.

	<u>Fall 2008</u>			<u>Fall 2009</u>			<u>Fall 2010</u>			<u>Fall 2011</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	7,477	4,753	36.70%	7,739	4,839	36.43%	7,272	4,882	35.76%	6,519	4,523	33.30%
Fitchburg	3,651	2,354	32.90%	3,817	2,461	31.80%	3,497	2,392	30.73%	3,107	2,163	32.27%
Framingham	3,964	2,417	26.90%	3,384	2,141	33.80%	3,458	2,265	31.88%	4,909	2,861	32.30%
Mass. College of Art and Design	1,232	961	34.50%	1,564	837	37.60%	1,377	788	35.28%	1,187	748	33.16%
Mass. College of Liberal Arts	1,510	779	35.40%	1,685	1187	29.50%	1,661	1166	30.27%	1,698	1136	27.11%
Mass. Maritime Academy	854	524	56.50%	1068	533	55.90%	951	499	55.91%	663	483	57.56%
Salem	6,676	3,656	31.60%	5,834	3,514	28.30%	5,697	3,268	30.60%	4,760	3,193	31.48%
Westfield	5,202	3,224	35.40%	5,404	3,134	36.70%	5,198	3,286	34.91%	5,202	3,182	35.67%
Worcester	<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>	<u>3,649</u>	<u>2,387</u>	<u>33.68%</u>
Total State Universities	<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>	<u>31,694</u>	<u>20,676</u>	<u>33.40%</u>
Community Colleges	<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%	<u>40,392</u>	<u>36,583</u>	57.32%
University of Massachusetts	<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%	<u>54,915</u>	<u>36,556</u>	24.32%
Total	<u>121,550</u>	<u>85,856</u>	42.00%	<u>126,369</u>	<u>92,068</u>	39.80%	<u>130,444</u>	<u>95,333</u>	38.40%	<u>127,001</u>	<u>93,815</u>	38.35%

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.

APPENDIX B

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, 2012 AND 2011



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, 2012 AND 2011

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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, 2012 and 2011

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, 2012 and 2011, and the results of its operations and cash flows for the years then ended. This management's discussion and analysis is unaudited and should be read in conjunction with the Authority's audited financial statements and notes, which are attached hereto.

Introduction

The 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 to finance, design, and construct residence halls, dining commons, parking, athletic, cultural, and other student activity facilities primarily for use by students, staff and their dependents of certain public institutions of higher education. Such facilities may be provided in collaboration with and for joint use by other agencies, boards, commissions, or authorities of the Commonwealth, including, under certain circumstances, the community colleges. The institutions are Bridgewater, Fitchburg, Framingham, Salem, Westfield, and Worcester State Universities, Massachusetts College of Liberal Arts, Massachusetts College of Art and Design ("MassArt"), and Massachusetts Maritime Academy.

Pursuant to a Contract for Financial Assistance, Management and Services between the Commonwealth acting by and through the Board of Higher Education (the Contract), the Authority annually sets and assesses rents and fees sufficient to provide for the payment of all costs of its facilities, including maintenance, operation, administration, reserves and to pay debt service on revenue bonds issued to finance its projects. The Authority receives no direct appropriation from the Commonwealth. Approximately 14,300 students reside in the 43 residential complexes owned by the Authority. These facilities house over 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.

The universities certify residence hall occupancy to the Authority and to the Commonwealth's Department of Higher Education on a semi-annual basis. For the academic year 2011/12, the number of students housed in on-campus housing owned by the Authority was 101.4% of design occupancy.

The following table shows average annual residence hall occupancy from the 2002/03 through 2011/12 academic years.

Residence Hall Occupancy Table

Institution	Academic Years									
	<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>	<u>2011/12</u>
Bridgewater	105.0%	105.0%	105.0%	105.0%	104.2%	102.8%	104.5%	100.9%	99.7%	99.6%
Fitchburg	95.0%	99.0%	100.0%	100.0%	101.7%	104.0%	102.5%	105.3%	103.8%	100.2%
Framingham	105.0%	102.0%	100.0%	100.0%	99.7%	98.9%	101.0%	101.0%	103.9%	99.8%
Mass. College of Art & Design	100.0%	100.0%	99.0%	98.0%	101.4%	99.1%	99.8%	99.9%	99.4%	99.6%
Mass. College of Liberal Arts	81.0%	82.0%	88.0%	89.0%	94.7%	89.1%	87.9%	94.3%	97.5%	93.8%
Mass. Maritime Academy	93.0%	95.0%	96.0%	99.0%	103.4%	92.4%	94.3%	100.0%	102.9%	106.0%
Salem	105.0%	105.0%	100.0%	103.0%	100.6%	99.8%	104.2%	105.6%	93.5%	102.3%
Westfield	109.0%	106.0%	109.0%	106.0%	108.3%	106.8%	107.2%	104.7%	104.3%	105.8%
Worcester	<u>100.0%</u>	<u>101.0%</u>	<u>96.0%</u>	<u>97.0%</u>	<u>100.6%</u>	<u>100.5%</u>	<u>102.0%</u>	<u>102.2%</u>	<u>99.1%</u>	<u>102.5%</u>
Average Actual Occupancy	101.0%	101.0%	99.0%	101.0%	102.5%	100.6%	101.8%	102.2%	100.6%	101.4%

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

Economic Factors

The seasonally adjusted unemployment rate for the Commonwealth of Massachusetts from which the universities primarily draw students decreased to 6.0% at June 30, 2012 as compared to 7.6% at June 30, 2011. This compares to a national rate of 8.2% in 2012 and 9.2% in 2011.

Historically, in times of economic slow-down, the universities that 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.

In fiscal year 2012, the Authority was able to take advantage of a low interest rate environment to refund existing debt from multiple prior bond issuances while also issuing bonds to generate new money for continued construction projects. The Authority continued to strive to offer low cost residence options for students. Student rent for academic year 2011/12 on Authority residence halls compared favorably to both other regional private and public institutions. Authority rents were the sixth lowest compared to twenty-two private regional institutions and third lowest when compared to seven regional public institutions.

Financial Statements

The Authority's financial statements (pages 3-5 of this report) have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

The *Statement of Net Position (Deficiency in Net Position)* presents assets and deferred outflows of resources, less liabilities and deferred inflows of resources (of which there are none), with the residual balance being reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the Authority's net position changed during the fiscal year presented. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., the payment for accrued compensated absences, or the receipt of amounts due from 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 notes to the financial statements describe significant accounting policies adopted by the Authority and provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Highlights

- Total assets of the Authority grew from \$889.5 million to over \$1.0 billion at June 30, 2012, primarily due to an increase in restricted investments reflecting the issuance and investment of the Series 2012A Bonds, an increase in accounts receivable reflecting the university-owned portions of the Series 2012A Bond issuance and an increase in capital assets reflecting increased Authority investment.
- Operating revenues grew \$4.0 million due to an increase in assessments received from universities.
- Capital assets grew by \$62.3 million due primarily to both the completion and commencement of major construction projects.
- Reserves for capital improvements, multi-purpose and operating purposes increased \$3.8 million and debt service reserve funds increased \$5.4 million.
- In November 2011, Standard & Poor's upgraded the Authority's bond rating to AA from AA-.
- In December 2011, the Authority issued \$154.3 million Series 2012A Bonds at a true interest cost of 4.13% to provide new money to finance new residence halls at Bridgewater and Westfield State Universities, improvements, renovations and repairs of student life facilities at Fitchburg, Salem and Westfield State Universities and at MassArt and repairs to

dormitories located at Bridgewater, Fitchburg and Westfield State Universities and Massachusetts College of Liberal Arts and Massachusetts Maritime Academy.

- In February 2012, the Authority issued \$149.3 million Series 2012B Refunding Bonds to partially refund \$156.5 million of Series 2003A, 2004A, 2005A and 2006A Bonds. The true interest cost of the refunding bonds was 3.57%. The Series 2012B Refunding Bonds resulted in present value savings of \$13.3 million which is 8.39% of the refunded bonds. Debt service savings are distributed to each campus consistent with their participation in the refunded bonds.
- In December 2011, the Authority determined that, in aggregate, the debt service reserve funds associated with outstanding bonds were more than sufficient to meet the debt service reserve fund requirement, obviating the need to fund an additional and separate debt service reserve fund for the Series 2012A Bonds and for the Series 2012B Refunding Bonds.
- In fiscal year 2012, the Authority completed and opened two new residence halls and a parking garage. The \$42.0 million residence hall at Framingham State University, North Hall, was opened in August 2011 and houses 410 students. The \$63.0 million residence hall at MassArt was opened in May 2012 and houses 493 students. A \$12.4 million, 840-car parking garage was completed in January 2012 at Bridgewater State University.
- In addition to the projects mentioned above, major repair, renovation, and new construction projects were started and/or completed at all nine state university campuses. Fourteen repair and renovation projects were completed at seven campuses in fiscal year 2012 totaling \$9.5 million. Furnishings and equipment were purchased at five campuses totaling \$3.1 million. Projects totaling \$43.0 million are underway and in process as of June 30, 2012 including new residence hall projects at Bridgewater and Westfield State Universities.
- Major repair, renovation, and new construction projects are also underway at university-owned student activity facilities. Completed projects include the redesign of a servery at the Kennedy Campus Center at MassArt, and the addition of 5,000 square feet to the Tim & Jeanne dining facility at Westfield State. Major projects underway include infrastructure and mechanical system upgrades at Hammond Campus Center at Fitchburg State, the design and construction of a 39,000 square foot addition to the O'Keefe Center at Salem State that will house a new fitness center, basketball courts, and lounge areas, and the design and construction of a renovated wellness center at the Ely Campus Center at Westfield State.

Financial Analysis

Statements of Net Position (Deficiency in Net Position)

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

Highlights – Statements of Net Position¹

	Fiscal year ended June 30			
	<u>2012</u>	<u>2011</u> (as restated)	<u>\$ Change</u>	<u>% Change</u>
Current assets	\$ 119,521,033	\$ 118,297,189	\$ 1,223,844	1.0%
Capital assets, net	657,341,390	595,028,276	62,313,114	10.5%
Other noncurrent assets	<u>280,598,687</u>	<u>176,182,870</u>	<u>104,415,817</u>	59.3%
Total assets	<u>1,057,461,110</u>	<u>889,508,335</u>	<u>167,952,775</u>	18.9%
Deferred outflow of resources	<u>32,352,432</u>	<u>19,011,433</u>	<u>13,340,999</u>	70.2%
Current liabilities	93,724,420	71,638,967	22,085,453	30.8%
Noncurrent liabilities	<u>1,011,911,462</u>	<u>856,341,926</u>	<u>155,569,536</u>	18.2%
Total liabilities	<u>1,105,635,882</u>	<u>927,980,893</u>	<u>177,654,989</u>	19.1%
Net position:				
Net investment in capital assets	1,380,597	(3,693,773)	5,074,370	137.4%
Restricted	2,415,383	1,897,286	518,097	27.3%
Unrestricted	<u>(19,618,320)</u>	<u>(17,664,638)</u>	<u>(1,953,682)</u>	11.1%
Net position	<u>\$ (15,822,340)</u>	<u>\$ (19,461,125)</u>	<u>\$ 3,638,785</u>	18.7%

- Total assets at June 30, 2012 increased 18.9% when compared to total assets at June 30, 2011. This primarily reflects the issuance of the Series 2012A Bonds, continued additions to capital assets and increased receivables for the university-owned portions of the Series 2012A Bond issue. Cash and cash equivalents decreased by \$37.0 million as a result of continued spending of project funds offset by the conversion to cash of matured investments held in the Series 2009B Bond project fund. Investments increased by \$109.8 million as a result of the investment of Series 2012A Bond proceeds offset by the maturities in the Series 2009B Bonds project fund referenced above. The maturities of such investments were scheduled to meet the projected spending of the residence hall at MassArt which opened in May 2012. Accounts receivable increased by \$32.9 million as a result of the Series 2012A Bonds issued to fund university-owned projects.
- Reserves for capital improvements, multi-purpose and operating purposes as of June 30, 2012 were \$24.1 million compared to \$20.3 million as of June 30, 2011. Debt service reserve funds totaled \$83.2 as of June 30, 2012 compared to \$77.8 million as of June 30, 2011, such increase reflecting unrealized gains in market value. These reserves are included in the Statements of Net Position in the cash and cash equivalents and investments categories.
- Capital assets are discussed on pages ix – x.

¹ 2011 figures restated due to early adoption of GASB 63 and 65, as discussed in footnotes 1 and 19 to the Audited Financial Statements.

- Total liabilities at June 30, 2012 increased 19.1% as compared to total liabilities at June 30, 2011, due primarily to an increase in bonds payable and interagency payables. Bonds payable increased to over \$1.0 billion at June 30, 2012 from \$871.2 million at June 30, 2011 as a result of the issuance of Series 2012A and 2012B Bonds offset by the payment of principal on outstanding bonds and the defeasance of certain bonds refunded. The \$15.6 million increase in interagency payables from June 30, 2011 to 2012 is due to the portions of the Series 2012A Bonds relating to university-owned assets offset by the continued spending of project funds derived from prior bond issues for university-owned assets.
- University-owned student activity facilities are not carried as capital assets of the Authority. Project funds associated with university-owned assets are carried as interagency payable liabilities of the Authority. Debt associated with university-owned facilities is carried as receivables due from the university. Interest payments received from the universities are recognized as investment income by the Authority.
- Debt administration is discussed on page xi.
- A deficiency in total net position exists due primarily to depreciation and interest expenses exceeding operating and non-operating revenues over a period of time. The deficiency at June 30, 2012 was \$3.6 million less than the deficiency at June 30, 2011, primarily reflecting the increase in unrealized gains on investments. The Authority's investment in capital assets is reported net of related debt and depreciation (a non-cash operating expense). Funds needed to repay debt and to replace or renew capital assets are provided from operating revenues, including rent, fees and charges. The change in net position for the year ended June 30, 2012 excluding depreciation was an increase in net position of \$32.2 million.

Statements of Revenues, Expenses and Changes in Net Position

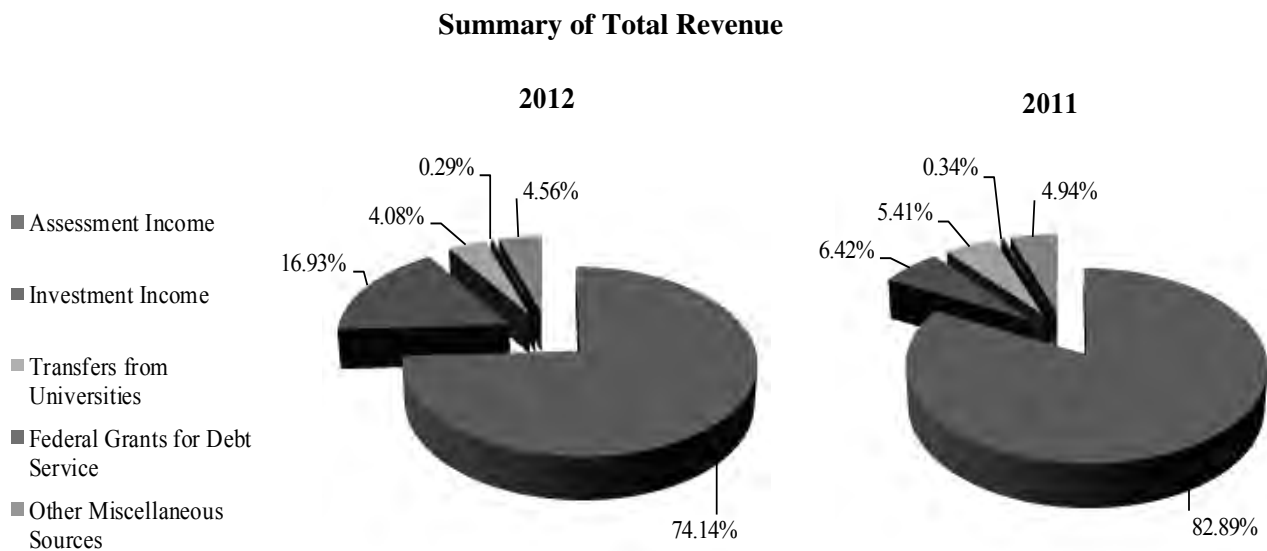
Authority revenue is primarily derived from assessments of university residence hall rents and student activity fees pursuant to the Contract. The assessments provide the revenue needed to fund annual debt service requirements associated with bonds issued to finance capital projects, reserve deposits, insurance premiums, and Authority operating expenses.

Comparison of Operating and Non-Operating Revenues and Expenses

	Fiscal year ended June 30			
	<u>2012</u>	<u>2011</u> (as restated)	<u>\$ Change</u>	<u>% Change</u>
Total operating revenues	\$ 56,084,274	\$ 52,129,575	\$ 3,954,699	7.6%
Total operating expenses	<u>31,119,276</u>	<u>27,282,297</u>	<u>3,836,979</u>	14.1%
Operating income	24,964,998	24,847,278	117,720	0.5%
Nonoperating expenses, net	<u>(21,326,213)</u>	<u>(25,758,878)</u>	<u>4,432,665</u>	17.2%
Increase (decrease) in net position	3,638,785	(911,600)	4,550,385	499.2%
Net position - beginning of the year	<u>(19,461,125)</u>	<u>(18,549,525)</u>	<u>(911,600)</u>	-4.9%
Net position - end of the year	<u>\$ (15,822,340)</u>	<u>\$ (19,461,125)</u>	<u>\$ 3,638,785</u>	18.7%

- Operating revenues grew from \$52.1 million at June 30, 2011 to \$56.1 million at June 30, 2012, due primarily to a \$4.0 million increase in assessment revenues.
- Other revenue sources include investment income on project funds and reserves and transfers from universities in support of capital projects, a Federal grant for debt service, and interest subsidy from the U.S. Treasury relating to the Authority's outstanding Build America Bonds. The 89% increase in non-operating revenue primarily reflects unrealized gains on investments as of June 30, 2012.

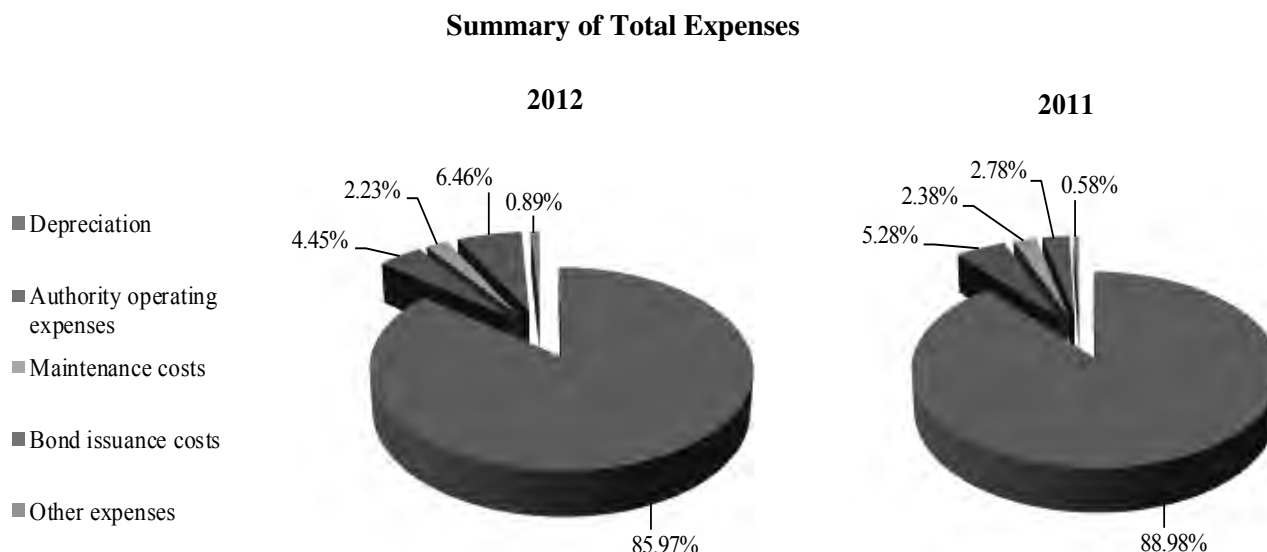
The charts below compare total revenue for fiscal year 2012 with fiscal year 2011.



- Operating expenses include depreciation, maintenance and repairs to capital assets and operating expenses associated with Authority operations.
- In fiscal year 2012, depreciation expense was \$28.6 million as compared to \$25 million in fiscal year 2011. The increase in depreciation expense of \$3.6 million is due to the additional depreciable assets brought into use in fiscal year 2012, including major renovations and repairs at several campuses and new capacity assets brought on line at Framingham and MassArt.
- Approximately 7% of fiscal year 2012 operating expenses were for maintenance costs and Authority operating expenses. Maintenance costs relate primarily to property and liability insurance premium expenses and the \$72,000 increase is due primarily to an increase in the amount of insured assets. The Authority's operating expenses were essentially unchanged from fiscal year 2012 compared to 2011.

- The primary components of net non-operating revenues (expenses) are annual interest expense incurred on the Authority's debt obligations, less investment income used to offset debt service requirements. Interest expense increased by 9% in fiscal year 2012 compared to 2011 due primarily to increased interest payments associated with the Series 2009C, 2010A, and 2010B Bonds offset by increased premium amortization associated with the Series 2010A, 2010B, 2011A, 2012A, and 2012B Bonds. Net investment income increased 218% from \$4 million in fiscal year 2011 to \$12.6 million in fiscal year 2012, due to unrealized gains on investments as of June 30, 2012.
- Net non-operating expenses at June 30, 2012 were \$21.3 million compared to \$25.8 million at June 30, 2011. The change results primarily from increased net investment income, Build America Bonds interest subsidies and receipt of a \$525,000 payment relating to the partial termination of a debt service reserve fund investment agreement relating to the issuance of the Series 2012B Refunding Bonds offset by increased interest expense on debt.

The charts below compare total expenses for fiscal year 2012 with fiscal year 2011.



Statements of Cash Flows

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

Highlights – Statements of Cash Flows

	Fiscal year ended June 30	
	<u>2012</u>	<u>2011</u> (as restated)
Cash received from operations	\$ 56,084,385	\$ 52,129,743
Cash expended for operations	<u>(2,470,984)</u>	<u>(2,317,570)</u>
Net cash provided by operations	53,613,401	49,812,173
Net cash provided by (used) in capital and related financing activities	8,580,151	(93,351,760)
Net cash provided by (used in) investing activities	<u>(99,240,088)</u>	<u>72,436,003</u>
Net increase (decrease) in cash and cash equivalents	(37,046,536)	28,896,416
Cash and cash equivalents, beginning of year	<u>121,552,311</u>	<u>92,655,895</u>
Cash and cash equivalents, end of year	<u>\$ 84,505,775</u>	<u>\$ 121,552,311</u>

- Cash and cash equivalents were \$84.5 million at June 30, 2012 compared to \$121.5 million at June 30, 2011. This \$37 million decrease is due primarily to the purchase of investments in the Series 2012A Bonds project fund offset by increased assessments, project funding from universities for university-owned assets, and increased bond proceeds.
- Net cash provided by operations exceeded the cash expended for operations. The \$4.0 million increase in cash received from assessments was a result of higher residence hall and student activity revenue. The increase in cash expended for operations is primarily due to increases in insurance premiums and maintenance expenses at Authority owned assets.
- Net cash provided by capital and related financing activities was \$8.6 million in fiscal year 2012 compared to net cash used by capital and related financing activities of \$93.4 million in fiscal year 2011. The net change between years is primarily attributable to the \$102.7 million increase in proceeds from bond issuances net of cash paid to trustee for the Series 2012B Refunding Bonds and a \$10 million increase in funds received from universities. Increased payments from funds held for others of \$19.4 million reflects an increase in spending on university-owned assets offset in part by an increased collection of debt service receivables and decreased spending on Authority capital assets.
- Net cash used by investing activities was \$99.2 million in fiscal year 2012 compared to net cash provided by investing activities of \$72.4 million in fiscal year 2011 due primarily to investment of the Series 2012A Bonds project fund offset in part by maturities in other funds.

Capital Assets

The Authority's investment in capital assets as of June 30, 2012 was \$657.3 million net of accumulated depreciation compared to \$595.0 million as of June 30, 2011. Capital assets include land, buildings and improvements thereon, furnishings and equipment. Capital assets comprised approximately 62% of total assets as at June 30, 2012 compared to approximately 67% at June 30, 2011. The change in capital assets as a percent of total assets is attributable to

increased investments of \$109.8 million and increased accounts receivables of \$32.9 million. During the years ended June 30, 2012 and 2011, the Authority had additions to capital assets of \$90.9 million and \$103.5 million, respectively, in constructing new assets and improvements on assets already in service, inclusive of construction in progress. The major components of Capital Assets are presented below.

- Construction in progress represents the balance of additions to Authority assets for projects currently underway. The construction in progress balance was \$43.0 million at June 30, 2012 compared to \$93.5 million at June 30, 2011. The \$50.5 million decrease in construction in progress was due primarily to the change in classification to reflect completion of a \$42.0 million new residence hall at Framingham State University and a \$63.0 million 21-story residence tower at MassArt. New residence hall projects at Bridgewater and Westfield State are currently under construction with additions at June 30, 2012 of \$14.6 million and \$11.8 million, respectively.
- The buildings and improvements balance was \$819.0 million at June 30, 2012 compared to \$680.7 million at June 30, 2011. The \$138.3 increase in buildings and improvements was due primarily to the completion and change in classification of the two residence facilities listed above during 2012. In addition, a parking structure at East Campus totaling \$12.4 million and renovations to replace flooring and heating systems in Woodward Hall totaling \$3.0 million were both completed at Bridgewater State University. Bathroom upgrades and accessibility repairs totaling \$931,700 were completed in Cedar House at Fitchburg State University. Mechanical systems replacements and miscellaneous architectural upgrades totaling \$1.4 million were completed in Bates Hall at Salem State University. Window replacements and heating improvements totaling \$1.5 million were completed in Lammers Hall at Westfield State University. In addition, emergency lighting fixtures replacement at all Chandler Village apartments and carpeting replacement in Wasylean Hall totaling \$671,500 was completed at Worcester State University.
- The furnishings and equipment balance was \$40.8 million at June 30, 2012 compared to \$37.7 million at June 30, 2011. The \$3.1 million increase in furnishings and equipment was due primarily to purchases for the new residence facilities at Framingham and MassArt.
- Land was valued at \$3.8 million at June 30, 2012 compared to \$3.8 million at June 30, 2011 reflecting no activity relating to land acquisition or disposition in fiscal year 2012.

The Authority has entered into various commitments for the purchase of equipment, construction of certain facilities and other improvements relating to both Authority assets and university-owned assets. As of June 30, 2012 and 2011, respectively, such commitments were approximately \$43.0 million and \$52.0 million.

Additions to university-owned facilities have no effect on capital assets. Project funds associated with university-owned assets are held as interagency payable liabilities of the Authority. As university-owned asset project funds are spent the corresponding payable balances are reduced accordingly.

Debt Administration

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

As of June 30, 2012, the Authority had \$1.031 billion in outstanding bond obligations, net of unamortized premiums, compared to \$871.2 million at June 30, 2011. The \$159.8 million increase is attributable to the issuance of \$154.3 million in Series 2012A Bonds and \$149.3 million in Series 2012B Refunding Bonds which is offset by principal payments made during the fiscal year and the \$156.5 million in bonds defeased as a result of the refunding. All of the outstanding bonds carry fixed interest rates payable semi-annually on May and November 1st. Principal is payable annually on May 1st, with a final maturity of 2049. The Authority's outstanding debt has no associated interest rate exchange agreements. Of the amount outstanding, \$114.3 million are taxable Build America Bonds for which the Authority receives a 35% interest rate subsidy directly from the U.S. Treasury. The balance of the outstanding bonds is tax-exempt. \$28.3 million of the outstanding bonds are guaranteed by the Commonwealth with a final maturity of 2016, of which \$13.1 million have a senior lien to the remaining \$968.4 in parity debt.

The Authority's bonds have credit ratings of Aa2 and AA from Moody's and Standard & Poor's, respectively. In November 2011, Standard & Poor's upgraded the Authority to AA from AA-.

Requests for Information

The Authority's financial statements are designed to present readers with a general overview of the Authority's finances. Additional financial information, including official statements relating to the Authority's bonds, can be found on the Authority's website www.mscba.org. Questions concerning the financial statements or requests for additional financial information should be addressed to the Executive Director, Massachusetts State College Building Authority, 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, 2012 and 2011 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, 2012 and 2011, 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.

As discussed in Note 1 to the financial statements, in fiscal 2012, the Authority elected to early implement the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

In accordance with Government Auditing Standards, we have also issued our report dated October 2, 2012 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, 2012. 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 2012 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 38 through 42 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
October 2, 2012

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

STATEMENTS OF NET POSITION (DEFICIENCY IN NET POSITION)

JUNE 30, 2012 AND 2011

	<u>2012</u>	2011 (As restated)
ASSETS		
<u>Current assets</u>		
Cash and cash equivalents	\$ 46,999,799	\$ 52,961,725
Restricted cash and cash equivalents	32,622,951	61,280,385
Restricted investments, including amounts held by bond trustee	35,375,185	-
Accounts receivable, net	<u>4,523,098</u>	<u>4,055,079</u>
Total current assets	<u>119,521,033</u>	<u>118,297,189</u>
<u>Noncurrent assets</u>		
Restricted cash and cash equivalents	4,882,665	7,310,201
Restricted investments, including amounts held by bond trustee	168,070,724	93,686,304
Accounts receivable, net	107,645,298	75,186,365
Capital assets, net	<u>657,341,390</u>	<u>595,028,276</u>
Total noncurrent assets	<u>937,940,077</u>	<u>771,211,146</u>
Total assets	<u>1,057,461,110</u>	<u>889,508,335</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred losses on refunding of debt	<u>32,352,432</u>	<u>19,011,433</u>
Total deferred outflows of resources	<u>32,352,432</u>	<u>19,011,433</u>
LIABILITIES		
<u>Current liabilities</u>		
Accounts payable and accrued liabilities	27,525,872	25,572,562
Accrued payroll	53,111	43,878
Interagency payables	41,155,315	24,799,324
Compensated absences	85,711	83,869
Current portion of bonds payable	<u>24,904,411</u>	<u>21,139,334</u>
Total current liabilities	<u>93,724,420</u>	<u>71,638,967</u>
<u>Noncurrent liabilities</u>		
Accounts payable and accrued liabilities	97,005	137,884
Compensated absences	78,314	78,877
Interagency payables	5,269,093	6,060,117
Bonds payable, net of current portion	<u>1,006,467,050</u>	<u>850,065,048</u>
Total noncurrent liabilities	<u>1,011,911,462</u>	<u>856,341,926</u>
Total liabilities	<u>1,105,635,882</u>	<u>927,980,893</u>
NET POSITION (DEFICIENCY IN NET POSITION)		
Net investment in capital assets	1,380,597	(3,693,773)
Restricted:		
Expendable:		
Capital projects	2,415,383	1,897,286
Unrestricted	<u>(19,618,320)</u>	<u>(17,664,638)</u>
Total net position (deficiency in net position)	<u>(\$ 15,822,340)</u>	<u>(\$ 19,461,125)</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 POSITION

YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	2011 (As restated)
<u>OPERATING REVENUES</u>		
Income from contracts for financial assistance, management, and services	\$ 55,373,353	\$ 51,349,024
Federal grants for debt service	211,886	211,890
Other miscellaneous revenues	<u>499,035</u>	<u>568,661</u>
Total operating revenues	<u>56,084,274</u>	<u>52,129,575</u>
<u>OPERATING EXPENSES</u>		
Maintenance costs	740,425	668,168
Authority operating expenses	1,481,186	1,483,170
Depreciation	28,603,149	24,968,701
Other expenses	<u>294,516</u>	<u>162,258</u>
Total operating expenses	<u>31,119,276</u>	<u>27,282,297</u>
Operating income	<u>24,964,998</u>	<u>24,847,278</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Net investment income	12,643,482	3,977,455
Interest expense	(37,776,890)	(34,798,750)
Bond issuance costs	(2,150,595)	(780,005)
Transfers from State Universities	3,050,414	3,352,687
Build America Bonds interest subsidy	2,360,991	1,887,838
Gain (loss) on sale of capital assets	-	400,141
Miscellaneous nonoperating revenue	<u>546,385</u>	<u>201,756</u>
Net nonoperating revenues (expenses)	<u>(21,326,213)</u>	<u>(25,758,878)</u>
<u>INCREASE (DECREASE) IN NET POSITION</u>	<u>3,638,785</u>	<u>(911,600)</u>
<u>NET POSITION (DEFICIENCY IN NET POSITION), BEGINNING OF YEAR, AS PREVIOUSLY REPORTED FOR 2011</u>	(19,461,125)	(6,592,996)
<u>RESTATEMENT (NOTE 19)</u>	<u>-</u>	<u>(11,956,529)</u>
<u>NET POSITION (DEFICIENCY IN NET POSITION), BEGINNING OF YEAR, AS RESTATED</u>	(19,461,125)	(18,549,525)
<u>NET POSITION (DEFICIENCY IN NET POSITION), END OF YEAR</u>	<u>(\$ 15,822,340)</u>	<u>(\$ 19,461,125)</u>

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

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u> <u>(As restated)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contracts for financial assistance, management, and services	\$ 55,373,353	\$ 51,349,024
Federal grants for debt service	211,886	211,890
Other miscellaneous receipts	499,146	568,829
Payments for maintenance costs	(706,154)	(670,373)
Payments for operating expenses	(700,844)	(755,634)
Payments to employees	(769,830)	(729,305)
Payments for other expenses	(294,516)	(162,258)
Net cash provided by (used in) operating activities	<u>53,613,041</u>	<u>49,812,173</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from bond issuance	340,279,050	120,581,681
Cash paid to bond trustee related to advance refundings	(175,964,681)	(59,010,392)
Build America Bonds interest subsidy	2,360,991	1,716,819
Payments of bond issuance costs	(2,150,595)	(780,005)
Payments for capital assets	(89,912,459)	(99,147,555)
Proceeds from sale of assets	-	527,486
Miscellaneous receipts	546,385	201,756
Release from (payment to) escrow for deposit on capital assets	-	16,250
Collections of debt service receivables	6,139,842	4,473,638
Transfer of funds from State Universities	3,050,414	3,352,687
Payments from funds held for others	(31,763,491)	(12,333,571)
Funds received and held for others	14,005,758	4,018,190
Principal paid on capital debt	(19,400,000)	(16,449,998)
Interest paid on capital debt	(38,611,063)	(40,518,746)
Net cash provided by (used in) capital and related financing activities	<u>8,580,151</u>	(93,351,760)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	133,423,710	145,507,595
Purchases of investments	(236,378,456)	(77,341,855)
Interest on investments	<u>3,714,658</u>	<u>4,270,263</u>
Net cash provided by (used in) investing activities	<u>(99,240,088)</u>	<u>72,436,003</u>
Net increase (decrease) in cash and cash equivalents	<u>(37,046,896)</u>	<u>28,896,416</u>
Cash and cash equivalents, beginning of year	<u>121,552,311</u>	<u>92,655,895</u>
Cash and cash equivalents, end of year	<u>\$ 84,505,415</u>	<u>\$ 121,552,311</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income	\$ 24,964,998	\$ 24,847,278
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	28,603,149	24,968,701
Changes in assets and liabilities:		
Accounts payable and accrued liabilities	34,382	(2,037)
Accrued payroll and compensated absences	<u>10,512</u>	<u>(1,769)</u>
Net cash provided by (used in) operating activities	<u>\$ 53,613,041</u>	<u>\$ 49,812,173</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, 2012 AND 2011

1. Summary of significant accounting policies

Organization

Massachusetts State College Building Authority (the Authority) was created pursuant to Chapter 703 of the Acts of 1963 of the Commonwealth of Massachusetts (the State 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 residence hall operating budgets. The Authority operates on the basis of Contracts for Financial Assistance, Management and Services with the Board of Higher Education of the Commonwealth (BHE), in which the BHE 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 position are those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as nonoperating activities in accordance with GASB Statement No. 35. These nonoperating activities include the Authority's net investment income and interest expense.

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

(a component unit of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

1. Summary of significant accounting policies - continued

Net position

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

- **Net investment in capital assets**

Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

- **Restricted - nonexpendable**

Net position which is subject to externally imposed conditions that the Authority must maintain them in perpetuity.

- **Restricted - expendable**

Net position 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 position. Unrestricted net position may be designated for specific purposes by action of the Authority's Board.

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

In accordance with the requirements of the Authority Trust Agreement 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.

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

1. Summary of significant accounting policies - continued

Cash equivalents

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

Investments

Investments in marketable securities are stated at fair value. Realized and unrealized gains and losses are included in nonoperating revenues. Gains and losses on the disposition of investments are determined based on specific identification of securities sold or the average cost method. Investment income is recognized when earned and is generally credited to the trust fund holding the related assets. There were no significant realized gains or losses on investments during the years ended June 30, 2012 and 2011.

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 Trust Agreement 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, 2012 and 2011, 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 14,340 students in 2012 and 13,930 students in 2011, 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.

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

1. Summary of significant accounting policies - continued

Capital assets - continued

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.

Bond issuance costs

Bond issuance costs are expensed as incurred pursuant to GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. During fiscal 2012 and 2011, the Authority incurred \$2,150,595 and \$780,005, respectively, of bond issuance costs. Pursuant to the Authority's election to early implement the provisions of GASB Statement No. 65 in fiscal 2012, the Authority retroactively restated its net position (deficiency in net position) at July 1, 2010 in the amount of \$11,956,529 as further discussed in Note 19.

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. Bond premiums are amortized to interest expense on a straight-line basis over the terms of the related trust agreements. Deferred losses on bond refundings are amortized to interest expense principally on the effective interest method over the terms of the old trust or new trust agreements, whichever is shorter. During fiscal 2012 and 2011, total interest costs were accounted for as follows:

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

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NOTES TO FINANCIAL STATEMENTS - CONTINUED**YEARS ENDED JUNE 30, 2012 AND 2011****1. Summary of significant accounting policies - continued****Interest expense and capitalization - continued**

	<u>2012</u>	<u>2011</u>
Total interest incurred	\$ 44,888,868	\$ 40,537,039
Amortization of bond premium	(2,422,331)	(1,166,103)
Amortization of deferred loss	1,006,582	682,531
Less: capitalized portion of interest incurred	(5,696,229)	(5,254,717)
Interest expense	<u>\$ 37,776,890</u>	<u>\$ 34,798,750</u>
Capitalized portion of interest incurred	\$ 5,696,229	\$ 5,254,717
Less: interest income on unused funds from tax-exempt borrowings	(792,793)	(1,039,075)
Net capitalized interest	<u>\$ 4,903,436</u>	<u>\$ 4,215,642</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.

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 2011 financial statements to conform to the 2012 presentation.

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

1. Summary of significant accounting policies - continued

Recent accounting pronouncements

Recently adopted accounting pronouncements

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 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 elected to early adopt the requirements of this Statement in fiscal 2012. Adoption of GASB Statement No. 60 by the Authority in fiscal 2012 had no 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. The Authority elected to early adopt the requirements of this Statement in fiscal 2012. As a result of the early adoption, the Authority has renamed the Statement of Net Assets to the Statement of Net Position (Deficiency in Net Position); reported deferred outflows of resources in a separate section following assets; and presented the Statement of Net Position (Deficiency in Net Position) in a format that displays assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources (of which there are none) to equal net position. The Statement has been applied retroactively by reclassifying the Statement of Net Position (Deficiency in Net Position) and balance sheet information for the year ended June 30, 2011.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and financial reporting standards that (i) reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources; or (ii) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. GASB Statement No. 65 is effective for financial statements for periods beginning after December 15, 2012. The Authority elected to early adopt the requirements of this Statement in fiscal 2012. As a result of the early adoption, the Authority reclassified deferred losses on bond refundings from a decrease in bonds payable to deferred outflows of resources, expensed bond issuance costs instead of deferring and amortizing such costs to future periods, and retroactively restated the Authority's net position as of July 1, 2010 for the cumulative effect of applying this Statement, all as more fully described in Note 19.

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

1. Summary of significant accounting policies - continued

Recent accounting pronouncements not yet adopted

In June, 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. The primary objective of GASB Statement No. 68 is to improve accounting and financial reporting by state and local governments for pensions. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The requirements of GASB Statement No. 68 are effective for financial statements for fiscal years beginning after June 15, 2014 with earlier application encouraged. The Authority is currently evaluating the impact of this GASB Statement on its fiscal year 2015 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; (iii) any of the securities described above which are subject to repurchase agreements, as defined; (iv) commercial paper rated in the highest rating category; and (v) obligations of state or local governments or authorities thereof rated in the two highest rating categories. The Authority is also required to comply with the Commonwealth of Massachusetts' 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, 2012, \$41,163,784 of the Authority's bank balances were exposed to custodial credit risk because they were uninsured and uncollateralized.

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 \$41,163,784 and \$90,592,149 at June 30, 2012 and 2011, 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.

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

2. Cash and cash equivalents, and investments - continued

Custodial credit risk - continued

The Authority's investments are held at US Bank and Citizens Bank and are represented by the following at June 30, 2012 and 2011:

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. Agencies	\$ 77,854,937	\$ 79,970,208	\$ 68,212,053	\$ 68,877,527
Commercial paper	90,216,262	90,338,599	-	-
State taxable bonds	17,475,000	21,952,160	17,475,000	18,134,785
U.S. Treasuries	<u>9,119,369</u>	<u>11,184,942</u>	<u>6,821,484</u>	<u>6,673,992</u>
	<u>\$ 194,665,568</u>	<u>\$ 203,445,909</u>	<u>\$ 92,508,537</u>	<u>\$ 93,686,304</u>

At June 30, 2012, the Authority's investments, investment maturities and credit quality ratings, based on Moody's Investors Service, Inc. ratings, are as follows:

<u>Investment Maturities (in years)</u>						
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Greater Than 10</u>	<u>Credit Rating</u>
Fannie Mae Corporation (FNMA) U.S. Govt. Issues	\$ 7,230,466	\$ 5,212,675	\$ 2,017,791	\$ -	\$ -	Aaa
Fannie Mae Corporation (FNMA) discount note	7,599,187	7,599,187	-	-	-	Aaa
Federal Home Loan Banks (FHLB) U.S. Govt. Issues	12,750,279	4,433,312	8,316,967	-	-	Aaa
Federal Home Loan Banks (FHLB) discount notes	13,040,021	13,040,021	-	-	-	Aaa
Federal Home Loan Mortgage Corp. (FHLMC) U.S. Govt. Issues	25,107,579	11,825,511	-	13,282,068	-	Aaa
Federal Home Loan Mortgage Corp. (FHLMC) discount note	10,040,987	10,040,987	-	-	-	Aaa
Federal Farm Credit Banks (FFCB) U.S. Govt. Issues	4,201,689	1,200,919	3,000,770	-	-	Aaa
Commercial Paper (GE Cap. Corp.)	90,338,599	90,338,599	-	-	-	P-1 Aa1 -
Massachusetts ST Bonds	21,952,160	-	-	1,516,878	20,435,282	Aaa
U.S. Government Securities - Treasury Bonds	<u>11,184,942</u>	<u>2,298,799</u>	<u>-</u>	<u>-</u>	<u>8,886,143</u>	Aaa
Total	<u>\$203,445,909</u>	<u>\$ 145,990,010</u>	<u>\$ 13,335,528</u>	<u>\$ 14,798,946</u>	<u>\$ 29,321,425</u>	

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

(a component unit of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

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

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

3. Accounts receivable

Accounts receivable include the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Debt service receivables	\$ 111,188,170	\$ 78,078,251
Interest receivable on investments	586,728	769,695
Build America Bonds interest subsidy receivable	<u>393,498</u>	<u>393,498</u>
	<u>\$ 112,168,396</u>	<u>\$ 79,241,444</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 2012, accounts receivable, net of unearned interest income, totaling \$35,991,393 were recorded in connection with projects at five State Universities. During fiscal 2011, accounts receivable, net of unearned interest income, totaling \$31,325,875 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 2012 and 2011, the Authority made a miscellaneous adjustment of \$179,563 and \$67,723, respectively, to accounts receivable and unearned income that reflects interest savings due to the bond refundings in these years.

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

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NOTES TO FINANCIAL STATEMENTS - CONTINUED**YEARS ENDED JUNE 30, 2012 AND 2011****3. Accounts receivable - continued**

The components of the Authority's investment in these State University-owned projects as of June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Total payments to be received	\$ 161,358,745	\$ 114,733,418
Less: unearned income	(<u>50,170,575</u>)	(<u>36,655,167</u>)
Net investment in State University-owned projects	<u>\$ 111,188,170</u>	<u>\$ 78,078,251</u>

The following table sets forth the total payments to be received under these agreements as of June 30, 2012:

Year ending June 30:	
2013	\$ 8,367,107
2014	8,494,396
2015	8,482,067
2016	8,486,673
2017	8,475,392
2018 - 2022	42,377,746
2023 - 2027	43,673,310
2028 - 2032	26,708,694
2033 - 2037	<u>6,293,360</u>
Total	<u>\$ 161,358,745</u>

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

4. Capital assets

Capital assets activity for the years ended June 30, 2012 and 2011 are as follows:

	2012			
	Totals		Reclassifications	Totals
	<u>June 30, 2011</u>	<u>Additions</u>	<u>And</u> <u>Reductions</u>	<u>June 30, 2012</u>
Land	\$ 3,832,388	\$ -	\$ -	\$ 3,832,388
Construction in progress	<u>93,537,885</u>	<u>86,691,254</u>	<u>(137,213,020)</u>	<u>43,016,119</u>
Total not being depreciated	<u>97,370,273</u>	<u>86,691,254</u>	<u>(137,213,020)</u>	<u>46,848,507</u>
Buildings and improvements	<u>680,671,878</u>	<u>1,162,886</u>	<u>137,213,020</u>	<u>819,047,784</u>
Furnishings and equipment	<u>37,741,760</u>	<u>3,062,123</u>	<u>-</u>	<u>40,803,883</u>
Total depreciable assets	<u>718,413,638</u>	<u>4,225,009</u>	<u>137,213,020</u>	<u>859,851,667</u>
Total capital assets	<u>815,783,911</u>	<u>90,916,263</u>	<u>-</u>	<u>906,700,174</u>
Less accumulated depreciation:				
Buildings and improvements	(206,950,855)	(26,187,810)	-	(233,138,665)
Furnishings and equipment	(13,804,780)	(2,415,339)	-	(16,220,119)
Total accumulated depreciation	(220,755,635)	(28,603,149)	-	(249,358,784)
Capital assets, net	<u>\$ 595,028,276</u>	<u>\$ 62,313,114</u>	<u>\$ -</u>	<u>\$ 657,341,390</u>

	2011			
	Totals		Reclassifications	Totals
	<u>June 30, 2010</u>	<u>Additions</u>	<u>and</u> <u>Reductions</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	<u>571,713,398</u>	<u>4,406,329</u>	<u>104,552,151</u>	<u>680,671,878</u>
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)	(22,702,306)	363,952	(206,950,855)
Furnishings and equipment	(11,538,385)	(2,266,395)	-	(13,804,780)
Total accumulated depreciation	(196,150,886)	(24,968,701)	363,952	(220,755,635)
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, 2012 AND 2011

4. Capital assets - continued

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.

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, 2012 and 2011.

As of June 30, 2012 and 2011, capital assets with a cost of approximately \$46,700,000 and \$39,000,000, 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 \$43,000,000 and \$52,000,000, respectively, as of June 30, 2012 and 2011.

5. Bond related items

Bond issuance costs incurred and expensed in fiscal 2012 and 2011 amounted to \$2,150,595 and \$780,005, respectively.

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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Unamortized balance, beginning	\$ 30,541,361	\$ 25,758,017
Current year additions	36,659,049	8,971,685
Unamortized premium on bonds refunded	(1,824,639)	(3,022,238)
Current year amortization	(2,422,331)	(1,166,103)
Unamortized balance, ending	<u>\$ 62,953,440</u>	<u>\$ 30,541,361</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED**YEARS ENDED JUNE 30, 2012 AND 2011****5. Bond related items - continued**

Deferred losses on bond refundings are reflected as a deferred outflows of resources in the accompanying statements of net position (deficiency in net position) and consisted of the following at June 30, 2012 and 2011:

	<u>2012</u>	2011 (As restated)
Balance, beginning	\$ 19,011,433	\$ 17,055,810
Current year additions	14,347,581	2,638,154
Current year amortization	<u>(1,006,582)</u>	<u>(682,531)</u>
Balance, ending	<u>\$ 32,352,432</u>	<u>\$ 19,011,433</u>

6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consisted of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Capital assets and construction payables	\$ 11,636,385	\$ 15,536,017
Accrued bond interest payable	10,303,940	6,621,956
Arbitrage payable - long term	97,005	37,619
Contractor payables for State University owned assets	5,440,796	3,404,485
Lease deposit (see Note 15)	100,376	100,265
Authority operating and maintenance expenses	<u>44,375</u>	<u>10,104</u>
	<u>\$ 27,622,877</u>	<u>\$ 25,710,446</u>

7. Interagency payables

Under the provisions of the 2012A, 2010A, 2010B, 2009C, 2009B, 2009A, 2008A, 2006A, 2005A and 2003A trust 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

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

7. Interagency payables - continued

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, 2012 and 2011, the Authority has an aggregate liability for Interagency payables of \$46,424,408 and \$30,859,441, respectively.

8. Bonds payable

Bonds payable consisted of the following at June 30, 2012 and 2011:

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, 2012 and 2011, bonds payable amounted to \$13,622,072 and \$19,753,109, 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 2012 and 2011 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, 2012 and 2011, bonds payable amounted to \$2,238,751 and \$65,785,650, respectively, including premium. These bonds carry interest rates that range from 2.0% to 5.25%, and are payable annually on May 1 until 2013. The effective interest rate for 2012 and 2011 amounted to 4.91% and 4.97%, 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 2012, the Authority issued Series 2012-B Refunding Bonds, which refunded a portion of the 2003-A Bonds scheduled to mature between May 1, 2026 and May 1, 2043 totaling \$63,225,000.

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

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

8. Bonds payable - continued

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

June 30, 2012 and 2011, bonds payable amounted to \$110,809,040 and \$112,429,016, 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 2012 and 2011 amounted to 3.59% and 3.61%, 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 transaction, the Authority exercised a call option to fully redeem the Series 1999-1 Bonds in November 2011 for the remaining unpaid principal amount of \$38,845,000. 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 the Series 1999-A bonds had an aggregate market value of \$88,259,061 at June 30, 2012. The unpaid principal amount plus accreted interest of the remaining Series 1999-A of refunded bonds at June 30, 2012 totaled \$60,513,224.

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 deferred outflow of resources, 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 \$15,663,618 and \$16,347,270 at June 30, 2012 and 2011, 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, 2012 and 2011, the Series 2004-A Bonds payable amounted to \$4,363,196 and \$34,128,476, respectively, including premium. These bonds carry interest rates that range from 2.0% to 5.0%, and are payable annually on May 1 until 2014. The effective interest rate for 2012 and 2011 amounted to 4.83% and 4.88%, respectively. In June 2011, the Authority issued Series 2011-A Refunding Bonds, which refunded a portion of the 2004-A Bonds scheduled to

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

8. Bonds payable - continued

2004 A Series Bonds, January 15, 2004 - continued

mature between May 1, 2015 and May 1, 2023 totaling \$21,615,000. In March 2012, the Authority issued Series 2012-B Refunding Bonds, which refunded a portion of the 2004-A Bonds scheduled to mature between May 1, 2024 and May 1, 2043 totaling \$27,640,000.

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 Lehman's exercise of that option. As of June 30, 2012 and 2011, the Series 2004-B Bonds payable amounted to \$18,250,872 and \$18,355,068, 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 2012 and 2011 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 deferred outflow of resources, 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 \$31,460 and \$39,325 at June 30, 2012 and 2011, 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, 2012 and 2011, the Series 2005-A Bonds payable amounted to \$8,598,631 and \$30,094,066, respectively, including premium. These bonds carry interest rates that range from 3.0% to 5.0% and are payable annually on May 1 until 2017. The effective interest rate for 2012 and 2011 amounted to 4.31% and 4.28%, respectively. In March 2012, the Authority issued Series 2012-B Refunding Bonds, which refunded a portion of the 2005-A Bonds scheduled to mature between May 1, 2018 and May 1, 2026 totaling \$19,765,000.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

8. Bonds payable - continued

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 Series 2006-A Projects, and any future projects. As of June 30, 2012 and 2011, the Series 2006-A Bonds payable amounted to \$46,084,154 and \$96,569,513, 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 2012 and 2011 amounted to 4.91% and 4.89%, respectively. In March 2012, the Authority issued Series 2012-B Refunding Bonds, which refunded a portion of the 2006-A Bonds scheduled to mature between May 1, 2019 and May 1, 2031 totaling \$45,835,000.

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, 2012, and 2011, the Series 2008-A Bonds payable amounted to \$94,026,950 and \$95,325,251, 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 2012 and 2011 amounted to 4.88% and 4.86%, respectively.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

8. Bonds payable - continued

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, 2012 and 2011, the Series 2009-A Bonds payable amounted to \$125,659,142 and \$127,172,965, 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 2012 and 2011 amounted to 5.15% and 5.12%, respectively.

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, 2012 and 2011, the Series 2009-B Bonds payable amounted to \$83,743,747 and \$84,708,522, 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 2012 and 2011 amounted to 4.74% and 4.71%, 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

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

8. Bonds payable - continued

2009 B/C Series Bonds, December 22, 2009 - continued

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, 2012 and 2011, 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 beginning in 2018 through 2040. The effective interest rate for 2012 and 2011 amounted to 5.74% for both years.

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 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, 2012 and 2011, bonds payable amounted to \$11,429,245 and \$13,138,235, respectively, 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 2012 and 2011 amounted to 4.07% and 4.03%, respectively.

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

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

8. Bonds payable - continued

2010A/B Series Bonds, December 17, 2010 - continued

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, 2012 and 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 beginning in 2019 through 2040. The effective interest rate for 2012 and 2011 amounted to 6.12% and 6.09%, respectively.

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, 2012 and 2011, bonds payable amounted to \$58,453,359 and \$59,454,511, respectively, 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 2012 and 2011 amounted to 5.03% and 3.80%, respectively.

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 \$56,839,792 at June 30, 2012. The aggregate unpaid principal amount of the two remaining Series of refunded bonds at June 30, 2012 totaled \$53,350,000.

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 \$2,638,154 (as restated) between the reacquisition price of \$59,010,392 and the net carrying amount of the old debt of \$56,372,238 (as restated). This difference, reported in the accompanying financial statements as deferred outflow of resources, 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 bond refunding amounted to \$2,435,270 and \$2,624,838 (as restated) at June 30, 2012 and 2011, respectively.

2012A Series Bonds, December 11, 2011

In December 2011, the Authority issued \$154,345,000 Project Revenue Bonds Series 2012A (2012A Bonds), which closed on January 4, 2012 with an all-in cost of 4.13%. The proceeds of the 2012A Bonds, together with certain earnings thereon, will be used to pay a portion of the interest on the 2012A Bonds during construction, to pay costs of issuance and to finance new residence halls at Bridgewater and Westfield State Universities, construction, improvements, renovations and repairs of student life facilities at certain of the State Universities and the renovation of various System Projects. No proceeds of the 2012A

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

8. Bonds payable - continued

2012A Series Bonds, December 11, 2011 - continued

Bonds were required to be deposited in the debt service reserve fund. The 2012A Bonds are traditional tax-exempt bonds issued under the provisions of the Trust Agreement as amended, restated and supplemented to the date of issuance of the 2012A Bonds. The 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 relating to the Prior Bonds. The 2012A Bonds are not guaranteed by the Commonwealth. Principal on the 2012A Bonds is payable annually on May 1 beginning in 2013 through 2041 with interest rates ranging from 3% to 5%. As of June 30, 2012, there was \$167,451,362, including premium, Series 2012A Bonds outstanding. The effective interest rate for 2012 amounted to 4.72%.

2012B Series Bonds, February 2, 2012

In February 2012, the Authority issued \$149,275,000 Refunding Revenue Bonds Series 2012B (2012B Refunding Bonds), which closed on March 1, 2012 with an all-in cost of 3.57%. After paying costs of issuance, the proceeds and premium thereon of the 2012B Refunding Bonds together with \$1,800,000 from the partial termination of the Debt Service Reserve Fund Agreement relating to the refunded portion of the 2005A Bonds and certain debt service funds relating to the refunded bonds, was deposited in an irrevocable escrow account, which together with interest earnings thereon, will be sufficient to pay all future debt service payments on the refunded portions of 2003A Bonds, 2004A Bonds, the 2005A Bonds and the 2006A Bonds; such portions are considered defeased and accordingly the liability for the bonds payable and the assets held to repay the debt have been removed from the Authority's records. No proceeds of the 2012B Refunding Bonds were required to be deposited in the debt service reserve fund. The 2012B Refunding Bonds are traditional tax-exempt bonds issued under the provisions of the Trust Agreement as amended, restated and supplemented to the date of issuance of the 2012B Refunding Bonds. The 2012B Refunding 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 relating to the Prior Bonds. The 2012B Refunding Bonds are not guaranteed by the Commonwealth. Principal on the 2012B Refunding Bonds is payable annually on May 1 beginning in 2018 through 2043 with interest rates ranging from 3% to 5%. As of June 30, 2012, there was \$172,350,940, including premium, 2012B Refunding Bonds outstanding. The effective interest rate for 2012 amounted to 4.69%.

The 2012B Refunding Bonds resulted in overall reduced debt service of \$20,587,474 and an economic gain of \$13,285,676. The refunding resulted in a difference of \$14,347,581 between the reacquisition price of \$172,637,220 and the net carrying amount of the refunded bonds of \$158,289,639. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is annually charged to expense through the year 2043 using the effective interest method. As of June 30, 2012, the unamortized balance of the deferred loss due to the refunding was \$14,222,084.

The Authority was required to deposit \$175,964,681 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, Series 2004-A, Series 2005-A, and Series 2006-A Bonds. As a result, a portion of these bonds 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

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

8. Bonds payable - continued

2012B Series Bonds, February 2, 2012 - continued

records. Assets held in the trust account for repayment of these bonds had an aggregate market value of \$171,483,235 at June 30, 2012. The aggregate unpaid principal amount of the four remaining Series of refunded bonds at June 30, 2012 totaled \$156,465,000.

Debt service reserve fund investment agreements

In connection with the issuance of the Series 2003-A Bonds, Series 2005-A Bonds, Series 2006-A Bonds and Series 2008-A Bonds, the Authority entered into debt service reserve fund investment agreements. The agreements serve to provide for a guaranteed rate of return on the applicable debt service reserve funds to support the Authority's future debt service payments. The agreements provide for termination under certain circumstances as more fully described in the agreements. Termination of the agreements may generate a gain or loss to the Authority depending on the nature and circumstances of the termination. The 2012B Refunding Bonds refunded a portion of the Series 2005-A Bonds which necessitated that a portion (\$1,800,000) of the original Series 2005-A debt service reserve fund investment agreement be terminated. The terms of the agreement provided for a \$525,000 termination payment to be made to the Authority. The funds received from this termination payment are being held in the Series 2005-A Bonds Rebate Account. The Authority has recognized \$525,000 as miscellaneous nonoperating revenue for this termination payment in the accompanying 2012 statement of revenues, expenses and changes in net position (see Note 18).

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NOTES TO FINANCIAL STATEMENTS - CONTINUED**YEARS ENDED JUNE 30, 2012 AND 2011****8. Bonds payable - continued****Amortization tables for bond issues and unamortized premiums as of June 30, 2012**

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:			
2013	\$ 21,450,000	\$ 49,728,859	\$ 71,178,859
2014	23,230,000	46,264,406	69,494,406
2015	25,315,000	45,061,706	70,376,706
2016	29,256,780	45,644,960	74,901,740
2017	26,423,683	44,828,705	71,252,388
2018 - 2022	148,252,953	213,641,748	361,894,701
2023 - 2027	178,732,331	187,086,796	365,819,127
2028 - 2032	172,587,276	121,468,659	294,055,935
2033 - 2037	177,520,000	69,342,096	246,862,096
2038 - 2042	138,070,000	23,413,850	161,483,850
2043 - 2047	22,490,000	3,862,263	26,352,263
2048 - 2049	<u>5,089,998</u>	<u>433,788</u>	<u>5,523,786</u>
	968,418,021	<u>\$ 850,777,836</u>	<u>\$ 1,819,195,857</u>
Plus: unamortized premiums	<u>62,953,440</u>		
	<u>\$ 1,031,371,461</u>		

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

9. Long-term liabilities

Long-term liabilities at June 30, 2012 and 2011 consisted of the following:

	2012				
	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Bonds payable	\$ 871,204,382	\$ 340,279,050	\$ (180,111,971)	\$ 1,031,371,461	\$ 24,904,411
Interagency payables	30,859,441	50,155,793	(34,590,826)	46,424,408	41,155,315
Other liabilities:					
Accounts payable and accrued liabilities	100,265	111	(100,376)	-	-
Arbitrage payable	37,619	59,386	-	97,005	-
Compensated absences	162,746	122,937	(121,658)	164,025	85,711
Total long-term liabilities	\$ 902,364,453	\$ 390,617,277	\$ (214,924,831)	\$ 1,078,056,899	\$ 66,145,437

	2011				
	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Bonds payable	\$ 824,611,040	\$ 120,581,681	\$ (73,988,339)	\$ 871,204,382	\$ 21,139,334
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	\$ 834,617,500	\$ 156,092,461	\$ (88,345,508)	\$ 902,364,453	\$ 46,022,527

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

10. Net position

The net investment in capital assets of \$1,380,597 at June 30, 2012, includes the effect of deferring the recognition of the losses on bond refundings. The \$32,352,432 balance of the deferred outflows of resources at June 30, 2012 will be amortized to interest expense over the terms of the old trust or new trust agreements, whichever is shorter, which will decrease the unrestricted net position and increase the net investment in capital assets over those periods (see Note 8).

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>2012</u>	<u>2011</u>
Restricted - expendable:		
DCAM/MSBA contract restricted for life		
safety and access improvements and		
repositioning of O'Connor Hall (Note 17)	<u>\$ 2,415,383</u>	<u>\$ 1,897,286</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, 2012 and 2011, on a natural classification basis, are comprised of the following:

	<u>2012</u>	<u>2011</u>
Compensation	\$ 782,682	\$ 729,800
Supplies and services	1,733,445	1,583,796
Depreciation	<u>28,603,149</u>	<u>24,968,701</u>
	<u>\$ 31,119,276</u>	<u>\$ 27,282,297</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

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. 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 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, \$84,452 and \$89,249 for the years ended June 30, 2012, 2011 and 2010, respectively, which equaled the required contributions each year. Annual covered payroll was approximately 100% of annual total payroll for the Authority in 2012, 2011 and 2010.

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.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

14. Retiree health plan - continued

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, 2012, 2011, and 2010, were \$100,615, \$113,318 and \$89,767, respectively, which equaled the required contributions each year. Required contributions include contributions for the total health plan costs for both active and retired employees.

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, 2012 and 2011, rent expense incurred, including additional costs for monthly storage and parking which are not provided under the terms of the lease agreement, amounted to \$153,395 and \$160,780, respectively.

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

<u>Year ending June 30:</u>	<u>Amount</u>
2013	\$ 156,090
2014	169,334
2015	173,118
2016	173,118
2017	176,902
2018 - 2020	<u>491,920</u>
	<u>\$ 1,340,482</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 was completed in May 2012. Occupancy of the leased space began in the Fall 2012 academic semester. The lease was amended as of May 9, 2012 to allow for, among other matters, additional bed spaces, revised extension terms and revised total rent payments. The cost of the portion of the property that will be leased to MCPHS amounts to approximately \$35,101,000 at June 30, 2012 and is included in buildings and improvements on the accompanying statements of net position (deficiency in net position). 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, 2012 and 2011, the deposit and interest earned thereon, in the amount of \$100,376 and \$100,265, respectively, are included in current restricted cash and cash equivalents and noncurrent restricted cash and

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NOTES TO FINANCIAL STATEMENTS - CONTINUED**YEARS ENDED JUNE 30, 2012 AND 2011****15. Lease commitments and receivables - continued**

cash equivalents, respectively, and current accounts payable and accrued liabilities and noncurrent accounts payable and accrued liabilities, respectively, in the accompanying statements of net position (deficiency in net position).

The lease agreement provides for an initial term of five academic years for the original bed spaces and four academic years for the new bed spaces per the lease amendment. The lease commenced in August, 2012. The lease term for the original bed spaces may be extended for three additional, consecutive five year periods and the term of the new bed spaces may be extended for one additional one year period. 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.

On August 7, 2012, the Authority entered into a lease agreement with Harvard Vanguard Medical Associates, Inc. (Harvard Vanguard) to lease approximately 2,395 square feet of space at the Massachusetts College of Art and Design for the purpose of operating a student health services clinic. The cost of the property leased to Harvard Vanguard amounts to approximately \$1,107,000 at June 30, 2012, and is included in buildings and improvements on the accompanying statements of net position (deficiency in net position).

The lease agreement provides for an initial term of five years commencing in August 2012, and thereafter, at the option of Harvard Vanguard, may be extended for three additional, five year periods. The option to extend a term shall be exercised not less than one year prior to the expiration of the term then in effect. Annual rent shall be due in advance on the anniversary of the commencement date. Annual rent shall increase two and a half percent per year during the initial lease term and all extension periods.

Future minimum rental income under these operating lease agreements are as follows:

<u>Year ending June 30:</u>	<u>MCPHS</u>	<u>Harvard Vanguard</u>	<u>Total</u>
2013	\$ 2,812,486	\$ 20,956	\$ 2,833,443
2014	3,214,270	24,474	3,238,744
2015	3,214,270	25,086	3,239,356
2016	3,326,790	25,713	3,352,503
2017	2,692,858	26,356	2,719,214
Thereafter	<u>325,000</u>	<u>3,305</u>	<u>328,305</u>
	<u>\$ 15,585,674</u>	<u>\$ 125,891</u>	<u>\$ 15,711,565</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

16. Supplemental cash flows information

Schedule of noncash investing and financing activities

2012

Acquisition of capital assets	\$ 90,916,263
Accounts payable thereon:	
Beginning of year	15,536,017
End of year	(11,636,385)
Net interest incurred and earned, capitalized in construction in progress	(4,903,436)
Payments for capital assets	<u>\$ 89,912,459</u>
Accounts receivable and Interagency payables related to State University capital projects on State University owned property	<u>\$ 35,811,830</u>
Unearned interest income on accounts receivable related to State University capital projects on State University owned property	<u>\$ 16,794,697</u>
Contractor accounts payable related to State University capital projects on State University owned property	<u>\$ 5,440,796</u>
Unrealized gain on investment securities	<u>\$ 7,602,574</u>
Unamortized bond premium related to bonds refunded	<u>\$ 1,824,639</u>
Accrued interest related to bonds refunded	<u>\$ 2,536,436</u>
Interagency payables related to bonds refunded	<u>\$ 791,024</u>

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

16. Supplemental cash flows information - continued

Schedule of noncash investing and financing activities - continued

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	(4,215,642)
Payments for capital assets	\$ 99,147,555
Accounts receivable and Interagency payables related to State University capital projects on State University owned property	\$ 31,258,152
Unearned interest income on accounts receivable related to State University capital projects on State University owned property	\$ 17,196,941
Contractor accounts payable related to State University capital projects on State University owned property	\$ 3,404,485
Unrealized loss on investment securities	\$ 909,220
Unamortized bond premium related to bonds refunded	\$ 3,022,238

17. Transfers from State Universities

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, among other matters, 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 2015 academic semester. During fiscal 2012, the Authority received \$2,400,000 from DCAM on behalf of Framingham in accordance with the agreement. The agreement was amended during fiscal 2012 to provide for an additional \$400,000 to be received by the Authority directly from Framingham. This amount is currently expected to be received in fiscal 2013.

In addition, transfers from State Universities received in the ordinary course of business totaled \$650,414 and \$3,352,687 for fiscal years 2012 and 2011, respectively.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2012 AND 2011

18. Miscellaneous nonoperating revenue

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 nonoperating revenue in the accompanying 2011 statement of revenues, expenses and changes in net position. In fiscal 2012, the Authority received an additional settlement amount totaling \$21,385 which is included as miscellaneous nonoperating revenue in the accompanying 2012 statement of revenues, expenses and changes in net position.

As further discussed in Note 8, the Authority recorded \$525,000 of income in 2012 for the receipt of a termination payment associated with the termination of a portion of the original Series 2005-A debt service reserve fund investment agreement. The termination event resulted from the issuance of the 2012B Refunding Bonds which refunded a portion of the Series 2005-A Bonds. The Authority has recognized this termination payment as miscellaneous nonoperating revenue in the accompanying 2012 statement of revenues, expenses and changes in net position.

19. Restatement

In fiscal 2012, the Authority elected to early implement the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The deficiency in net position, as of July 1, 2010, has been increased by \$11,956,529 for the effect of retroactive application of the new standard. The following financial statement line items for 2011 were affected by the adoption of this new standard:

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NOTES TO FINANCIAL STATEMENTS - CONTINUED**YEARS ENDED JUNE 30, 2012 AND 2011****19. Restatement - continued**

	2011 (As Previously Reported)	2011 (As Restated)	Effect of Change
Statement of Net Position:			
Bond issuance costs, net	\$ 11,899,974	\$ -	(\$ 11,899,974)
Deferred losses on refunding of debt	-	19,011,433	19,011,433
Current portion of bonds payable	20,228,927	21,139,334	910,407
Bonds payable, net of current portion	831,555,960	850,065,048	18,509,088
Net investment in capital assets	(3,285,711)	(3,693,773)	(408,062)
Unrestricted net position	(5,764,664)	(17,664,638)	(11,899,974)
Statement of Revenues, Expenses, and Changes in Net Position:			
Bond related costs (after reclassification)	433,989	-	(433,989)
Bond issuance costs	-	780,005	780,005
Other expenses	156,767	162,258	5,491
Decrease in net position	(560,093)	(911,600)	(351,507)
Statement of Cash Flows:			
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income	24,902,352	24,847,278	(55,074)
Amortization of bond issuance costs, bond premium and deferred losses on refunding of debt	(55,074)	-	55,074

SUPPLEMENTAL INFORMATION

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
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Supplemental Statistical Information - Unaudited

Schedule of Net Position (Deficiency) by Category

	<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> (as restated)	<u>2011</u> (as restated)	<u>2012</u>
Net investment in capital assets	\$ (27,292,678)	\$ (14,999,056)	\$ (3,043,100)	\$ (17,302,389)	\$ (15,522,125)	\$ (23,698,356)	\$ (11,777,270)	\$ (21,689,811)	\$ (3,693,773)	\$ 1,380,597
Restricted - expendable	5,346,405	3,036,958	930,636	363,076	330,731	106,446	8,976	2,555,116	1,897,286	2,415,383
Unrestricted	18,194,516	8,915,450	(3,486,656)	8,790,712	5,913,292	12,275,407	(834,537)	585,170	(17,664,638)	(19,618,320)
Total Net Position (Deficiency)	<u><u>\$ (3,751,757)</u></u>	<u><u>\$ (3,046,648)</u></u>	<u><u>\$ (5,599,120)</u></u>	<u><u>\$ (8,148,601)</u></u>	<u><u>\$ (9,278,102)</u></u>	<u><u>\$ (11,316,503)</u></u>	<u><u>\$ (12,602,831)</u></u>	<u><u>\$ (18,549,525)</u></u>	<u><u>\$ (19,461,125)</u></u>	<u><u>\$ (15,822,340)</u></u>

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Supplemental Statistical Information - Unaudited

Changes in Net Position

	<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> (as restated)	<u>2012</u>
<u>Operating Revenue</u>										
Income from assessments	\$ 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	\$ 55,373,353
Federal grants for debt service	211,890	211,890	211,890	211,890	211,890	211,890	211,890	211,890	211,890	211,886
Other miscellaneous revenue	18,831	45,593	62,811	128,063	119,862	174,592	216,054	119,636	568,661	499,035
Total operating revenue	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	56,084,274
<u>Non-Operating Revenue</u>										
Net investment income	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	12,643,482
Transfers from State Universities	145,968	(446,726)	527,740	978,769	536,914	347,388	1,684,693	440,267	3,352,687	3,050,414
State capital appropriations	-	-	-	-	-	-	-	6,881,873	-	-
Build America Bonds interest subsidy	-	-	-	-	-	-	-	700,809	1,887,838	2,360,991
Gain (loss) on sale of assets	-	-	-	-	-	-	-	-	400,141	-
Miscellaneous nonoperating revenue	-	-	-	-	-	-	-	-	201,756	546,385
Capital grants	-	-	-	-	-	344,224	34,255	293,073	-	-
Total non-operating revenue	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	18,601,272
Total Revenue	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	74,685,546
<u>Operating Expenses</u>										
Maintenance costs	(1,336,792)	(1,186,513)	(746,323)	(421,828)	(701,992)	(607,595)	(500,864)	(535,276)	(668,168)	(740,425)
Authority operating costs	(625,750)	(695,514)	(766,641)	(882,143)	(1,012,269)	(1,060,471)	(1,282,995)	(1,392,357)	(1,483,170)	(1,481,186)
Depreciation	(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)	(28,603,149)
Other expenses	(14,840)	(85,079)	(73,389)	(164,687)	(239,798)	(181,503)	(224,192)	(583,365)	(162,258)	(294,516)
Total operating expenses	(8,853,738)	(10,358,661)	(13,858,562)	(16,046,464)	(17,775,857)	(19,156,390)	(20,622,880)	(23,365,038)	(27,282,297)	(31,119,276)
<u>Non-operating expense</u>										
Interest expense	(10,156,390)	(10,573,290)	(14,829,322)	(18,470,702)	(18,901,258)	(22,373,377)	(23,668,900)	(27,717,084)	(34,798,750)	(37,776,890)
Bond issuance costs	(135,831)	(402,656)	(413,653)	(295,214)	(382,815)	(311,698)	(371,723)	(402,289)	(780,005)	(2,150,595)
Total non-operating expense	(10,292,221)	(10,975,946)	(15,242,975)	(18,765,916)	(19,284,073)	(22,685,075)	(24,040,623)	(28,119,373)	(35,578,755)	(39,927,485)
Total Expenses	(19,145,959)	(21,334,607)	(29,101,537)	(34,812,380)	(37,059,930)	(41,841,465)	(44,663,503)	(51,484,411)	(62,861,052)	(71,046,761)
Increase (decrease) in net position	\$ (2,188,729)	\$ 130,661	\$ (2,552,472)	\$ (2,549,481)	\$ (1,129,501)	\$ (2,038,401)	\$ (1,286,328)	\$ 6,009,835	\$ (911,600)	\$ 3,638,785

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

Supplemental Statistical Information - Unaudited

Schedule of Revenue

<u>Institution</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>	<u>2012</u>
Bridgewater	\$ 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	\$ 12,980,504
Fitchburg	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	4,902,735
Framingham	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	6,695,874
Mass. College of Art	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	2,170,707
Mass. College of Liberal Arts	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	2,742,973
Mass. Maritime Academy	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	3,710,356
Salem	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	9,407,195
Westfield	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	6,943,818
Worcester	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	5,819,191
Total	<u>\$ 14,492,876</u>	<u>\$ 19,732,282</u>	<u>\$ 22,919,644</u>	<u>\$ 27,045,308</u>	<u>\$ 30,196,978</u>	<u>\$ 33,715,219</u>	<u>\$ 36,555,398</u>	<u>\$ 42,453,490</u>	<u>\$ 51,349,024</u>	<u>\$ 55,373,353</u>

See independent auditor's report on supplemental information on page 1.

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>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	\$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	\$6,100-7,310
Fitchburg	\$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	\$4,930-6,204
Framingham	\$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	\$5,495-8,250
Mass. College of Art	\$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	\$7,610-10,640
Mass. College of Liberal Arts	\$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	\$4,530-5,050
Mass. Maritime Academy	\$2,530	\$2,684	\$2,886	\$3,098	\$3,366	\$4,100	\$4,668	\$4,978	\$5,125	\$5,300
Salem	\$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	\$6,150-9,350
Westfield	\$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	\$4,800-7,100
Worcester	\$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	\$6,580-7,800

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>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	105%	105%	105%	105%	104%	103%	104%	101%	100%	100%
Fitchburg	95%	99%	100%	100%	102%	104%	103%	105%	104%	100%
Framingham	105%	102%	100%	100%	100%	99%	101%	101%	104%	100%
Mass. College of Art	100%	100%	99%	98%	101%	99%	100%	100%	99%	100%
Mass. College of Liberal Arts	81%	82%	88%	89%	95%	89%	88%	94%	99%	94%
Mass. Maritime Academy	93%	95%	96%	99%	103%	92%	94%	100%	103%	106%
Salem	105%	105%	100%	103%	101%	100%	104%	106%	94%	102%
Westfield	109%	106%	109%	106%	108%	107%	107%	105%	104%	106%
Worcester	100%	101%	96%	97%	101%	100%	102%	102%	100%	103%
State University Average	101%	101%	101%	100%	103%	101%	102%	102%	101%	101%

See independent auditor's report on supplemental information on page 1.



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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, 2012, and have issued our report thereon, dated October 2, 2012. 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

Management of Massachusetts State College Building Authority is responsible for establishing and maintaining effective 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.

Ercolini & Company LLP

Boston, Massachusetts

October 2, 2012

BOOK-ENTRY ONLY SYSTEM

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BOOK-ENTRY ONLY SYSTEM

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

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

ascertain that the nominee holding the Series 2012C 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 2012C 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 2012C 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 2012C 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 2012C 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 2012C 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 2012C 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.

SUMMARY OF LEGAL DOCUMENTS

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SUMMARY OF LEGAL DOCUMENTS

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

DEFINITIONS OF CERTAIN TERMS

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

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

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

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

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

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

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

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

“Bond Counsel” means 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.

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

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

- (i) Defeasance Obligations;
- (ii) Agency Obligations;
- (iii) obligations the timely payment of principal of and interest on which are unconditionally guaranteed by the United States of America;
- (iv) Certificates or receipts representing direct ownership of future interest or principal payments on direct general obligations of the United States of America or any obligations of agencies or instrumentalities of the United States of America which are backed by the full faith and credit of the United States of America, which obligations are held by a custodian in safekeeping on behalf of the registered owners of such receipts;

(v) Interest-bearing time or demand deposits, certificates of deposit, or other similar banking arrangements with any government securities dealer, bank, trust company, savings and loan association, national banking association or other savings institution (including the Trustee or any affiliate of the Trustee), provided that such deposits, certificates, and other arrangements are fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or interest-bearing time or demand deposits or certificates of deposit with any bank, trust company, national banking association or other savings institution (including the Trustee or any affiliate of the Trustee), provided such deposits and certificates are in or with a bank, trust company, national banking association or other savings institution whose long-term unsecured debt is rated in one of the two highest long-term rating categories by each Rating Agency;

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

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

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

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

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

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

“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, Refunding Revenue Bonds, Series 2012B, Project Revenue Bonds, Series 2012C, 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.

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

“Project” shall mean the construction of new buildings or structures and the acquisition, addition to, alteration, enlargement, reconstruction, rehabilitation, remodeling and other work, including, but not limited to, the alteration or modification of existing facilities or the construction of additional or new facilities required or made desirable by changes in or enactments of new law or regulation or changes in or new circumstances such as, by way of example and not by way of limitation, provision for access or use by handicapped persons, provision for conservation of energy, provision for safety and security of persons and property, provision for other compliance with changed or new law, regulation or circumstance, in or upon or respecting existing buildings or structures, the provision and installation therein or in respect thereof of furnishings, furniture, machinery, equipment, facilities, approaches, driveways, walkways, parking areas, planting and landscaping, the acquisition of land, other property, rights, easements and interests acquired for or in respect to any thereof, the demolition or removal of any buildings or structures on land so acquired or interests in which are so acquired and site preparation, with respect to the financing or refinancing of which Bonds shall have been issued (or, as required by the context, with respect to which such financing or refinancing may be or shall have been proposed) under the Trust Agreement. The word shall also mean, whenever appropriate, such land, buildings or structures and such appurtenances.

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

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

“Qualified Institution” means (i) a bank, a trust company, a national banking association, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, a corporation, a trust, a partnership, an unincorporated organization, or a government or an agency, instrumentality, program, account, fund, political subdivision or corporation thereof, in each case the unsecured or uncollateralized long-term debt

obligations of which, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such organization, at the time an investment agreement, or Credit Facility is entered into by the Authority are rated in a category equal to or higher than its unenhanced, published rating on Outstanding Bonds by each Rating Agency which rates such obligations or (ii) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality.

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

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

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

“Revenues” means (i) all moneys received by the Authority in payment of fees, rents, rates and other charges for the use and occupancy of, and for the services and facilities provided by, a Project, including, without limitation, the moneys which the BHE is required to remit to the Authority under the Contract, and all other income derived by the Authority from the operation, ownership or control thereof and (ii) any other amounts designated as Revenues in the Contract.

“Section 10 Reserve Fund” shall mean the Fund by that name established by the Trust Agreement and required by Section 10 of the Act.

“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”), 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, as further supplemented by the Twenty-fourth Supplemental Trust Agreement dated as of March 1, 2012 (the “Twenty-fourth Supplemental Trust Agreement”), providing for the issuance of the Series 2012B Bonds, and as further supplemented by the Twenty-fifth Supplemental Trust Agreement dated as of December 1, 2012 (the “Twenty-fifth Supplemental Trust Agreement”), providing for the issuance of the Series 2012C 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 the last Business Day of each February and on each October 10 (or the next preceding Business Day, if October 10 is not a Business Day), the Trustee shall apply amounts available in the Revenue Fund to the following purposes and in the following order:

- (i) to the 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

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PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the Series 2012C 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 2012C (the “Series 2012C Bonds”)

We have acted as bond counsel to the Authority in connection with the issuance by the Authority of the Series 2012C Bonds pursuant to (i) Chapter 703 of the Acts of 1963, as amended (the “Act”), and (ii) the Trust Agreement dated as of November 1, 1994 between the Authority and U. S. Bank National Association, as successor trustee (the “Trustee”), as amended and restated by the Fifteenth Supplemental Trust Agreement dated as of December 1, 2009, as further amended by the Eighteenth Supplemental Trust Agreement dated as of December 1, 2010, as further amended by the Twenty-second Supplemental Trust Agreement dated as of January 1, 2012, and as supplemented by the Twenty-fifth Supplemental Trust Agreement dated as of December 1, 2012 (the “Trust Agreement”). In such capacity, we have examined the law and such certified proceedings and other documents as we have deemed necessary to render this opinion, including without limitation the Contract for Financial Assistance, Management and Services dated as of February 1, 2003, as amended (the “Contract”), between the Authority and The Commonwealth of Massachusetts (the “Commonwealth”), acting by and through the Board of Higher Education (the “Board”).

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

Under the Trust Agreement, the Authority has pledged certain revenues (the “Revenues”) for the payment of the principal of and interest on the Series 2012C 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 2012C 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 2012C 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 2012C 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 2012C 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 2012C Bonds.

6. (i) Interest on the Series 2012C Bonds will not be included in the gross income of holders of such Series 2012C 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 2012C Bonds in order to ensure that the interest on the Series 2012C Bonds is and continues to be excludable from the gross income of the holders of the Series 2012C Bonds for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Series 2012C Bonds to be included in the gross income of holders of such Series 2012C Bonds retroactive to the date of issuance of the Series 2012C Bonds.

(ii) While interest on the Series 2012C 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 2012C Bonds will be included in the “adjusted current earnings” of corporate holders of the Series 2012C 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 2012C Bonds.

7. Interest on the Series 2012C Bonds and any profit on the sale thereof are exempt from Massachusetts personal income taxes, and the Series 2012C 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 2012C Bonds nor as to the taxability of the Series 2012C 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 2012C Bonds and the enforceability of the Series 2012C 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

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SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING

Massachusetts State College Building Authority
Refunding Revenue Bonds, Series 2012CAuthority Disclosure Agreement

Prior to the issuance of the above Bonds (the “Series 2012C 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 2012C Bonds. The Authority will undertake for the benefit of the registered owners and Beneficial Owners (the “owners”) of the Series 2012C 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 2012C 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 2012C Bonds, in each case substantially in the same level of detail as is found in the referenced section of the Official Statement, provided that in the case of the BHE only the information described in items 3,8,9,10,11 and 12 shall be provided.

Financial Information and Operating Data Category	Reference to Official Statement for Level of Detail
1. Summary presentation on a five-fiscal-year basis of the receipts and disbursements related to Authority Projects.	“THE AUTHORITY – Management’s Discussion and Analysis – Authority Project Receipts and Disbursements”
2. Summary presentation on a five-fiscal-year basis of the annual amounts paid by each of the State Universities to the Authority with respect to rents and fees for System Projects and Campus Projects.	“THE STATE UNIVERSITIES – Amounts Paid by State Universities to the Authority”
3. Summary presentation on an eleven-fiscal-year comparative basis of the total system of public higher education appropriations.	“SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS – Total Appropriations for 2003-2013 for the System of Public Higher Education”
4. Summary presentation of the amount of Pledged Trust Funds for each State University.	“THE STATE UNIVERSITIES – Pledged Trust Funds”
5. Summary presentation on a five-academic-year basis of the occupancy rates of the Authority’s residence facilities of the State Universities.	“APPENDIX A - Occupancy as a Percentage of Design Capacity at Residence Facilities of State Universities”
6. Summary presentation on a five-academic-year basis of the total number of residence hall spaces by each State University.	“APPENDIX A - Total Number of Residence Hall Spaces By State University”

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.	"APPENDIX A- Room Rates of Residence Facilities at State Universities"
8. Summary presentation on a five-academic-year comparative basis of the full-time equivalent and headcount enrollment information for the system of public higher education.	"THE AUTHORITY- Enrollment"
9. Summary presentation on a five-academic-year comparative basis of tuition rates and fees for the system of public higher education.	"APPENDIX A - Tuition and Fees"
10. Summary presentation on a three-fiscal-year comparative basis of revenues for each of the State Universities.	"APPENDIX A- State University Revenue Sources"
11. Summary presentation on a three-academic-year comparative basis of the admissions data for the system of public higher education.	"APPENDIX A - State Higher Education Admissions Data"
12. Summary presentation on a five-academic-year comparative basis of the number of faculty members for each State University.	"APPENDIX A - State University Faculty Levels"

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

In the Authority Disclosure Agreement, the Authority also will undertake for the benefit of the owners of the Series 2012C Bonds to provide in a timely manner, not in excess of ten business days after occurrence of the event, to EMMA notice of any of the following events with respect to the Bonds (numbered in accordance with the provisions of the Rule):

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

- (viii) bond calls, if material;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the bonds, if material;
- (xi) rating changes;
- (xii) tender offers;
- (xiii) bankruptcy, insolvency, receivership or similar event of the Authority^{*};
- (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 2012C 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 2012C 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 2012C 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 2012C 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 2012C 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 2012C 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 2012C 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 2012C Bonds affected thereby at or prior to the time of such amendment.

*

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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OFFICIAL NOTICE OF SALE

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OFFICIAL NOTICE OF SALE

\$155,330,000*

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
PROJECT REVENUE BONDS
SERIES 2012C

November 28, 2012

NOTICE IS HEREBY GIVEN that electronic bids will be received by Edward H. Adelman, Executive Director of the Massachusetts State College Building Authority (the “Executive Director”), for the purchase of Project Revenue Bonds Series 2012C (the “Series 2012C Bonds”), of the Massachusetts State College Building Authority (the “Authority”) to be sold in an aggregate principal amount of \$155,330,000*. Bids for the purchase of the Series 2012C Bonds will be submitted via Parity. No other method of submitting bids will be accepted. The bids will be received via Parity up to the time described below under the captions “Time” and “Procedures for Electronic Bidding.”

The Series 2012C Bonds will be special obligations of the Authority payable solely from the Revenues and Pledged Funds provided under the provisions of Chapter 703 of the Massachusetts Acts of 1963, as amended, the Trust Agreement dated as of November 1, 1994, as amended and restated (the “Trust Agreement”), and the Contract for Financial Assistance, Management and Services dated as of February 1, 2003, as amended (the “Contract”). The Preliminary Official Statement referred to below contains certain information regarding the Authority and should be read in conjunction herewith.

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 2012C BONDS.

Time. Bids will be received by the Authority via Parity at 10:00 a.m. (Eastern Standard Time) on December 6, 2012 (subject to the provisions described below under the caption “Procedures for Electronic Bidding”) or at such later date and/or other time as shall be established by the Executive Director and communicated on Thompson Municipal Market Monitor News (www.tm3.com) (“TM3”), as described herein under the caption “Change of Bid Date or Time.” If no legal bid or bids are received for the Series 2012C Bonds on December 6, 2012, an alternative date and time may be designated by the Executive Director and communicated on TM3.

* Preliminary, subject to change.

Details of the Series 2012C Bonds. The Series 2012C Bonds will be dated and bear interest, calculated on the basis of 30-day months and a 360-day year, from the date of delivery, at the rate per annum per maturity specified by the successful bidder, payable semiannually on May 1 and November 1 in each year until maturity, beginning November 1, 2013. The Series 2012C Bonds shall mature or come due through mandatory sinking fund redemptions on May 1 of each year, as shown below, in the principal amounts specified by the successful bidder:

<u>May 1*</u>	<u>Principal Amounts*</u>	<u>May 1*</u>	<u>Principal Amounts*</u>
2014	\$ 1,755,000	2029	\$ 6,955,000
2015	4,620,000	2030	7,230,000
2016	4,720,000	2031	7,450,000
2017	4,860,000	2032	7,760,000
2018	5,010,000	2033	3,865,000
2019	5,155,000	2034	4,020,000
2020	5,310,000	2035	4,180,000
2021	5,460,000	2036	4,350,000
2022	5,630,000	2037	4,525,000
2023	5,825,000	2038	4,695,000
2024	5,975,000	2039	4,830,000
2025	6,175,000	2040	4,965,000
2026	6,350,000	2041	5,095,000
2027	6,535,000	2042	5,240,000
2028	6,790,000		

The Series 2012C Bonds will be issued as serial bonds or as a combination of serial bonds and term bonds in accordance with the bid submitted by the successful bidder (see “Bidding Parameters” below).

The Series 2012C Bonds will be issued by means of a book-entry-only system evidencing ownership therein, in principal amounts of \$5,000 or integral multiples thereof, and transfer thereof on the records of The Depository Trust Company (“DTC”) and its participants. The book-entry-only system is more fully described in the Preliminary Official Statement.

Redemption.

Optional Redemption. The Series 2012C Bonds will be subject to redemption on any date prior to their stated maturity dates on and after May 1, 2022 at the option of the Authority from any monies legally available therefor, in whole or in part at any time, by lot, at 100% of the principal amount thereof, plus accrued interest to the redemption date.

Adjustments to Principal Amount.

Changes Prior to Bidding. The preliminary aggregate principal amount of the Series 2012C Bonds and the preliminary annual principal amounts as set forth in this Notice of Sale may be revised before the receipt of electronic bids for the purchase of the Series 2012C Bonds. Any such revisions will be announced on TM3 not later than 4:00 p.m. (Eastern Standard Time) on the day prior to the bid date.

* Preliminary, subject to change.

Changes After the Receipt of Bids. The Authority reserves the right after bids are opened and prior to award to adjust the par amount and the maturity amounts and any mandatory sinking fund redemptions of the Series 2012C Bonds in multiples of \$5,000 provided that any change shall not exceed 10% in any individual maturity or of the aggregate principal amount.

The successful bidder may not withdraw its bid or change the interest rates bid as a result of any changes made to the revised principal amounts within this limit. The dollar amount bid by the successful bidder will be adjusted to reflect any adjustments in the aggregate principal amount of the Series 2012C Bonds. Such adjusted bid price will reflect changes in the dollar amount of the underwriter's discount and original issue discount/premium, if any, but will not change the selling compensation per \$1,000 of par amount of Series 2012C Bonds. The interest rates and the initial public offering prices specified by the successful bidder for each maturity will not change. The Authority shall notify the successful bidder of the final principal amounts and the resulting adjusted purchase price no later than 4:00 p.m. (Eastern Standard Time) on the bid date.

Bidding Parameters. To be considered, each bid must be unconditional and must be for all of the Series 2012C Bonds, specifying a purchase price which is not less than 100% and not more than 110% of the par amount of the Series 2012C Bonds. Bidders must state a single fixed interest rate for each maturity of the Series 2012C Bonds that is not zero. All interest rates must be stated in a multiple of 1/8th or 1/20th of one per centum (1%) per annum and no maturity may have an interest rate of more than 5%.

Bids may provide for all the Series 2012C Bonds to be issued as serial bonds only, or may designate consecutive annual principal amounts (bearing interest at the same rate) to be combined into term bonds. The Series 2012C Bonds will be issued as serial bonds or as serial bonds and term bonds in accordance with the bid submitted by the successful bidder. Bonds issued as term bonds shall be subject to mandatory sinking fund redemption commencing on May 1 of the first year in which maturities have been combined to form such term bond and continuing on May 1 in each year thereafter until the stated maturity date of such term bonds.

Bids may not include any conditions not otherwise expressly provided for herein.

Procedures for Electronic Bidding. A prospective electronic bidder must register electronically to bid for the Series 2012C Bonds via Parity pursuant to this Official Notice of Sale. By submitting its bid for the Series 2012C Bonds, a prospective bidder represents and warrants to the Authority that such bidder's bid for the purchase of the Series 2012C Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Series 2012C Bonds.

Each prospective electronic bidder shall be solely responsible to register to bid via Parity. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access Parity for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale. Neither the Authority nor Parity shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the Authority nor Parity shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by Parity. The Authority is using Parity as a communication mechanism, and not as the Authority's agent, to conduct the electronic bidding for the Series 2012C Bonds. The Authority is not bound by any advice and determination of Parity to the effect that any particular bid complies with the terms of this Official Notice of Sale. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via Parity are the sole

responsibility of the bidders, and the Authority is not responsible, directly or indirectly, for any such costs or expenses. To the extent that any instructions or directions set forth in Parity conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Series 2012C Bonds, such bidder should telephone Parity's new issues desk at (212) 849-5021.

Electronic bids must be submitted for the purchase of the Series 2012C Bonds via Parity by 10:00 a.m. (Eastern Standard Time) on December 6, 2012. Bids submitted after such time will not be deemed received via Parity for the purposes of this bidding process. Bids will be communicated electronically to the Authority at 10:00 a.m. (Eastern Standard Time), on December 6, 2012. Prior to that time, an eligible prospective bidder may (i) input the proposed terms of its bid via Parity, (ii) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Series 2012C Bonds, or (iii) withdraw its proposed bid. Once the bids are communicated electronically via Parity to the Authority, each bid will constitute an irrevocable offer to purchase the Series 2012C Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on Parity shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the Authority, as described under "Basis of Award" set forth below, represented by the rate or rates of interest and the bid price specified in their respective bids.

Good Faith Deposit. Upon notification from the Executive Director, the successful bidder shall wire transfer to the Authority an amount equal to 1% of the aggregate principal amount of the Series 2012C Bonds (the "Good Faith Deposit") in immediately available funds, no later than two (2) hours following the official award on the bid date. The Executive Director will provide wiring instructions for the Good Faith Deposit to the successful bidder upon verification and award. In the event that the Authority has not received such funds by the time stated, the Executive Director may revoke his acceptance of the bid. No interest on the Good Faith Deposit will accrue to the successful bidder. The Good Faith Deposit will be applied to the purchase price of the Series 2012C Bonds. If the successful bidder fails to honor its accepted bid, the Good Faith Deposit will be retained by the Authority.

Basis of Award. The Series 2012C Bonds will be awarded to the bidder offering to purchase all of the Series 2012C Bonds at the lowest true interest cost (TIC) to the Authority. The TIC (expressed as an annual interest rate) will be determined as being twice that factor or discount rate, compounded semiannually, which, when applied against each semiannual debt service payment (interest, or principal and interest, as due) for the Series 2012C Bonds, will cause the sum of such discounted semiannual payments to be equal to the total purchase price. The TIC shall be calculated from the expected settlement date of the Series 2012C Bonds (December 20, 2012).

The Authority reserves the right to reject any or all proposals and to waive any irregularity or informality with respect to any proposal. In case of a tie, the Authority may select the successful bidder by lot. Any award by the Executive Director to a successful bidder is subject to the approval of the Treasurer and Receiver-General and the Secretary of the Executive Office for Administration and Finance of the Commonwealth of Massachusetts (the "Commonwealth").

Official Statement. The Preliminary Official Statement dated November 28, 2012 and the information contained therein have been deemed final by the Authority as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") with permitted omissions, but are subject to change without notice and to completion or amendment in the Official Statement in final form (the "Final Official Statement"). The Preliminary Official Statement may be viewed and downloaded from the Authority's website: www.msoba.org. In addition, the Preliminary Official

Statement will be available via the Electronic Municipal Market Access (EMMA) system established by the Municipal Securities Rulemaking Board at www.emma.msrb.org.

The Authority will make available to the successful bidder, within seven (7) business days of the date of sale but no later than two (2) business days prior to settlement, a reasonable number of copies of the Final Official Statement for delivery (at the expense of the successful bidder or bidders) to each potential investor requesting a copy of the Final Official Statement and to each person to whom such bidder and members of its bidding group initially sell the Series 2012C Bonds, provided that the successful bidder cooperates in providing the information required to complete the Final Official Statement. The successful bidder shall comply with the requirements of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board, including an obligation, if any, to update the Final Official Statement.

Reoffering Price Certification. At the time of settlement of the Series 2012C Bonds, the successful bidder shall furnish to the Authority a certificate substantially in the form of Exhibit A, hereto to the effect that (i) all of the Series 2012C Bonds of each maturity thereof have been the subject of a bona fide initial offering to the public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) (the “General Public”) at a price not higher than, or a price corresponding to a yield not lower than, those shown for each maturity on the inside cover page of the Final Official Statement, (ii) as of December 6, 2012 (the “Sale Date”), the successful bidder reasonably expected that the first price at which at least 10% of the Series 2012C Bonds of each maturity would be sold is the price, or a price corresponding to the yield, shown for each maturity on the inside cover page of the Final Official Statement, and such prices represent fair market prices of the Series 2012C Bonds and (iii) based on the records of and information available to the successful bidder, the first price at which 10% of each maturity of the Series 2012C Bonds was actually sold to the general public is the respective initial offering price for such maturity described in (ii) above. In the event that the successful bidder cannot provide the certification in (iii) above, as to a particular maturity, such bidder shall consult Bond Counsel as to alternative certifications that will be suitable to establish the “issue price” of the Series 2012C Bonds for federal tax law purposes.

In addition to executing and delivering a certificate as described in the previous paragraph, the successful bidder may be required to (a) demonstrate that it has made a bona-fide offering of all such Series 2012C Bonds to the General Public at prices no higher than, or prices corresponding to yields no lower than, the initial public offering prices, (b) provide an explanation of why any Series 2012C Bonds sold by the successful bidder between the bid date and the date of delivery were sold for a price higher than, or a price corresponding to a yield lower than, the initial public offering prices, and (c) provide documentation identifying the initial purchaser of the Series 2012C Bonds, as applicable, including information sufficient to enable the Authority and Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. to determine that such purchasers are the General Public. If any maturity of the Series 2012C Bonds was also offered to institutional or other investors at a discount from the price at which such maturity was offered to the General Public, the successful bidder will be asked for additional certifications as to actual and expected Series 2012C Bond sales at such discounted price. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Series 2012C Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Series 2012C Bonds resulting from payment of insurance premiums or other credit enhancement fees.

Continuing Disclosure. To assist bidders in complying with paragraph (b)(5) of Rule 15c2-12, the Authority will undertake in the Series 2012C Bonds to provide annual reports and notices of certain events. A description of this undertaking is set forth in Appendix F of the Preliminary Official Statement and will also be set forth in the Final Official Statement.

Expenses. Each bid will be deemed to be an all-in bid. The successful bidder will be under no obligation to pay the Authority's issuance costs. The Authority will not pay any expenses of the successful bidder in connection with the purchase of the Series 2012C Bonds.

Settlement. The Series 2012C Bonds will be delivered on December 20, 2012, in New York, New York, at DTC against payment of the purchase price therefore (less the amount of the Good Faith Deposit). The successful bidder must make payment of the purchase price of the Series 2012C Bonds by 10:00 a.m. (Eastern Standard Time) on December 20, 2012 in immediately available funds in Boston.

There will also be furnished the usual closing papers, including a certificate signed by the Executive Director to the effect that, except for the initial offering prices or yields of the Series 2012C Bonds on the inside cover page of the Final Official Statement and any other information concerning the reoffering of the Series 2012C Bonds included therein at the request of the successful bidder and the information in the Preliminary Official Statement and Final Official Statement in Appendix C, to the best of his knowledge and belief, the Preliminary Official Statement, as of the date of sale of the Series 2012C Bonds, and the Final Official Statement, both as of the date of sale and the date of settlement of the Series 2012C Bonds, did not contain any untrue statement of a material fact and did not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading; provided that, with respect to material in the Preliminary Official Statement and Final Official Statement designated as provided by the Board of Higher Education of the Commonwealth, said certificate shall rely upon a certificate of the Commissioner of Higher Education of the Commonwealth which shall also be provided to the successful bidder.

Legal Opinions. The approving opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts ("Mintz Levin"), Bond Counsel, in substantially the form set forth in the Preliminary Official Statement, will be furnished to the successful bidder. The Preliminary Official Statement contains a discussion of the effect of the Internal Revenue Code of 1986, as amended, on the exclusion from gross income of interest on the bonds and a discussion of Bond Counsel's opinion insofar as it concerns such exclusion. An opinion of Mintz Levin will also be furnished to the successful bidder to the effect that (i) the Continuing Disclosure Agreement is a valid and binding obligation of the Authority enforceable in accordance with its terms (subject to bankruptcy and other laws affecting creditors' rights generally); (ii) the Bonds are exempt securities within the meaning of Section 3(a)(2) of the Securities Act of 1933 and Section 304(a)(4) of the Trust Indenture Act of 1939; (iii) it is not necessary in connection with the sale of the Bonds to the public to register any security under the Securities Act of 1933 or to qualify the Trust Agreement under the Trust Indenture Act of 1939; (iv) the information contained in the Preliminary Official Statement and the Final Official Statement under the headings "The Series 2012C Bonds" (other than the information under the subheading "Annual Debt Service"), "Security for and Source of Payment of the Bonds," "Legality for Investment" and "Tax Matters" and in Appendix D, did not contain as of their respective dates any untrue statement of a material fact and did not and does not omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and that Appendix D presents a fair summary of the provisions of the documents summarized therein and that, based upon Mintz Levin's examination of the proceedings in connection with its opinion as to validity of the Bonds and our participation in the preparation of the Preliminary Official Statement and the Official Statement, and, except as to the information contained under the headings set forth above, without having undertaken to determine independently the accuracy or completeness of the statements contained in the Preliminary Official Statement and the Official Statement, Mintz Levin has no reason to believe that the Preliminary Official Statement or the Official Statement (except for Appendix A, Appendix B and Appendix C thereto, and any other financial or statistical data contained in the Official Statement, as to which no view need be expressed), as of their respective dates contained any untrue statement of a material fact or omitted or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the

circumstances under which they were made, not misleading. An opinion of Krokidas and Bluestein LLP, as counsel to the authority will also be furnished to the successful bidder to the effect that no litigation, inquiry or investigation before or by any court, public board or body, is known to be pending against the Authority affecting the creation, organization or corporate existence or powers of the Authority or the title of its present members or officers to their respective offices seeking to prohibit, restrain or enjoin the issuance or delivery of the Series 2012C Bonds, or the collection or pledge of the Revenues or Pledged Funds under the Trust Agreement; in any way contesting or affecting the validity or enforceability of the Series 2012C Bonds, the Trust Agreement or the Contract, the power of the Authority to perform its obligations thereunder or its performance thereof; challenging or affecting the tax-exempt status of the Series 2012C Bonds; or contesting in any material respect the completeness or accuracy of the Official Statement.

CUSIP Numbers. CUSIP numbers will be applied for with respect to the Series 2012C Bonds, but the Authority will assume no obligation for the assignment or printing of such numbers on the Series 2012C Bonds or for the correctness of such numbers. Neither failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and make payment for the Series 2012C Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP numbers on the Series 2012C Bonds shall be the responsibility of and shall be paid for by the successful bidder.

Right to Modify or Amend Notice of Sale. The Authority reserves the right to modify or amend this Official Notice of Sale prior to the bid date. If any modifications occur, supplemental information with respect to the Series 2012C Bonds will be communicated by posting on TM3 not later than 4:00 p.m. (Eastern Standard Time) on the day prior to the bid date. Bidders shall bid upon the Series 2012C Bonds based upon the terms thereof set forth in this Official Notice of Sale, as so modified by such supplemental information.

Minority/Women Business Enterprises. The Authority encourages bidders to make a good-faith effort to include firms who (a) are minority business enterprises and women's business enterprises and (b) have significant local ownership or presence in their management group or syndicate and/or in the provision of legal services or other advisory services.

Additional Information. Further information concerning the Authority and the Series 2012C Bonds is contained in the Preliminary Official Statement dated November 28, 2012 to which prospective bidders are directed, and to which this Official Notice of Sale is attached. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Official Notice of Sale. Copies of the Preliminary Official Statement and this Official Notice of Sale may be viewed and downloaded at the Authority's website: www.mscca.org. Additional information may be obtained from Karol D. Ostberg, Chief Financial Officer for the Authority (617)933-8348.

Massachusetts State College Building Authority

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

Exhibit A

Form of Reoffering Price Certification

\$ _____

MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
PROJECT REVENUE BONDS
SERIES 2012C

[SUCCESSFUL BIDDER], as underwriter (the “Underwriter”) with respect to the above-captioned bonds (the “Bonds”) hereby certifies that:

(1) All of the Series 2012C Bonds of each maturity thereof have been the subject of a bona fide offering to the public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) (the “General Public”) at a price not higher than, or a price corresponding to a yield not lower than, those shown for each maturity on the inside cover page of the Official Statement relating to the Bonds dated December __, 2012 (the “Official Statement”). The prices which reflect the yields shown on the inside cover of the Official Statement are set forth in Schedule I hereto (the “Initial Offering Prices”)

(2) As of December 6, 2012 (the “Sale Date”), we reasonably expected that (i) the first price at which at least 10% of the Series 2012C Bonds of each maturity would be sold is the Initial Offering Prices, and (ii) that such prices represented fair market prices of the Series 2012C Bonds.

(3) [Based on our records and information available to us, the first price at which 10% of each maturity of the Series 2012C Bonds was actually sold to the general public was the respective Initial Offering Price.] or [*statement as to why the expectation described in (2) above was not satisfied*]

The Massachusetts State College Building Authority may rely on the foregoing certifications in giving its certificate as to tax matters, including arbitrage, under the Code, and bond counsel may rely on such certifications in rendering its opinion as to the exclusion from federal gross income of interest on the Bonds.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of the 20th day of December, 2012.

[SUCCESSFUL BIDDER]

By: _____
Name:
Title:

