This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 5, 2017

Moody's:
S&P:

NEW MONEY/REFUNDING ISSUE-BOOK-ENTRY ONLY **See "RATINGS" herein.**

In the opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel, under existing law, assuming continued compliance with certain provisions of the Internal Revenue Code of 1986, as amended, interest on the Series 2017B Bonds and the Series 2017D Bonds (together, the "Tax Exempt Bonds") will not be included in the gross income of holders of such Tax Exempt Bonds for federal income tax purposes. While interest on the Tax Exempt Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations, interest on the Tax Exempt Bonds will be included in "adjusted current earnings" of corporate holders of the Tax Exempt Bonds and therefore will be taken into account in computing the alternative minimum tax imposed on certain corporations. Interest on the Series 2017C Bonds will be included in the gross income of holders of such Bonds for federal income tax purposes. In the opinion of Bond Counsel, interest on the Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. See "TAX MATTERS" herein.

$81,140,000*
MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

$10,395,000*	$7,570,000*	$63,175,000*
Project Revenue Bonds	**Project Revenue Bonds**	**Refunding Revenue Bonds**
Series 2017B	**Series 2017C**	**Series 2017D**
	(Federally Taxable)	

Dated: Date of Initial Delivery **Due: May 1, as shown on the inside cover**

The $10,395,000* Project Revenue Bonds, Series 2017B (the "Series 2017B Bonds"), $7,570,000* Project Revenue Bonds, Series 2017C (Federally Taxable) (the "Series 2017C Bonds") and $63,175,000* Refunding Revenue Bonds, Series 2017D (the "Series 2017D Bonds" and, collectively with the Series 2017B Bonds and the Series 2017C Bonds, the "Series 2017 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 2017 Bonds. Purchases of the Series 2017 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 2017 Bonds will be made to purchasers. So long as Cede & Co. is the registered holder of the Series 2017 Bonds, principal and semiannual interest (payable November 1 and May 1, commencing November 1, 2018, with respect to the Series 2017B Bonds and the Series 2017C Bonds and May 1, 2018 with respect to the Series 2017D Bonds) are payable to DTC by U. S. Bank National Association, as Trustee. See Appendix C "Book-Entry Only System" herein.

The Series 2017 Bonds shall be subject to redemption prior to maturity as more fully described herein.

The Series 2017 Bonds will be special obligations of the Authority secured by a pledge of revenues, as more fully described herein. In addition, the Series 2017 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 2017 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 2017 BONDS. THE AUTHORITY DOES NOT HAVE TAXING POWER.

The Series 2017 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, Bowditch & Dewey, LLP, Boston, Massachusetts, and for the Underwriters by their counsel, Nutter, McClennen & Fish LLP, Boston, Massachusetts. Acacia Financial Group, Inc. is acting as financial advisor to the Authority in connection with the issuance of the Series 2017 Bonds. It is expected that the Series 2017 Bonds in definitive form will be available for delivery through DTC in New York, New York, or its custodial agent, on or about December 21, 2017.

BofA Merrill Lynch

Barclays Capital **Ramirez & Co., Inc.**

December __, 2017

* Preliminary; subject to change.

**$81,140,000*
MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY**

Dated: Date of Initial Delivery — Due: May 1, as shown below

**$10,395,000*
Project Revenue Bonds
Series 2017B**

Maturity (May 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†	Maturity (May 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†

**$7,570,000*
Project Revenue Bonds
Series 2017C
(Federally Taxable)**

Maturity (May 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†	Maturity (May 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†

$_____ ___% Term Bonds Due May 1, 20__, Yield ____%, CUSIP†: _____

**$63,175,000*
Refunding Revenue Bonds
Series 2017D**

Maturity (May 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†	Maturity (May 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†

* Preliminary; subject to change.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of The American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers are included solely for the convenience of owners of the Series 2017 Bonds and the Authority is not responsible for the selection or the correctness of the CUSIP numbers printed herein. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors, including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products.

No dealer, broker, salesman or other person has been authorized by the Massachusetts State College Building Authority (the "Authority"), The Commonwealth of Massachusetts (the "Commonwealth"), the Board of Higher Education (the "BHE"), the State Universities (as defined herein) or the Underwriters to give any information or to make any representation with respect to the Series 2017 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 2017 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information contained herein has been obtained from the Authority, the BHE, The Depository Trust Company and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of the Authority, the Commonwealth, the BHE, the State Universities or the Underwriters. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

U. S. Bank National Association by acceptance of its duties as Trustee under the Trust Agreement described herein has not reviewed this Official Statement and makes no representations as to the information contained herein, including but not limited to any representations as to the use of the proceeds of the Series 2017 Bonds or related activities.

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

IN CONNECTION WITH THE OFFERING OF THE SERIES 2017 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

$81,140,000*
MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

$10,395,000*	$7,570,000*	$63,175,000*
Project Revenue Bonds Series 2017B	**Project Revenue Bonds Series 2017C (Federally Taxable)**	**Refunding Revenue Bonds Series 2017D**

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 $10,395,000* Project Revenue Bonds, Series 2017B (the "Series 2017B Bonds"), $7,570,000* Project Revenue Bonds, Series 2017C (Federally Taxable) (the "Series 2017C Bonds") and $63,175,000* Refunding Revenue Bonds, Series 2017D (the "Series 2017D Bonds" and, collectively with the Series 2017B Bonds and the Series 2017C Bonds, the "Series 2017 Bonds"). The Series 2017 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 2017 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 and restated (the "Contract"), between the Authority and the Commonwealth of Massachusetts (the "Commonwealth"), acting by and through its Board of Higher Education ("BHE"), and acknowledged by the Comptroller of the Commonwealth. As used herein, the term "Bonds" means the Series 2017 Bonds, all outstanding bonds issued under the Trust Agreement and all additional parity bonds to be issued under the Trust Agreement in the future. For definitions of certain other capitalized terms used but not defined herein, see the "Summary of Legal Documents" in Appendix D.

The Series 2017 Bonds will be special obligations of the Authority secured by a pledge of revenues, as more fully described herein, on a parity with all outstanding Bonds of the Authority. In addition, the Series 2017 Bonds will be secured by an intercept of Commonwealth appropriations to the State Universities, as more fully described herein. The Series 2017 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 2017 Bonds. The Authority does not have taxing power. See "SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS" herein.

The Series 2017B and the Series 2017C Bonds are being issued to finance certain capital projects of the Authority. The Series 2017D Bonds are being issued to advance refund certain bonds of the Authority, as set forth in "SOURCES AND USES OF FUNDS – Plan of Refunding" and in Appendix G – Table of Refunded Bonds. The list of bonds set forth in Appendix G to be refunded from the proceeds of the Series 2017D Bonds is not final and is subject to change prior to the sale of the Series 2017D Bonds. The Authority reserves the right not to refund any or all of the bonds listed in Appendix G and to refund any or all of its bonds not listed in Appendix G. See "SOURCES AND USES OF FUNDS – Application of Proceeds of the Series 2017B Bonds and Series 2017C Bonds" and "SOURCES AND USES OF FUNDS – Plan of Refunding" herein.

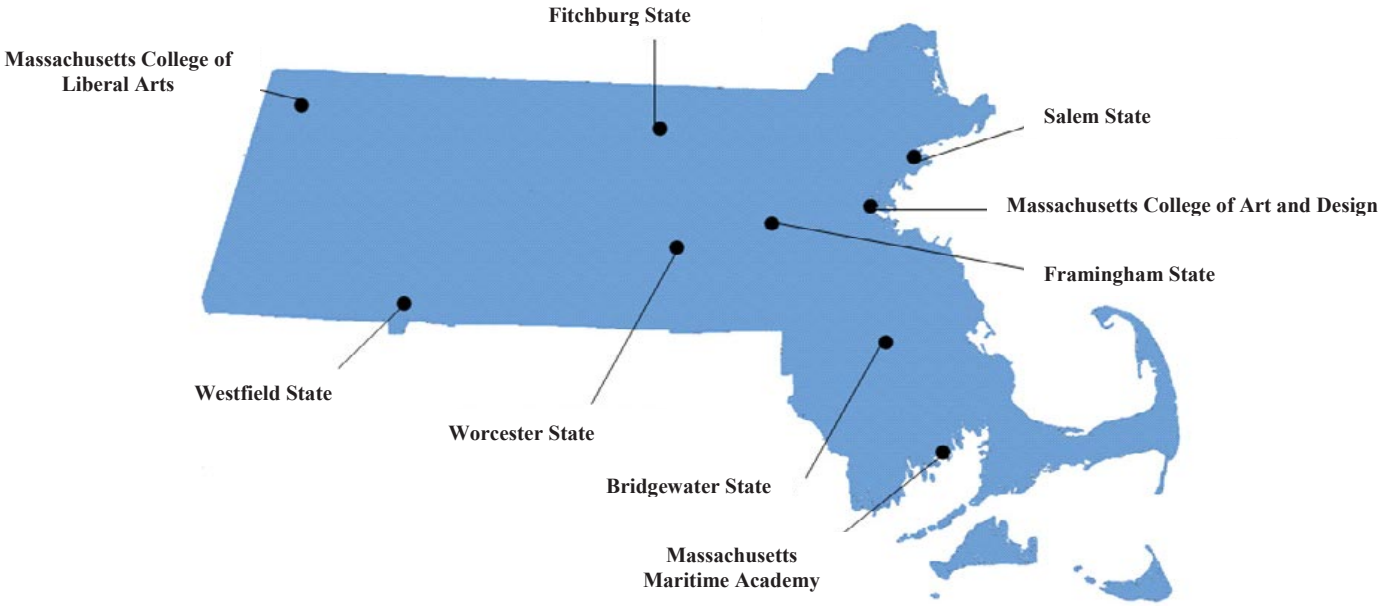
The Authority

The Authority was created by the Act in 1963 to finance, design and construct residential, dining, parking, athletic, cultural, healthcare, and other revenue-producing facilities for the Massachusetts state colleges, which include the public institutions of higher education in the state university segment and the community college segment. The state university segment includes: Bridgewater, Fitchburg, Framingham, Salem, Westfield and Worcester State Universities, Massachusetts College of Liberal Arts, Massachusetts College of Art and Design, and Massachusetts Maritime Academy. The community college segment includes: Berkshire, Bristol, Bunker Hill, Cape

* Preliminary; subject to change.

Cod, Greenfield, Holyoke, Massachusetts Bay, Massasoit, Middlesex, Mount Wachusett, North Shore, Northern Essex, Quinsigamond, Roxbury, and Springfield Technical Community Colleges. The Series 2017 Bonds, the Trust Agreement and the Contract relate only to the state university segment. Authority financings for the community college segment are undertaken under an entirely separate credit structure.

The Authority's residence halls portfolio currently has capacity for approximately 16,900 students in 55 residential complexes. These facilities house approximately 42% of the undergraduate student population and comprise approximately 4.4 million square feet of space on the nine State University campuses. There are no residence halls on the Community College 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 2017 Bonds. This introduction is subject in all respects to the additional information contained in this Official Statement, including Appendices A through G. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document.

Appendix E attached hereto contains the proposed form of legal opinion of Bond Counsel with respect to the Series 2017 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 2017 Bonds to facilitate compliance by the underwriters of the Series 2017 Bonds with the requirements of paragraph (b)(5) of Rule 15c2-12 of the Securities and Exchange Commission. Appendix G attached hereto contains a listing of the bonds expected to be refunded with the proceeds of the Series 2017D Bonds. The list of bonds set forth in Appendix G to be refunded from the proceeds of the Series 2017D Bonds is not final and is subject to change prior to the sale of the Series 2017 Bonds. The Authority reserves the right not to refund any or all of the bonds listed in Appendix G and to refund any or all of its bonds not listed in Appendix G

THE SERIES 2017 BONDS

General

The Series 2017 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 2017 Bonds will be available in denominations of $5,000 and integral multiples

thereof. Interest on the Series 2017 Bonds will be payable on each May 1 and November 1, commencing on November 1, 2018 with respect to the Series 2017B Bonds and the Series 2017C Bonds and May 1, 2018 with respect to the Series 2017D Bonds.

So long as Cede & Co. is the registered owner of the Series 2017 Bonds, all payments of principal and interest on the Series 2017 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 of Series 2017 Bonds. The Series 2017 Bonds maturing on or after May 1, 20__ 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, 20__ and in such order of maturity as may be directed by the Authority, at the Redemption Price equal to 100% of the principal amount of such Series 2017 Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date.

Sinking Fund Redemption of 2017C Bonds. The Series 2017C Bonds maturing May 1, 20__ 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 2017C Bonds called for redemption, plus accrued interest to the redemption date as follows:

Series 2017C Bonds Maturing May 1, 20__

Date (May 1)	Amount	Date (May 1)	Amount
		†	

†Maturity.

The Authority is entitled to reduce its mandatory sinking fund redemption obligation in any year with respect to the Series 2017C Bonds by the principal amount of any Series 2017C Bonds previously purchased or optionally redeemed by the Authority.

Notice of Redemption. The Trustee is required to give notice of redemption of any Series 2017 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 2017 Bonds, or portions thereof, to be redeemed.

Notice having been given as specified above, the Series 2017 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 2017 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 2017 Bonds.

[*] Preliminary, subject to change.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Series 2017 Bonds are expected to be applied as follows (rounded to the nearest dollar):

Sources of Funds	Series 2017B Bonds	Series 2017C Bonds	Series 2017D Bonds	Total
Par Amount	$	$	$	$
Net original issue [premium/discount]				
Available Debt Service Reserve Funds				
Total	$	$	$	$
Uses of Funds				
Deposit to Project Fund	$	$	$	$
Deposit to Refunding Escrow				
Deposit to Debt Service Reserve Fund				
Underwriters' discount and costs of issuance				
Total	$	$	$	$

Application of Proceeds of the Series 2017B Bonds and Series 2017C Bonds

The proceeds of the Series 2017 Bonds deposited to the Project Fund are expected to be used in the following approximate amounts:

Campus	Project Description	Amount
Series 2017B Project Fund		
Bridgewater	Residence Hall Renewal and Adaption	$ 3,000,000
Fitchburg	Residence Hall Renewal and Adaption	5,000,000
Fitchburg	Faculty and Staff Housing Acquisition and Improvements	1,800,000
Framingham	Student Activity Acquisition and Improvements	2,500,000
Total		$12,300,000
Series 2017C (Taxable) Project Fund		
Mass. College of Art & Design	Student Activity Renewal and Adaption	$7,500,000

Plan of Refunding

The proceeds of the Series 2017D Bonds, together with certain earnings thereon and certain moneys made available by the Authority, will be used to refund the Bonds listed in Appendix G (the "Refunded Bonds") and to pay costs of issuance of the Series 2017D Bonds. Such proceeds will be deposited in accounts of the refunding trust fund held by U. S. Bank National Association, Boston, Massachusetts, as refunding trustee, in amounts which will be invested in Defeasance Obligations. According to the report described in "VERIFICATION OF MATHEMATICAL CALCULATIONS," such investments will mature at such times and earn interest in such amounts that, together with any initial cash deposits, will produce sufficient moneys to provide for the payment of principal of and redemption premium, if any, and interest on the Refunded Bonds. The refunding is contingent upon the delivery of the Series 2017D Bonds.

SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS

General

The following summary of the security for the Series 2017 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 2017 Bonds.

The Series 2017 Bonds will be issued pursuant to the Act and under the Trust Agreement. The Series 2017 Bonds are special obligations of the Authority payable solely from the Revenues and Pledged Funds provided under the provisions of the Act, the Trust Agreement and the Contract, subject only to the provisions of the Trust Agreement regarding the application of Revenues and Pledged Funds.

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

Bonds

In March, 2003, the Authority amended and restated the Trust Agreement and defeased all of the bonds previously issued under the Trust Agreement except for certain senior-lien Commonwealth-guaranteed bonds that are no longer outstanding. The Series 2017 Bonds will be the twenty-second series of Bonds issued by the Authority since March, 2003 that are secured by a parity lien on the Revenues of the Authority. Such Bonds, together with bonds to be issued in the future on parity with the Bonds under the Trust Agreement, are referred to herein as "Bonds."

After the issuance of the Series 2017 Bonds, there will be approximately $1.23 billion of Bonds outstanding.

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

The Series 2017 Bonds, the Trust Agreement and the Contract relate only to the state university segment. Authority financings for the community college segment are undertaken under an entirely separate credit structure.

Pledge of Revenues

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

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

Flow of Funds

The Trust Agreement provides that the Authority shall promptly deposit all Revenues, except earnings on investment of the funds and accounts held under the Trust Agreement, into the Revenue Fund to be applied as

follows on the last business day of each February and on each October 10 (or the next preceding business day, if October 10 is not a business day):

First, to the Debt Service Fund, an amount which, when added to other amounts on deposit in such Fund and available for such purpose, including amounts in any capitalized interest account that may have been established by the applicable Supplemental Trust Agreement, will equal the interest to become due and payable on Outstanding Bonds on the next interest payment date and any Principal Installment to become due and payable on Outstanding Bonds on or before the next date (within the next twelve months) on which such Principal Installment is payable (and if the amount on deposit in the Debt Service Fund shall be less than such required amount, the Trustee shall notify the Authority and the BHE in writing of the amount of the deficiency and request payment of such amount pursuant to the Contract);

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

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

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

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

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

Rate Covenant

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

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

Debt Service Reserve Fund

The Trust Agreement establishes a Debt Service Reserve Fund as security for all Bonds and requires it to be funded in an amount equal to the Debt Service Reserve Fund Requirement. 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, (ii) 125% of average annual Debt Service on all Bonds Outstanding and (iii) the maximum amount of Debt Service due in any future Fiscal Year on all Bonds Outstanding. After the issuance of the Series 2017 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.

The Twenty-Seventh Supplemental Trust Agreement dated as of December 1, 2014 contains an amendment to the Trust Agreement eliminating the Debt Service Reserve Fund Requirement by reducing the amount of the Requirement to zero. The amendment will become effective when approved by the Owners of a majority of the aggregate principal amount of the Bonds outstanding. Owners of the Authority's Project Revenue Bonds, Series 2014B (Green Bonds), its Project Revenue Bonds, Series 2014C, its Refunding Revenue Bonds, Series 2014D, its Project Revenue Bonds, Series 2015A, its Refunding Revenue Bonds, Series 2016A, and its Project Revenue Bonds Series 2017A were deemed to have consented to the amendment on behalf of themselves and all subsequent Owners of such Bonds. The amendment is expected to be consented to by the the Owners of the Series 2017 Bonds and by the Owners of all Bonds issued after the Series 2017 Bonds until the amendment becomes effective. Following the issuance of the Series 2017 Bonds, the Authority estimates that the Owners of approximately 36%[*] of the aggregate principal amount of Bonds outstanding will have given their consent to the amendment.

By their acceptance of the Series 2017 Bonds, the Owners thereof agree to all of the terms of the Trust Agreement as currently in effect and to the amendment reducing the amount of the Debt Service Reserve Fund Requirement to zero.

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

Other Reserves

The Trust Agreement also establishes a Capital Improvement Reserve Fund and a Multipurpose Reserve Fund. Moneys on deposit in the Capital Improvement Reserve Fund and the Multipurpose Reserve Fund are available to pay debt service on Bonds. The Contract requires each State University to maintain an operating reserve within the trust fund for the Projects on its campus to provide for extraordinary and unexpected operating, maintenance and repair costs for its Projects. 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

[*] Preliminary, subject to change.

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 Bonds issued before 1998. 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 issued after 1998. 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 non-residential Projects for which the requirement has been waived), each applicable State University is required to pay to the Trustee for deposit in the applicable Campus Project Capital Improvements Reserve Account the greater of the amount specified in the Authority's Annual Budget as being required by the Trust Agreement to be so deposited or an amount not less than the following percentages of Revenues collected with respect to each such Campus Project during the prior fiscal year: (i) in the second fiscal year after completion of the Campus Project, and in each of the next seven fiscal years, 2.5%, (ii) in each of the next five fiscal years, 5%, and (iii) in each year thereafter, 7.5%.

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

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

The Contract

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

assigns to the Trustee all rights of the Authority under the Contract to receive Revenues payable to the Authority thereunder.

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

Pledged Funds. As additional security for all Bonds, the BHE under the Contract pledges a portion of each State University's non-appropriated funds or other revenues legally available to the State University, including without limitation tuition, fees and other charges (the "Trust Funds") in an amount equal to 25% of the average annual aggregate debt service costs allocable to such State University's Projects. The aggregate amount of Trust Funds of a particular State University that are pledged are referred to herein as the "Pledged Trust Funds" of the State University. As of June 30, 2016, the aggregate amount of Pledged Trust Funds pledged by the various State Universities ranged from $476,000 to $4.5 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. The pledge of appropriations and the payment mechanisms associated with it are sometimes referred to as an "appropriation intercept." See "SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS – Commonwealth Appropriation Intercept." Pledged Trust Funds and Pledged Appropriations are collectively referred to herein as "Pledged Funds."

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

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

The Contract requires the Authority to keep an accurate account of the sufficiency of available funds to pay debt service on its outstanding indebtedness, including without limitation Pledged Funds and to provide the BHE and the Comptroller with reports as to the sufficiency of available funds to pay debt service no later than September 30, in the case of payments due November 1, and no later than January 31, in the case of payments due May 1. See "SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS – Commonwealth Appropriation Intercept." If such report is not received by the Comptroller during the month of September or January, as the case may be, the Contract requires the Comptroller to prevent any amounts from being expended from the appropriations account of any State University until such time as the Comptroller has determined whether there is an insufficiency of available funds to pay debt service. If such report indicates that there is an insufficiency of funds available to pay debt service, or if, in the absence of a report, the Comptroller ascertains that there is such as 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, the Act and the Contract provide for an intercept of legislative appropriations to the State Universities, if the Authority lacks sufficient funds to pay debt service. See "SECURITY FOR AND SOURCE OF PAYMENT FOR THE BONDS – The Contract; *Pledged Funds*."

The Authority is required to keep an accurate account of the sufficiency of available funds to pay debt service on its outstanding indebtedness, including without limitation Pledged Funds, and to provide the BHE and the Comptroller with reports as to the sufficiency of available funds to pay debt service no later than September 30, in the case of payments due November 1, and no later than January 31, in the case of payments due May 1. If such report is not received by the Comptroller by September 30 or January 31, as the case may be, the Act requires the Comptroller to prevent any amounts from being expended from the appropriation account of any State University until such time as the Comptroller has determined whether there is an insufficiency of available funds to pay debt service. If such report indicates or, in the absence of such report, if the Comptroller determines that such an insufficiency exists, the Comptroller must transfer amounts, without further allotment, from such State University's

appropriations account to cure such insufficiency within five days, but in any event no later than the applicable deposit date (October 10 in the case of a November 1 debt service payment and the last business day of February in the case of a May 1 debt service payment). If the Pledged Trust Funds of the applicable State University have been exhausted and the Pledged Appropriations of such State University are insufficient to cover the insufficiency, the BHE is required to pay to the Trustee, or cause the Trustee to be paid, the amount of the remaining insufficiency from the Pledged Appropriations of all of the State Universities, ratably, according to the percentage of outstanding Bonds then allocable to each particular State University.

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

Total Appropriations for Fiscal 2008-2018 for the System of Public Higher Education. The following table sets forth appropriation information for the system of public higher education for fiscal years 2008-2018. The Commonwealth is not obligated to continue to appropriate such money on an annual basis, and the Legislature may fail to make or may reduce appropriations in the future. Commonwealth appropriations for State Universities are disbursed evenly throughout the year to cover payroll costs.

Total Appropriations for Fiscal 2008 – 2018 for the System of Public Higher Education

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Bridgewater	$38,387,830	$39,535,289	$33,012,270	$36,796,245	$33,860,038	$33,860,038	$40,591,669	$40,591,669	$42,461,139	$43,592,400	$44,027,968
Fitchburg	26,997,992	27,809,654	23,218,183	25,882,973	23,467,647	23,467,647	27,430,823	27,430,823	28,474,577	29,109,894	29,400,755
Framingham	23,819,332	24,852,111	20,748,941	23,130,332	21,266,256	21,466,256	24,964,332	25,164,332	26,466,879	27,637,347	27,913,495
Mass. College of Art	14,520,602	15,202,160	12,692,230	14,150,408	13,405,202	13,405,202	16,353,460	16,353,460	17,201,537	17,899,354	18,078,201
Mass. College of Liberal Arts	13,937,728	14,372,730	11,999,050	13,376,973	12,559,859	12,559,859	14,779,296	14,779,296	15,523,258	16,233,085	16,319,534
Mass. Maritime Academy	13,676,739	14,077,588	11,753,330	13,102,278	12,330,691	12,330,691	14,734,703	14,734,703	15,541,878	16,344,745	16,344,745
Salem	38,695,577	39,824,815	33,249,600	37,065,712	34,614,021	34,614,021	41,482,180	41,482,180	43,129,420	44,004,594	44,444,281
Westfield	22,702,354	23,222,725	19,388,572	21,587,980	20,139,642	20,139,642	24,829,786	24,829,786	26,034,463	26,875,492	27,094,027
Worcester	23,051,411	23,668,255	19,760,543	22,028,495	19,941,794	19,941,794	24,128,143	24,128,143	25,276,495	26,368,898	26,632,372
Total State Universities	215,789,565	222,565,327	185,822,719	207,121,396	191,585,150	191,785,150	229,294,392	229,694,392	240,109,646	248,065,809	250,257,396
Community Colleges	240,715,553	244,355,162	204,012,305	227,424,464	208,154,311	208,154,311	225,670,016	249,348,859	260,880,694	271,266,283	276,593,627
University of Massachusetts	480,212,878	492,251,998	411,898,263	464,575,067	422,761,193	418,107,753	478,891,873	519,005,373	537,807,373	509,492,447	515,460,371
Total	$936,717,996	$959,172,487	$801,733,287	$899,120,927	$822,500,654	$818,047,214	$933,856,281	$998,048,624	$1,038,797,713	$1,028,824,539	$1,042,311,394

Source: Commonwealth of Massachusetts enacted budget, as summarized for the current fiscal year at http://www.mass.gov/bb/gaa/fy2018.

THE AUTHORITY

General

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

The Authority was established for the general purpose of aiding and contributing to the performance of the educational and other purposes of the Massachusetts state colleges by providing dormitories, dining commons and other buildings, structures and facilities designed primarily for housing, feeding, medical care, parking, athletics and cultural and extracurricular and other student life activities and services primarily (i) for the use of the colleges, their students, staff and their dependents, (ii) for lease to or use by an organization or association of students or others, the activities of which are a part of the activities at one or more state colleges and subject to regulation by the BHE, or (iii) for lease to or use by any other entity the activities of which are approved by the BHE as furthering the purposes of one or more of the state colleges. Under the Act, the term "state colleges" includes the public institutions of higher education in the state university segment and the community college segment. The state university segment includes: Bridgewater, Fitchburg, Framingham, Salem, Westfield and Worcester State Universities, Massachusetts College of Liberal Arts, Massachusetts College of Art and Design, and Massachusetts Maritime Academy. The community college segment includes: Berkshire, Bristol, Bunker Hill, Cape Cod, Greenfield, Holyoke, Massachusetts Bay, Massasoit, Middlesex, Mount Wachusett, North Shore, Northern Essex, Quinsigamond, Roxbury, and Springfield Technical Community Colleges. The Series 2017 Bonds, the Trust Agreement and the Contract relate only to the state university segment. Authority financings for the community college segment are undertaken under an entirely separate credit structure.

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

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

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

Members, Officers and Staff

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

David A. Ellis, Chair (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.

Lori D. Hindle, Vice Chair (member since 2013). Ms. Hindle is a Senior Managing Consultant at Public Financial Management, Inc., providing financial advisory services to government and non-profit clients. She was previously the Director of Intergovernmental Affairs for the Commonwealth of Massachusetts, Executive Office for Administration and Finance, where she oversaw the issuance of debt for the Commonwealth and quasi-public authorities. She holds a Bachelor of Science degree from Bridgewater State University.

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

Michael Fallon (member since 2017). Mr. Fallon, Chief Investment Officer of The Fallon Company, is responsible for new acquisitions of real estate development and investment. Mr. Fallon brings expertise in real estate development, permitting, acquisition, and financing, as well as experience with State and Federal regulatory agency real estate and marine permitting. Previously, Mr. Fallon served as Materials Expediter and subsequently as an Engineer for Turner Construction of Boston, involved in the scheduling, fabrication, and construction of all major structural components. Mr. Fallon holds a Bachelor of Arts degree in International Relations and European Business and Economics from Boston University, and a Masters Degree in Finance from Bentley University.

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

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, 15 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, where he is responsible for managing the real estate portfolio of 55 residence halls that house 17,000 students on nine campuses, coordinating strategic and other planning to ensure future capacity and occupancy, overseeing assessments and disbursements to service $1.3 billion of debt, and directing the issuance of new money and refunding bonds. Since 1979, Mr. Adelman has managed capital project planning, design and construction for public agencies and academic institutions, including Babson College, Brandeis University and Salem State University. Mr. Adelman is a registered architect in Massachusetts and a member of the American Institute of Architects. He received a Bachelor of Architecture degree from Cornell University and a Master of Architecture degree from Kent State University.

Janet L. Chrisos, Deputy Director. Ms. Chrisos joined the Authority in 2005 as Capital Projects Coordinator having worked for the Authority as a consultant since 2003. In 2007, she was promoted to Director of Capital Projects and then to Deputy Director in 2013. Ms. Chrisos manages the Authority's project management

staff and all design and construction activities of the Authority from project planning through delivery. She is also responsible for development of the multi-year integrated capital plan incorporating projected housing needs of the nine state universities, anticipated facility renewal requirements and university capital improvement requests. Ms. Chrisos has 30 years of construction project management experience as an employee for General Electric and as a consultant to manufacturing, construction and higher educational clients, including Hewlett Packard and Salem State University. She has a Bachelor of Science degree in mechanical engineering from the University of Massachusetts.

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 and rate-setting process and providing oversight and direction for the financial operations of the Authority. Ms. Ostberg has over 30 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.

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

The Authority maintains offices at 253 Summer Street, Suite 300, Boston, Massachusetts 02210. The Authority's telephone number is (617) 542-1081; its website is www.mscba.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 rents and fees from students for the use of the Projects, procure all necessary equipment, materials and supplies, and make necessary repairs. The Authority establishes the operating budget for each of its Projects, including the fees, rents, rates and charges for their use, and maintains close oversight over the operations and maintenance of Projects. Under the Contract, the Authority retains the right to contract directly with a third party to operate and maintain its Projects, except for Projects with respect to which the Authority has neither legal title nor a leasehold interest. See "SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS – Commonwealth-owned Projects."

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

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

monthly reports to track the progress of each project which are reviewed by the design and construction committee of the Authority board on a monthly basis and by the full board. After completion of a facility, the Authority continues to assist with its operation and management through the review of occupancy reports, the preparation of budgets, the development of rent assessments, the payment of debt service, the payment of insurance premiums and the annual review of all facilities to schedule facility renewal projects.

Management's Discussion and Analysis

The following table sets forth the receipts and disbursements related to Authority Projects during fiscal years 2013 through 2017. The table combines receipts and disbursements of the various State Universities and of the Authority and, because it presents cash receipts and disbursements with no accruals of revenues or expenses, it has not been prepared in a manner consistent with either the Authority's or the State Universities' financial statements, which are prepared in accordance with generally accepted accounting standards.

Authority Project Receipts and Disbursements [1]
Unaudited

	Fiscal 2013 Actual	Fiscal 2014 Actual	Fiscal 2015 Actual	Fiscal 2016 Actual	Fiscal 2017 Actual
Combined Beginning Fund Balance[2]	$43,112,064	$47,984,159	$49,684,719	$47,303,136	$47,757,671
Building Receipts					
Room rents	97,030,844	103,439,406	109,934,726	116,536,449	121,113,210
Non-residential Campus Project fees	9,683,823	15,182,066	18,480,995	23,219,679	23,456,102
Other Receipts	3,085,821	5,015,281	6,504,845	5,266,912	4,386,168
	109,800,488	123,636,753	134,920,566	145,023,040	148,955,480
Other Receipts					
Investment earnings	2,961,466	2,033,674	2,712,532	4,440,865	3,548,412
HUD grant for debt service	58,414	0	0	0	0
Transfers from Capitalized Interest Accounts	8,035,032	3,393,049	4,524,531	3,851,833	0
State College contributions	536,577	1,400,315	1,035,739	1,074,697	1,025,564
Build America Bond Subsidy	2,302,924	2,190,999	2,189,322	2,200,443	2,201,230
	13,894,413	9,018,037	10,462,124	11,567,838	6,775,206
Total Receipts	$123,694,901	$132,654,790	$145,382,690	$156,590,878	$155,730,686
Building Disbursements					
Residence hall operations and staff[3]	20,859,002	22,166,018	23,719,167	24,687,442	26,177,347
Facility maintenance and repair[3]	7,673,916	8,685,307	9,456,905	9,784,550	8,317,741
Facility renewal	4,837,567	6,900,086	8,757,804	8,146,462	8,564,648
Utilities[3]	9,258,601	9,622,450	10,627,821	10,835,928	10,830,798
Administration[3]	820,103	1,034,917	2,101,922	585,777	1,424,856
	43,449,189	48,408,778	54,663,619	54,040,159	55,315,390
Debt Service					
Prior Bonds (allocated to System Projects)	7,391,164	7,336,875	8,344,770	272,825	0
Parity Bonds	63,845,829	70,682,580	80,094,392	96,895,147	97,005,308
	71,236,993	78,019,455	88,615,048	97,167,972	97,005,308
Other Disbursements					
Authority operating expenses and insurance	2,143,796	2,525,997	2,720,511	2,860,377	2,834,299
Housing Grant Scholarship Program[3]	1,992,829	2,000,000	1,765,095	2,067,835	2,019,926
	4,136,625	4,525,997	4,485,606	4,928,212	4,854,225
Total Disbursements	118,822,807	130,954,229	147,764,273	156,136,343	157,174,923
Net Change	4,872,095	1,700,561	(2,381,583)	454,535	(1,444,237_
Combined Ending Fund Balance	$47,984,159	$49,684,719	$47,303,136	$47,757,671	$46,313,434

Source: Authority.
[1] Totals may not add due to rounding.
[2] 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.
[3] Denotes disbursements made directly by the State Universities before Revenues are transferred to the Authority for deposit in the Revenue Fund under the Trust Agreement.

Specific reference is made to the Authority's audited financial statements for the year ended June 30, 2017, 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, 2017 which have been filed with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access system ("EMMA"). Revenues and expenses related to the Authority's Projects are reported as auxiliary enterprise income and expenses in the financial statements of the individual State Universities. The Authority's financial statements include the revenues paid to the

Authority by the State Universities, which are used by the Authority to defray its debt service costs, certain operating and insurance premium costs for the Projects and the Authority's own operating expenses, and certain deposits to reserves. The financial statements of the Authority for the year ended June 30, 2017 have been examined by CohnReznick LLP, certified public accountants, to the extent and for the periods indicated in its report thereon. Such financial statements have been included in reliance upon the report of CohnReznick LLP and the authority of such firm as experts in accounting and auditing. CohnReznick LLP has not been requested to consent, nor has it consented, to inclusion of its report in this Official Statement. CohnReznick LLP has not been engaged to perform and has not performed, since the date of its report referenced herein, any procedures on the financial statements included in that report. CohnReznick LLP has also not performed any procedures relating to this Official Statement.

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

Receipts. *Room Rents* – These are the revenues for the Authority's residence hall projects. To ensure affordability and full occupancy, Authority room rents are typically maintained at or below the off-campus market rental rates in the applicable geographic area. Increases in revenue from year to year reflect the increased number of beds. In addition, regular modest increases to room rents permit the Authority to fund increases in operating expenses (salaries and utilities) and debt service and additions to capital improvement reserves.

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

HUD grant for debt service – For many years, the Authority received an annual grant from the U. S. Department of Housing and Urban Development to defray the cost of debt service, thus helping to improve the cost effectiveness of the Authority's facilities. This grant expired 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 were to equal 35% of the interest payable on such Bonds, but were reduced by 2.5% in fiscal year 2013, 7.2% in fiscal year 2014, 7.3% in fiscal year 2015, 6.8% in fiscal year 2016 and 7.3% in fiscal year 2017 due to federal government sequestration.

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

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

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

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

Housing Grant Scholarship Program – Starting in fiscal year 2005, in an effort to maintain the affordability of residence hall room rents, the Authority implemented a general rent increase sufficient to fund a $300,000 housing grant scholarship program. This program has grown each year and was funded at $2.0 million each fiscal year since 2013.

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 2017B Bonds	Interest of the Series 2017B Bonds	Principal of the Series 2017C Bonds	Interest of the Series 2017C Bonds	Principal of the Series 2017D Bonds	Interest of the Series 2017D Bonds	Total Debt Service on the Series 2017 Bonds	Total Debt Service on Outstanding Bonds*
2018								$ 69,962,381
2019								99,132,675
2020								99,853,384
2021								99,986,982
2022								100,564,654
2023								103,532,856
2024								99,303,066
2025								99,583,060
2026								101,120,594
2027								98,702,507
2028								103,633,314
2029								89,505,233
2030								82,296,379
2031								78,488,079
2032								76,403,842
2033								72,638,964
2034								66,833,292
2035								65,387,723
2036								64,272,762
2037								61,038,173
2038								60,657,651
2039								55,026,888
2040								49,080,148
2041								37,706,125
2042								22,422,425
2043								23,154,125
2044								10,617,475
2045								5,583,925
2046								5,585,550
2047								5,587,125
2048								5,583,175
2049								1,858,500
Total								**$2,015,103,034**

* Includes debt service on the Refunded 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. Since 2002, the Authority has reduced estimated deferred maintenance needs from $49.3 million to $10.2 million in 2016. 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 Bonds

Since 1999 and including projects financed with Series 2017B Bonds and Series 2017C Bonds, the Authority has financed approximately $280.6 million of repairs and major renovations at numerous State Universities with bond proceeds. Such projects have included hazardous material abatement, fire safety improvements, access for the physically disabled, sprinklers and fire alarms, elevator replacement, bathroom renovations, mechanical, electrical and plumbing upgrades, masonry and roof repairs, common area improvements, interior finishes, and exterior and interior renewals. The Authority has financed approximately $762.4 the construction of three parking facilities. The Authority also has financed approximately $234.7 million of student life projects and $78.5 million to support projects principally financed by the Commonwealth with bond proceeds.

Commonwealth-Owned Projects

The Authority's residence halls and certain parking structures and property acquisitions are owned by the Authority and located on land that the Authority has leased from the Commonwealth. Approximately 40 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, and a campus center 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; parking lots and athletic facilities at Salem State; and a dining hall and a campus center at Westfield State. Under limited circumstances, the Authority may also provide supplemental financing for certain Commonwealth-owned academic facilities. To date, these projects include science centers at Framingham and Westfield State, a Center for Design + Media at Massachusetts College of Art and Design, and a wellness center at Worcester State.

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

Demand for Authority Residence Facilities

Actual occupancy of the Authority's residence halls for the fall 2017 semester was 97.1% of design capacity despite adding over 7,000 new beds since fall 2001. The predictable schedule, quality and funding of facility improvement projects reduces the likelihood of substantial unanticipated project requirements and their attendant inconvenience and expense. The revenue stream from the System Projects directly funds a system capital improvement reserve, and the revenue stream from the Campus Projects, implemented after 1999, directly funds a designated capital improvement reserve for these projects. For further information relating to demand for Authority residence facilities, see Appendix A – "STATE UNIVERSITIES SELECTED FINANCIAL AND STATISTICAL INFORMATION."

THE BOARD OF HIGHER EDUCATION

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

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

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

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

	First Appointed	Expiration of Term
Chris Gabrieli, Chair	2015	Coterminus with Governor
Sheila M. Harrity, Ed.D, Vice Chair	2015	Coterminus with Governor
Danielle Dupuis (student)	2017	2018
Nancy Hoffman, Ph.D.	2008	2013
Tom Hopcroft	2014	2019
J.D. LaRock, J.D., Ed.D.	2016	2021
Paul Materra, J.D.	2016	2021
James A. Peyser, Secretary of Education	--	*Ex Officio*
Fernando M. Reimers, Ed.D.	2012	2017
Henry Thomas III, J.D.	2007	2012
Paul F. Toner, J.D.	2010	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 Carlos E. Santiago.

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. State law empowers the State Universities generally to provide educational programs, research, extension and continuing education services in the liberal, fine and applied arts and sciences and other related disciplines through the master's degree level and to offer doctoral programs in cooperation with the University of Massachusetts.

Bridgewater State University is located on a 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, five 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. 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, 2017. Copies of such financial statements have been filed with the MSRB through EMMA.

Amounts Paid by State Universities to the Authority

Under the Contract, all moneys received by a State University as payment of fees, rents, rates or other charges for the use and occupancy of a Project of the Authority are held in trust for the Authority in a trust fund at that State University. The moneys in the trust fund are expended by the State University in accordance with the

Authority's annual operating budget and are remitted to the Authority or to the Trustee at such times and in such amounts as may be directed by the Authority.

The following table shows the amounts paid to the Authority by each of the State Universities in each of the fiscal years 2013 through 2017. 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.

State University	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Bridgewater	$ 13,506,887	$ 17,412,405	$ 17,637,041	$ 17,546,230	$ 18,623,435
Fitchburg	7,363,467	8,537,804	9,600,500	9,899,207	10,859,589
Framingham	9,011,365	10,158,659	10,203,857	9,788,180	13,661,232
Mass. College of Art and Design	7,110,509	7,289,434	7,758,868	8,644,202	8,840,244
Mass. College of Liberal Arts	2,739,220	2,806,906	2,877,190	2,505,334	3,169,485
Mass. Maritime Academy	4,110,844	4,826,346	8,033,928	7,959,435	8,432,995
Salem	9,890,884	11,107,408	12,750,494	16,016,410	17,210,080
Westfield	8,391,633	10,981,872	11,369,613	11,876,241	13,129,477
Worcester	5,382,988	6,584,520	9,153,095	9,331,215	9,603,706
Total	$ 67,507,798	$ 79,705,354	$ 89,384,586	$ 93,566,454	$ 103,530,243

Source: Authority

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 Bonds). The table includes estimated amounts related to the debt service on the Series 2017 Bonds. See "SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS – The Contract; *Pledged Funds*."

State University	Pledged Trust Funds Authority-owned Projects*	Pledged Trust Funds Commonwealth-owned Projects*
Bridgewater	$4,275,752	$314,871
Fitchburg	1,262,375[1]	1,316,834
Framingham	2,687,731	601,277
Mass. College of Art and Design	1,712,647	530,752
Mass. College of Liberal Arts	420,467	90,625
Mass. Maritime Academy [2]	1,360,394	271,689
Salem	2,892,994	798,101[3]
Westfield [2]	2,221,423	427,742
Worcester	1,845,464	268,097
Total	$18,679,246	$4,619,988

[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] Athletic Facilities 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 2017 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, Bowditch & Dewey, LLP, Boston, Massachusetts. Certain matters will be passed upon for the Underwriters by their counsel, Nutter, McClennen & Fish LLP, Boston, Massachusetts.

LITIGATION

There is no litigation of any nature now pending or, to the knowledge of the Authority, threatened seeking to restrain or enjoin or restraining or enjoining the issuance, sale, execution or delivery of the Series 2017 Bonds or in any way contesting the validity of the Series 2017 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 2017 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 2017 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 2017 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.

* Preliminary; subject to change.

TAX MATTERS

Federal Tax Matters for the Series 2017B Bonds and the Series 2017D Bonds

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel to the Authority ("Bond Counsel"), is of the opinion that, under existing law, interest on the Series 2017B Bonds and the Series 2017D Bonds (together, the "Tax Exempt Bonds") will not be included in the gross income of the holders of such Tax Exempt Bonds for federal income tax purposes. This opinion is expressly conditioned upon compliance with certain requirements imposed by the Internal Revenue Code of 1986, as amended (the "Code"), which must be satisfied subsequent to the date of issuance of the Tax Exempt Bonds in order to ensure that interest on the Tax Exempt Bonds is and continues to be excludable from the gross income of the holders of the Tax Exempt Bonds. Failure to comply with certain of such requirements could cause the interest on the Tax Exempt Bonds to be included in the gross income of holders of the Tax Exempt Bonds, retroactive to the date of issuance of the Tax Exempt Bonds. In particular, and without limitation, those requirements include restrictions on the use, expenditure and investment of proceeds and payment of rebate, or penalties in lieu of rebate, to the United States, subject to certain exceptions. The Authority has provided covenants and certificates as to continued compliance with such requirements.

The Series 2017D Bonds will be used to refinance the Refunded Bonds, the proceeds of which were used to finance certain facilities used by the Massachusetts College of Pharmacy and Health Sciences, now known as MCPHS University ("MCPHS"). MCPHS has received a determination from the Internal Revenue Service that it is exempt from federal income taxation pursuant to Section 501(c)(3) of the Code. The Series 2017D Bonds will be treated as "qualified 501(c)(3) bonds" under the Code. MCPHS has provided, with respect to the Refunded Bonds, and will provide, with respect to the Series 2017D Bonds, covenants and certificates as to continued compliance with the requirements of the Code to maintain the tax exempt status of such bonds.

In the opinion of Bond Counsel, under existing law, interest on the Tax Exempt 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 Tax Exempt Bonds will be included in "adjusted current earnings" of corporate holders of the Tax Exempt 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 any other federal tax consequences of holding the Tax Exempt Bonds. However, prospective purchasers should be aware that (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Tax Exempt Bonds or, in the case of a financial institution, that portion of the holder's interest expense allocated to such Bonds, (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(1) reduces the deduction for losses incurred by 15 percent of the sum of certain items, including interest on the Tax Exempt Bonds, (iii) interest on the Tax Exempt 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 Tax Exempt 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 Tax Exempt Bonds and (vi) receipt of investment income, including interest on the Tax Exempt Bonds, may, pursuant to Section 32(i) of the Code, disqualify the recipient from obtaining the earned income credit otherwise provided by Section 32(a) of the Code.

Interest paid on tax-exempt obligations such as the Tax Exempt Bonds is generally required to be reported by payors to the IRS and to recipients in the same manner as interest on taxable obligations. In addition, such interest may be subject to "backup withholding" if the Bondholder fails to provide the information required on IRS Form W-9, Request for Taxpayer Identification Number and Certification, or the IRS has specifically identified the Bondholder 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 Tax Exempt Bonds from gross income for federal tax purposes.

Interest on the Tax Exempt Bonds includes original issue discount, which with respect to a Tax Exempt Bond is equal to the excess, if any, of the stated redemption price at maturity of such Tax Exempt Bond over the initial offering price thereof to the public, excluding underwriters and other intermediaries, at which price a substantial amount of all such Tax Exempt Bonds with the same maturity was sold. Original issue discount accrues based on a constant yield method over the term of a Tax Exempt Bond. Holders should consult their own tax advisors with respect to the computation of original issue discount during the period in which any such Tax Exempt Bond is held.

Interest on the Tax Exempt Bonds includes any original issue discount, which with respect to a Tax Exempt Bond is equal to the excess, if any, of the stated redemption price at maturity of such Tax Exempt Bond over the initial offering price thereof to the public, excluding underwriters and other intermediaries, at which price a substantial amount of all such Tax Exempt Bonds with the same maturity was sold. Original issue discount accrues based on a constant yield method over the term of a Tax Exempt Bond. Holders should consult their own tax advisors with respect to the computation of original issue discount during the period in which any such Bond is held.

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

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Tax Exempt 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 Tax Exempt Bonds or the tax consequences of ownership of the Tax Exempt Bonds. No assurance can be given that current or future legislation, if enacted into law, will not contain provisions which could directly or indirectly reduce or eliminate the benefit of the exclusion of the interest on the Tax Exempt Bonds from gross income for federal income tax purposes or any state tax benefit, or affect their value or marketability. HR1, the Tax Cuts and Jobs Act (the "House Tax Bill"), was passed in the United States House of Representatives on November 16, 2017. The Senate version of the Tax Cuts and Jobs Act (the "Senate Tax Bill") was passed in the United States Senate on December 2, 2017. If enacted into law in its current form, the House Tax Bill would eliminate the federal tax-exemption of private activity bonds issued after December 31, 2017, including bonds for the benefit of organizations, such as MCPHS, that are tax-exempt under Section 501(c)(3) of the Code and would preclude post-2017 (i) refunding of previously issued private activity bonds, such as the Series 2017D Bonds, and (ii) advance refunding of all tax exempt bonds, including the Tax Exempt Bonds. The Senate Tax Bill, if enacted into law in its current form, would not eliminate the federal tax-exemption of private activity bonds but would preclude post -2017 tax-exempt advance refundings of previously issued tax exempt bonds, including the Tax Exempt Bonds. Neither the House Tax Bill nor the Senate Tax Bill would impact the exclusion from gross income of interest on the Tax Exempt Bonds. In addition, both the House Tax Bill and the Senate Tax Bill, in their current forms, would lower the income tax rates applicable to many corporations and individuals and would modify certain provisions related to the alternative minimum tax on individuals and corporations for tax years after 2017. Holders should consult their own tax advisors with respect to any of the foregoing.

Federal Tax Matters for the Series 2017C Bonds

The following discussion briefly summarizes the principal U.S. federal tax consequences of the acquisition, ownership, and disposition of the Series 2017C Bonds for holders who acquire any Series 2017C Bonds in the initial offering and hold such Series 2017C Bonds as "capital assets." It does not discuss all aspects of U.S. federal income taxation which may apply to a particular holder, nor does it discuss U.S. federal income tax provisions which may apply to particular categories of holders, such as partnerships, insurance companies, financial institutions, regulated investment companies, real estate investment trusts, employee benefit plans, tax-exempt organizations, dealers in securities or foreign currencies, persons holding Series 2017C Bonds as a position in a "hedge" or "straddle," an integrated conversion transaction, or holders whose functional currency is not the U.S. dollar. It is based upon provisions of existing law which are subject to change at any time, possibly with retroactive effect. No rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the "IRS") with respect to any of the U.S.

federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions.

Except as otherwise explicitly noted below, this summary addresses only "U.S. Holders," that is, individual citizens or residents of the United States, corporations or other business entities organized under the laws of the United States, any state, or the District of Columbia, estates with income subject to United States federal income tax, trusts subject to primary supervision by a United States court and for which United States persons control all substantial decisions, and certain other trusts that elect to be treated as United States persons. This discussion relates only to U.S. federal income taxes and not to any state, local or foreign taxes or U.S. federal taxes other than income taxes.

Interest on the Series 2017C Bonds that is "qualified stated interest" generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting). Generally, "qualified stated interest" means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate and includes the semi-annual interest payments as set forth on the inside cover hereof.

Interest on the Series 2017C Bonds includes any accrued original issue discount. Original issue discount with respect to a Series 2017C Bond is equal to the excess, if any, of the stated redemption price at maturity of a Series 2017C Bond over the initial offering price thereof, excluding underwriters and other intermediaries, at which price a substantial amount of all Series 2017C Bonds with the same maturity were sold, provided that such excess equals or exceeds a de minimis amount (generally ¼% of the stated redemption price at maturity multiplied by the number of complete years from its issue date to its maturity). The stated redemption price at maturity of a Series 2017C Bond is the sum of all scheduled amounts payable on the Series 2017C Bond (other than qualified stated interest). A U.S. Holder of a Series 2017C Bond with original issue discount must include the discount in income as ordinary interest for federal income tax purposes as it accrues in advance of receipt of the cash payments attributable to such income, regardless of the U.S. Holder's regular method of tax accounting. Original issue discount accrues based on a constant yield method over the term of a Series 2017C Bond and results in a corresponding increase in the holder's tax basis in such Series 2017C Bond. Holders should consult their own tax advisors with respect to the computation of original issue discount during the period in which any such Series 2017C Bond is held.

Unless a non-recognition provision of the Code applies, upon the sale, exchange, redemption, or other disposition (including a legal defeasance) of a Series 2017C Bond, a U.S. Holder will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts representing accrued but unpaid interest) and such holder's adjusted tax basis in such Series 2017C Bond. Such gain or loss generally will be long-term capital gain or loss if the Series 2017C Bond was held for more than one year. If the U.S. Holder is an individual, long-term gains will be subject to reduced rates of taxation. The deductibility of losses is subject to limitations.

A non-U.S. Holder of Series 2017C Bonds whose income from such Series 2017C Bonds is effectively connected with the conduct of a U.S. trade or business generally will be taxed as if the holder were a U.S. Holder. Otherwise: (i) a non-U.S. Holder who is an individual or corporation (or an entity treated as a corporation for federal income tax purposes) holding Series 2017C Bonds on its own behalf (other than a bank which acquires the Series 2017C Bonds in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business) generally will not be subject to federal income taxes on payments of principal, premium, interest or original issue discount on a Series 2017C Bond, as long as the non-U.S. Holder makes an appropriate filing with a U.S. withholding agent; and (ii) a non-U.S. Holder will not be subject to federal income taxes on any amount which constitutes capital gain upon retirement or disposition of a Series 2017C Bond unless such non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and such gain is derived from sources within the United States.

A Series 2017C Bond held by an individual Non-U.S. Holder who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that at the time of such individual's death, payments of interest with respect to the Series 2017C Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information as to interest on or proceeds from the sale or other disposition of Series 2017C Bonds is required to be reported by payors to the IRS and to recipients. In addition, backup withholding may apply unless the holder of a Series 2017C Bond provides to a withholding agent its taxpayer identification number and certain other information or certification of foreign or other exempt status. Any amount withheld under the backup withholding rules is allowable as a refund or credit against the holder's actual U.S. federal income tax liability.

Certain non-corporate U.S. Holders will be subject to a 3.8% tax, in addition to regular tax on income and gains, on some or all of their "net investment income," which generally will include interest on the Series 2017C Bonds and any net gain recognized upon a disposition of a Series 2017C Bond. U.S. Holders should consult their tax advisors regarding the applicability of this tax.

Under the Foreign Account Tax Compliance Act ("FATCA"), foreign financial institutions must comply with information reporting rules with respect to their U.S. account holders and investors or be required to withhold tax on U.S. source payments made to them.

Bond counsel is not rendering an opinion as to the foregoing federal tax consequences of ownership of the Series 2017C Bonds. Series 2017C Bondholders should seek advice based on their particular circumstances relating to the tax consequences of purchasing or holding federally taxable bonds from an independent tax advisor.

State Tax Matters for the Series 2017 Bonds

In the opinion of Bond Counsel, interest on the Series 2017 Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Series 2017 Bonds. Prospective purchasers should be aware, however, that the Series 2017 Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Series 2017 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 Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, under the laws of any state other than Massachusetts.

Opinion of Bond Counsel

On the date of delivery of the Series 2017 Bonds, the original purchasers of the Series 2017 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.

CERTAIN ERISA CONSIDERATIONS

The information under this heading summarizes certain considerations associated with the purchase of the Series 2017C Bonds by employee pension and welfare plans. The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain fiduciary obligations and prohibited transaction restrictions on employee benefit plans subject to Title I of ERISA ("ERISA Plans"). Section 4975 of the Code imposes essentially the same prohibited transaction restrictions on certain arrangements set forth in Section 4975(e)(1) which include, among other arrangements, tax-qualified retirement plans described in Section 401(a) and 403(b) of the Code, which are exempt from tax under Section 501(a) of the Code, individual retirement accounts, individual retirement annuities, Archer MSAs, health savings accounts, and Coverdell education savings accounts described in sections 4975(e)(1)(B) through (F) of the Code (collectively, "Tax-Favored Plans"). Certain types of U.S. employee benefit plans, such as governmental plans (as defined in Section 3(32) of ERISA), and church plans (as defined in Section 3(33) of ERISA and Section 4975(g)(3) of the Code), as well as non-U.S. employee benefit plans, are exempt from ERISA requirements and Code requirements but may nonetheless be subject to similar provisions of state and federal or foreign laws ("Similar Laws"). The information under this heading addresses the requirements of ERISA and the Code, but it should be understood that Similar Laws may impose comparable requirements.

General Fiduciary Matters. Among other requirements, ERISA requires fiduciaries to exercise prudence when investing ERISA Plan assets, taking into account diversification of the ERISA Plan's portfolio, liquidity needs and the requirement that ERISA Plan investments be made in accordance with the documents governing such ERISA Plan. Under ERISA, any person who has any discretionary authority or responsibility in the administration of an ERISA Plan or who exercises any discretionary authority or control with respect to the management, or

disposition of the assets of an ERISA Plan, or who renders investment advice for a fee or other compensation, direct or indirect, with respect to the assets of an ERISA Plan, or has any authority or responsibility to do so, is generally considered to be a fiduciary of the ERISA Plan, unless a statutory or administrative exemption is available. The term "plan assets" is defined at 26 CFR 2510.3-101.

Prohibited Transaction Issues. Section 406 of ERISA and Section 4975 of the Code (the "Prohibited Transaction Rules") prohibit a broad range of transactions between plans and "Parties in Interest" under ERISA or "Disqualified Persons" under the Code. The definitions of "Party in Interest" and "Disqualified Person" are expansive. While other entities may be encompassed by these definitions, they include: (i) a fiduciary with respect to a plan (including the owner of a Tax-Favored Plan); (ii) a person or entity providing services to a plan; and (iii) an employer or employee organization any of whose employees or members are covered by the plan. Certain Parties in Interest (or Disqualified Persons) that participate in a prohibited transaction may be subject to a penalty (or an excise tax or other liability) imposed pursuant to Section 502(i) of ERISA (or Section 4975 of the Code) unless a statutory or administrative exemption is available and certain prohibited transactions may be subject to rescission.

ERISA and the Code generally prohibit the lending of money or other extension of credit between an ERISA Plan or Tax-Favored Plan and a Party in Interest or Disqualified Person. The acquisition of any of the Series 2017C Bonds by a Party in Interest or Disqualified Person would involve the lending of money or extension of credit. In such a case, however, certain exemptions from the prohibited transaction rules might be available depending on the type and circumstances of the plan fiduciary making the decision to acquire a Series 2017C Bond. In this regard, the U.S. Department of Labor has issued prohibited transaction class exemptions, or "PTCEs." These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide limited relief from the Prohibited Transaction Rules for certain transactions, provided, among other things, that neither the issuer of the securities nor any of its affiliates (directly or indirectly) have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any ERISA Plan involved in the transaction and provided further that the ERISA Plan pays no more than adequate consideration in connection with the transaction. There can be no assurance that all of the conditions of any such exemptions will be satisfied with respect to any purchase, holding or disposition of the Series 2017C Bonds by any investor, and even if the conditions specified in one or more of these exemptions are satisfied, the scope of relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions.

Plan Asset Issues. Under the Department of Labor's regulations governing what constitutes "plan assets", assets of an entity in which an ERISA Plan invests may be treated as plan assets for the purposes of ERISA and the Code only if the plan acquires an "equity interest" by reason of the investment and no other exception is available. If a plan invests in an entity whose assets thereby are considered plan assets, the manager of the entity would be a plan fiduciary to the extent it exercises any authority or control respecting management or disposition of the entity's assets or provides investment advice for a fee. Any such manager that is considered a plan fiduciary would be separately required to comply with ERISA's prohibited transaction provisions. An equity interest is defined for this purpose as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there can be no assurances in this regard, it appears that the Bonds should be treated as debt for these purposes.

Representation and Warranty. By acquiring a Series 2017C Bond, each purchaser of a Series 2017C Bond will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser to acquire or hold the Series 2017C Bonds constitutes assets of any ERISA Plan or Tax-Favored Plan or of a plan subject to Similar Laws or (ii) the acquisition and holding of the Series 2017C Bonds will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation under applicable Similar Laws.

The foregoing discussion is general in nature and is not intended to be all inclusive. Due to the complexity of the "plan asset" rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that ERISA Plan fiduciaries and other fiduciaries, and other persons considering purchasing the Series 2017C Bonds, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to the assets intended to be used in the acquisition of such investment and to the particular circumstances of the transaction.

RATINGS

The Series 2017 Bonds have been assigned ratings of "___" by Moody's Investors Service, Inc. and "___" by S&P Global Ratings ("S&P"). 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 2017 Bonds.

FINANCIAL ADVISOR

Acacia Financial Group, Inc. is acting as financial advisor to the Authority in connection with the issuance of the Series 2017 Bonds.

UNDERWRITING

The underwriters identified on the cover page hereof (the "Underwriters") have agreed to purchase the Series 2017 Bonds from the Authority at a price of $_____ (which amount represents the principal amount of the Series 2017 Bonds, plus/less net original issue premium/discount of $_____, less an underwriting discount of $_____. The Underwriters may offer and sell the Series 2017 Bonds to certain dealers and others at prices lower than the public offering prices stated on the inside cover page hereof. The purchase contract provides that the Underwriters will purchase all of the Series 2017 Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase contract.

In addition, certain of the Underwriters have entered into distribution agreements with other broker-dealers (that have not been designated by the Authority as Underwriters) for the distribution of the Series 2017 Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services.

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

VERIFICATION OF MATHEMATICAL CALCULATIONS

American Municipal Tax-Exempt Compliance Corporation d/b/a AMTEC, of Avon, Connecticut, and Michael Torsiello, C.P.A. (an independent Certified Public Accountant) of Morrisville, North Carolina (together, the "Verification Agent") will deliver to the Authority and the Underwriters on or before the date of delivery of the Series 2017 Bonds their verification report indicating that they have verified, in accordance with the standards established by the American Institute of Certified Public Accountants: (1) the mathematical accuracy of certain computations showing the adequacy of the cash and the maturing principal of and interest on certain government obligations held in the refunding trust funds to provide for the payment of the principal of and interest and redemption premiums, if any, on the Refunded Bonds; and (2) the yields on the Series 2017B Bonds and the Series 2017D Bonds and the investments purchased with a portion of the proceeds of the sale of the Series 2017B Bonds and the Series 2017D Bonds. Such verification will be used by Bond Counsel in concluding that the Series 2017B Bonds and the Series 2017D Bonds are not arbitrage bonds within the meaning of the Code. The verification report

will state that the Verification Agent have no obligation to update the report because of events occurring, or data or information coming to their attention, subsequent to the date of the report.

CONTINUING DISCLOSURE

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

With respect to prior continuing disclosure undertakings, the following should be noted that in 2013 and 2014 the Authority failed to file event notices concerning rating changes on its Series 2004B Bonds which were related to the rating of National Public Finance Guaranty ("NPFG"), as successor to MBIA Insurance Corporation. The Series 2004B Bonds were insured by NPFG, and the rating on the Series 2004B Bonds maintained by S&P was based solely on the NPFG insurance policy, even though the Series 2004B Bonds were guaranteed by the Commonwealth. In December, 2010, S&P downgraded NPFG from A to BBB. At the time, the S&P rating for Commonwealth-guaranteed bonds was AA. In September, 2011, S&P upgraded its rating for Commonwealth-guaranteed bonds from AA to AA+. In February, 2013, S&P downgraded NPFG from BBB to BB. In May, 2013, S&P upgraded NPFG from BB to BBB and then to A. In March, 2014, S&P upgraded NPFG from A to AA-. A corrective filing was made. The Series 2004B Bonds are no longer outstanding.

It should be further noted that certain of the Authority and the State Universities financial statements and annual financial information and operating data, though filed on a timely basis, did not appear under all of the applicable CUSIP numbers on EMMA. All such information on EMMA has been appropriately re-linked.

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 2017 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: _____

Edward H. Adelman
Executive Director

December __, 2017

STATE UNIVERSITIES SELECTED FINANCIAL AND STATISTICAL INFORMATION

State University Revenue Sources

To illustrate the relative importance of State University revenue sources in recent years, the following table sets forth revenues for each of the State Universities for fiscal years 2014 through 2017. 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.

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Bridgewater State				
Tuition and fees	$87,326,130	$89,665,488	$96,402,691	$103,612,951
Grants and contracts	19,420,622	20,405,558	19,966,803	20,467,984
State support	49,493,966	52,109,583	55,286,190	58,090,595
Auxiliary enterprises	24,623,224	26,147,322	26,814,973	26,706,122
Other revenues	1,078,624	1,073,329	2,201,100	1,863,742
Scholarship allowance (credit)	(12,058,651)	(12,950,680)	(13,431,243)	(13,534,275)
Total revenues	$169,883,915	$176,450,600	$187,240,514	$197,207,119
Fitchburg State				
Tuition and fees	$40,409,069	$41,716,961	$44,135,990	$46,731,201
Grants and contracts	7,867,447	8,431,815	8,243,711	7,984,831
State support	34,027,571	36,197,548	37,159,087	38,873,231
Auxiliary enterprises	8,806,774	9,278,149	9,269,731	9,647,200
Other revenues	2,114,040	2,038,981	2,402,812	2,436,114
Scholarship allowance (credit)	(7,461,594)	(7,901,604)	(7,728,440)	(7,711,629)
Total revenues	$85,763,307	$89,761,850	$93,482,891	$97,960,948
Framingham State				
Tuition and fees	$41,218,000	$41,555,831	$42,531,161	$43,927,462
Grants and contracts	7,480,144	10,004,386	12,284,096	9,882,318
State support	30,676,068	32,664,050	35,477,537	37,022,123
Auxiliary enterprises	13,739,521	14,208,692	14,706,516	15,630,123
Other revenues	2,087,533	1,689,136	2,038,867	3,116,759
Scholarship allowance (credit)	(7,576,655)	(7,770,032)	(8,110,544)	(8,173,683)
Total revenues	$87,624,611	$92,352,063	$98,927,633	$101,405,102
Massachusetts College of Art and Design				
Tuition and fees	$30,897,598	$31,488,423	$31,490,137	$34,094,935
Grants and contracts	3,337,871	3,293,107	3,072,493	3,060,410
State support	22,306,013	24,022,435	25,324,221	26,901,808
Auxiliary enterprises	12,502,344	12,799,017	13,019,180	13,333,190
Other revenues	3,659,199	5,221,725	5,509,190	6,162,877
Scholarship allowance (credit)	(7,917,278)	(8,789,026)	(9,072,041)	(10,580,043)
Total revenues	$64,785,747	$68,035,681	$69,343,180	$72,973,177

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Mass. College of Liberal Arts				
Tuition and fees	$14,187,413	$14,914,994	$14,506,480	$14,931,915
Grants and contracts	5,832,104	6,295,058	6,015,580	5,883,254
State support	18,567,520	19,549,377	20,773,988	21,770,331
Auxiliary enterprises	7,936,883	8,195,261	7,810,159	7,976,381
Other revenues	2,879,874	1,784,676	2,501,130	1,665,224
Scholarship allowance (credit)	(5,250,855)	(5,066,813)	(5,276,611)	(5,258,907)
Total revenues	$44,152,939	$45,672,553	$46,330,726	$46,968,198
Massachusetts Maritime Academy				
Tuition and fees	$19,253,137	$21,057,938	$24,100,116	$26,858,016
Grants and contracts	3,073,865	2,037,856	1,849,983	2,828,203
State support	19,108,287	20,362,133	20,359,425	22,640,314
Auxiliary enterprises	15,849,029	17,111,454	18,961,567	20,537,837
Other revenues	440,404	473,615	709,905	647,275
Scholarship allowance (credit)	(3,756,744)	(4,212,087)	(4,989,333)	(5,156,776)
Total revenues	$53,967,978	$56,830,909	$60,991,663	$68,354,869
Salem State				
Tuition and fees	$68,625,699	$74,250,345	$79,474,916	$84,587,147
Grants and contracts	18,232,524	19,782,486	18,820,269	19,306,162
State support	52,155,777	54,441,708	56,416,180	58,767,638
Auxiliary enterprises	14,900,746	17,658,163	20,976,201	22,398,146
Other revenues	4,125,865	1,731,300	1,723,701	1,697,399
Scholarship allowance (credit)	(13,787,565)	(15,360,590)	(16,790,060)	(17,694,347)
Total revenues	$144,253,046	$152,503,412	$160,621,207	$169,062,145
Westfield State				
Tuition and fees	$48,524,546	$49,400,890	$51,693,910	$54,007,683
Grants and contracts	11,302,149	10,950,861	11,691,682	12,171,899
State support	30,162,664	31,982,967	33,425,461	35,049,389
Auxiliary enterprises	25,713,839	26,872,236	28,457,775	29,150,749
Other revenues	1,033,981	4,790,926	4,642,967	5,255,339
Scholarship allowance (credit)	(9,375,369)	(9,578,206)	(10,277,457)	(10,220,586)
Total revenues	$107,361,810	$114,419,674	$119,634,338	$125,414,473
Worcester State				
Tuition and fees	$40,957,693	$42,564,442	$43,982,183	$45,060,846
Grants and contracts	9,404,005	10,575,227	10,924,592	11,975,305
State support	30,055,723	31,840,805	33,605,906	35,169,690
Auxiliary enterprises	9,347,789	11,250,663	12,142,798	12,277,532
Other revenues	1,574,697	1,058,816	1,146,016	1,032,424
Scholarship allowance (credit)	(7,558,228)	(8,350,165)	(8,752,320)	(8,414,317)
Total revenues	$83,781,679	$88,939,788	$93,049,175	$97,101,480

Source: University Financial Statements

Enrollment

The following table sets forth enrollment information for the system of public higher education for the fall semesters of 2012 through 2016 on the basis of full-time equivalent students and headcount. Final Fall 2017 enrollment numbers will be available early in 2018. Both degree and non-degree students are included.

	Fall 2012	Fall 2013	Fall 2014	Fall 2015	Fall 2016
Full-Time Equivalent					
Bridgewater	9,200	9,230	9,214	9,176	9,054
Fitchburg	4,367	4,422	4,452	4,452	4,498
Framingham	4,908	4,943	4,996	4,881	4,732
Mass. College of Art and Design	1,901	1,928	1,801	1,717	1,761
Mass. College of Liberal Arts	1,601	1,516	1,563	1,450	1,441
Mass. Maritime Academy	1,434	1,472	1,542	1,669	1,749
Salem	7,207	7,178	7,290	7,285	7,226
Westfield	5,352	5,646	5,563	5,680	5,617
Worcester	4,770	4,891	4,872	4,873	4,860
State Universities	40,740	41,227	41,293	41,182	40,938
Community Colleges	62,002	61,017	58,947	56,119	52,947
University of Massachusetts	59,332	60,349	61,339	62,416	63,048
Total	162,074	162,592	161,580	159,718	156,933
Headcount					
Bridgewater	11,417	11,267	11,187	11,089	10,998
Fitchburg	6,888	6,680	6,818	6,598	6,763
Framingham	6,506	6,429	6,499	6,398	5,977
Mass. College of Art and Design	2,326	2,264	2,095	1,990	1,982
Mass. College of Liberal Arts	1,799	1,716	1,765	1,641	1,644
Mass. Maritime Academy	1,415	1,476	1,497	1,674	1,751
Salem	9,456	9,301	9,267	9,215	9,001
Westfield	6,079	6,371	6,321	6,496	6,335
Worcester	6,221	6,447	6,350	6,306	6,471
State Universities	52,107	51,951	51,799	51,407	50,922
Community Colleges	100,799	99,786	96,888	92,671	87,527
University of Massachusetts	69,614	70,780	71,642	72,591	73,261
Total	222,520	222,517	220,329	216,669	211,710

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 2012-2013 through 2016-2017. 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 2012-2013		Academic Year 2013-2014		Academic Year 2014-2015		Academic Year 2015-2016		Academic Year 2016-2017	
	Tuition	Fees	Tuition	Fees	Tuition	Fees	Tuition	Fees	Tuition	Fees
Bridgewater	$910	$7,144	$910	$7,144	$910	$7,444	$910	$7,994	$910	$8,718
Fitchburg	970	7,740	970	8,016	970	8,290	970	8,964	970	9,164
Framingham	970	7,114	970	7,114	970	7,354	970	7,734	970	8,374
Mass. College of Art and Design	1,030	9,370	1,030	9,370	1,030	10,194	1,030	10,694	1,030	11,170
Mass. College of Liberal Arts	1,030	7,496	1,030	7,496	1,030	7,946	1,030	8,446	1,030	8,846
Mass. Maritime Academy	1,466	5,740	1,466	5,724	1,480	5,778	1,554	6,076	1,632 910	6,374 8,826
Salem	910	7,200	910	7,220	910	7,736	910	8,336	970	8,306
Westfield	970	7,328	970	7,328	970	7,712	970	7,846	970	8,232
Worcester	970	7,188	970	7,188	970	7,588	970	7,888	$980	$9,075
State Universities*	$970	$7,313	$970	$7,336	$971	$7,710	$975	$8,148	$732	$5,303
Community Colleges*	$733	$4,338	$733	$4,345	$732	$4,529	$732	$4,822	$13,914	$372
University of Massachusetts*	$1,619	$10,867	$1,618	$10,926	$1,619	$10,999	$1,619	$11,882	1,030	11,170

Source: Board of Higher Education
* Represents weighted average number of students

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Room Rates of Residence Facilities at State Universities

The following table shows the range of annual rates charged for the Authority's residence facilities for the academic years 2013-2014 through 2017-2018. 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 debt service, operating cost increases and to fund capital improvements:

State University	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Bridgewater	$6,540-7,740	$6,740-7,840	$6,940-8,080	$7,220-8,400	$7,510-8,862
Fitchburg	$5,230-6,580	$5,330-6,710	$5,440-6,840	$5,770-7,470	$6,044-8,273
Framingham	$6,085-8,830	$6,380-9,060	$6,680-9,280	$6,980-9,580	$7,280-9,880
Mass. College of Art and Design	$8,030-11,220	$8,190-11,440	$8,350-11,670	$8,560-11,960	$8,820-12,320
Mass. College of Liberal Arts	$4,860-5,260	$5,210-5,510	$5,500-5,700	$5,750-5,950	$6,050-6,250
Mass. Maritime Academy	$5,910	$6,440	$6,790	$7,130	$7,340
Salem	$6,700-9,500	$6,980-9,900	$7,280-10,320	$7,570-10,730	$7,870-11,160
Westfield	$5,250-7,950	$5,510-8,350	$5,730-8,680	$5,940-9,000	$6,110-9,260
Worcester	$6,920-7,980	$7,090-8,180	$7,270-8,370	$7,485-8,585	$7,646-8,746

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 2012-2013 through 2016-2017 and for the Fall of 2017 the occupancy rates of the Authority's residence facilities at State Universities expressed as a percentage of design capacity. Actual occupancy can exceed 100% of design capacity when, for example, a double room is occupied by three students and/or when lounge spaces are converted to residence space (consistent with prevailing codes). Due to sustained desirability of the residence halls, this level of occupancy has been achieved while adding nearly 6,200 additional beds to the system since the fall of 2002.

	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	Fall 2017*
Bridgewater	98.9%	94.6%	99.2%	98.2%	96.4%	98.7%
Fitchburg	100.8	99.6	103.1	100.9	96.0	96.5
Framingham	100.3	100.3	97.9	97.9	93.8	97.1
Mass. College of Art and Design	99.3	99.2	98.6	98.2	99.2	98.6
Mass. College of Liberal Arts	91.1	85.8	85.7	78.6	77.4	78.3
Mass. Maritime Academy	107.9	111.2	92.5	100.5	104.6	102.6
Salem	106.7	105.9	106.8	99.7	96.3	98.3
Westfield	101.1	98.1	98.3	102.4	99.2	97.6
Worcester	101.9	101.1	86.6	94.0	92.3	99.0
State University Average†	101.0%	99.1%	97.5%	97.9%	95.8%	97.1%

Source: Authority

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

† 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 2013-2014 through 2017-2018:

	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Bridgewater	3,281	3,295	3,281	3,295	3,295
Fitchburg	1,565	1,580	1,580	1,580	1,712
Framingham	1,893	1,931	1,925	1,996	1,978
Mass. College of Art and Design	919	919	919	919	919
Mass. College of Liberal Arts	1,039	1,033	1,033	1,045	1,045
Mass. Maritime Academy	1,109	1,411	1,411	1,411	1,411
Salem	1,919	1,929	2,282	2,282	2,282
Westfield	2,814	2,797	2,765	2,752	2,752
Worcester	1,177	1,577	1,577	1,577	1,577
Total State Universities	15,716	16,472	16,773	16,857	16,971

Source: Authority

State Higher Education Admissions Data

The following table sets forth freshman application, acceptance and the percentage registered information for the system of public higher education for fall 2013 through fall 2016. This information is based solely on fall semester statistics.

	Fall 2013			Fall 2014			Fall 2015			Fall 2016		
	Applied	Accepted	% Registered	Applied	Accepted	% Registered	Applied	Accepted	% Registered	Applied	Accepted	% Registered
Bridgewater	5,927	4,658	31.82%	5,836	4,629	33.70%	5,851	4,719	32.36%	6,862	4,849	29.28%
Fitchburg	3,819	2,835	28.25%	3,820	2,762	26.32%	4,001	2,991	26.41%	3,567	2,663	28.65%
Framingham	5,400	3,020	26.79%	5,210	3,244	24.91%	4,803	3,401	25.14%	6,203	4,019	18.64%
Mass. College of Art and Design	1,394	978	37.53%	1,281	979	33.50%	1,271	909	32.34%	1,531	1,085	34.47%
Mass. College of Liberal Arts	1,786	1200	22.92%	2,066	1,493	23.58%	2,091	1,535	17.59%	2,013	1,552	21.07%
Mass. Maritime Academy	930	565	58.76%	809	498	64.46%	825	610	63.11%	825	664	60.54%
Salem	5,216	3,739	29.07%	5,198	3,668	31.32%	5,164	3,868	28.26%	6,139	4,517	25.35%
Westfield	5,145	3,853	33.40%	5,150	3,840	31.88%	5,140	4,092	31.57%	4,735	3,691	28.94%
Worcester	4,149	2,514	31.11%	4,158	2,549	31.15%	3,703	2,539	32.06%	3,876	2,735	28.92%
Total State Universities	33,766	23,362	30.91%	33,528	23,662	30.69%	32,849	24,664	29.68%	35,751	25,775	27.31%
Community Colleges	37,805	33,726	53.84%	39,617	34,841	55.32%	40,502	35,051	53.27%	40,599	35,318	49.26%
University of Massachusetts	61,329	40,549	22.69%	62,035	40,364	23.20%	67,057	41,585	22.59%	69,432	44,139	21.30%
Total	132,900	97,637	35.42%	135,180	98,867	36.77%	140,408	101,300	34.93%	145,782	105,232	32.15%

Source: Board of Higher Education

State University Faculty Levels

The following table sets forth for each State University the number of full-time faculty members for the fall semester of the academic years 2012-2013 through 2015-2016.

	Academic Year 2012-2013	Academic Year 2013-2014	Academic Year 2014-2015	Academic Year 2015-2016
Bridgewater	321	332	335	362
Fitchburg	184	193	204	204
Framingham	176	186	194	198
Mass. College of Art and Design	110	106	109	112
Mass. College of Liberal Arts	85	88	90	91
Mass. Maritime Academy	71	79	75	83
Salem	340	349	351	349
Westfield	223	230	235	230
Worcester	195	206	202	204
Total	1,705	1,769	1,795	1,833

Source: Integrated Postsecondary Education Data System

APPENDIX B

FINANCIAL STATEMENTS OF THE AUTHORITY

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

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

June 30, 2017 and 2016

COHN REZNICK
ACCOUNTING • TAX • ADVISORY

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

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Independent Auditor's Report

To the Board
Massachusetts State College Building Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Massachusetts State College Building Authority (the "Authority"), a component unit of the Commonwealth of Massachusetts, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension benefit schedules on pages 4 to 14 and 49 to 50, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Authority's basic financial statements. The statistical section contained on pages 52 to 56 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 12, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Cohn Reznick LLP

Boston, Massachusetts
October 12, 2017

Massachusetts State College Building Authority
(a component unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis
For the Years Ended June 30, 2017 and 2016
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, 2017 and 2016, 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, construct and oversee the management of residence halls, dining commons, parking, athletic, cultural, and other student life activities primarily for the use (i) of one or more state colleges, students, staff and their dependents; (ii) for lease to or use by an organization or association, in any form, of students or others the activities of which are a part of the activities at one or more state colleges; or (iii) for lease to or use by any other entity the activities of which further the purposes of one or more of the state colleges. Such facilities may be provided in collaboration with and for joint use by other agencies, boards, commissions, or authorities of the Commonwealth. The Act was amended in 2010 to change the definition of state college to "any of the public institutions of higher education in the state university segment or the community college segment". The state university segment of the public institutions of higher education includes the following institutions: Bridgewater, Fitchburg, Framingham, Salem, Westfield, and Worcester State Universities, Massachusetts College of Liberal Arts, Massachusetts College of Art and Design, and Massachusetts Maritime Academy. The community college segment includes the following institutions: Berkshire, Bristol, Bunker Hill, Cape Cod, Greenfield, Holyoke, Massachusetts Bay, Massasoit, Middlesex, Mount Wachusett, North Shore, Northern Essex, Quinsigamond, Roxbury, and Springfield Technical Community Colleges.

Pursuant to the Act and a Contract for Financial Assistance, Management and Services between the Commonwealth acting by and through the Board of Higher Education ("BHE") (the "Contract"), the Authority annually sets and assesses rents and fees sufficient to provide for the payment of all costs of its facilities, 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. As of June 30, 2017, approximately 16,800 students reside in the 55 residential complexes owned by the Authority. These facilities house over 40% of full-time undergraduate students and comprise about 4.5 million square feet of space on the nine state university campuses.

The state universities certify residence hall occupancy to the Authority and to the Commonwealth's Department of Higher Education on a semi-annual basis. For the academic years 2016/17 and 2015/16, the number of students housed in on-campus housing owned by the Authority was 95.8% and 97.6% of design occupancy, respectively.

The following table shows average annual residence hall occupancy every other year from the 2002/03 through 2016/17 academic years and the average number of design occupancy beds for those periods.

Residence Halls Occupancy Table

	Academic Years							
State University	**2002/03**	**2004/05**	**2006/07**	**2008/09**	**2010/11**	**2012/13**	**2014/15**	**2016/17**
Bridgewater	105.0%	105.0%	104.2%	104.5%	99.7%	98.9%	99.2%	96.4%
Fitchburg	95.0%	100.0%	101.7%	102.5%	103.8%	100.8%	103.1%	96.0%
Framingham	105.0%	100.0%	99.7%	101.0%	103.9%	100.3%	97.9%	93.8%
Mass. College of Art & Design	100.0%	99.0%	101.4%	99.8%	99.4%	99.3%	98.6%	99.2%
Mass. College of Liberal Arts	81.0%	88.0%	94.7%	87.9%	97.5%	91.1%	85.7%	77.4%
Mass. Maritime Academy	93.0%	96.0%	103.4%	94.3%	102.9%	107.9%	92.5%	104.6%
Salem	105.0%	100.0%	100.6%	104.2%	93.5%	106.7%	106.8%	96.3%
Westfield	109.0%	109.0%	108.3%	107.2%	104.3%	101.1%	98.3%	99.2%
Worcester	100.0%	96.0%	100.6%	102.0%	99.1%	101.9%	86.6%	92.3%
Average Occupancy	**101.0%**	**99.0%**	**102.5%**	**101.8%**	**100.6%**	**101.0%**	**97.5%**	**95.8%**
Design Occupancy	**10,585**	**11,141**	**12,255**	**12,968**	**14,138**	**15,290**	**16,458**	**16,857**

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

Economic Factors

The seasonally adjusted unemployment rate for the Commonwealth of Massachusetts from which the state colleges primarily draw students was 4.4% at June 30, 2017 compared to 4.2% at June 30, 2016 and 4.7% at June 30, 2015. This compares to a national rate of 4.4% in 2017, 4.9% in 2016 and 5.3% in 2015, according to the U.S. Bureau of Labor Statistics.

Historically, in times of economic uncertainty, the state colleges that the Authority serves experience 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 the current economic environment.

In the last several fiscal years, the Authority issued bonds during periods of historically low rates to generate new money for construction projects and to refund certain bonds to achieve interest cost savings. The Authority strives to offer affordable residence options for students. Student rent for academic year 2016/17 and 2015/16 on Authority residence facilities compared favorably to both regional private and other public institutions. In the fall of 2016, Authority rents were the fifth lowest compared among 40 private regional institutions and third lowest when compared among seven regional public institutions.

Financial Statements

The Authority's financial statements (pages 15 - 20 of this report) have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB").

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

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

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

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

Financial Highlights

- Total assets of the Authority were $1.31 billion at June 30, 2017, down slightly from $1.33 billion at June 30, 2016, primarily due to a decrease in cash and investments and in accounts receivable reflecting construction projects on the college-owned student activity facilities.

- For the year ended June 30, 2017, net capital assets declined by $9.1 million, or 1.0% due primarily to depreciation outpacing construction projects on Authority-owned facilities. Details of capital assets are provided on page 12.

- Fiscal year 2017 operating revenues increased $9.4 million or 12.2% from fiscal year 2016 due to increased assessment revenues used to fund debt obligations, Authority operations, and deposits to capital reserves.

- In January 2017, the Authority issued two series of bonds. The first was $20.59 million Series 2017A with a true interest cost of 3.06%. The proceeds of Series 2017A provided funds for acquisition of a residence hall and improvements to an athletic facility at Fitchburg State, and renewal and adaption projects for various residence halls at Bridgewater State, Fitchburg State, and Massachusetts College of Liberal Arts. The second issue was $3.055 million Community College Program Series 2 with a true interest cost of 2.75%. The proceeds of Series 2 provided funds for improvements to the student center at Mount Wachusett Community College.

Financial Analysis

Statements of Net Position (Deficiency in Net Position)

The Authority's net position reflects its investment in capital assets (such as land, buildings, furniture and equipment) less accumulated depreciation and related outstanding debt used to acquire those assets. These assets provide on-going services to the state colleges 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.

Summary - Statements of Net Position at June 30, 2017, 2016 and 2015

	June 30,		
	2017	2016	2015
Current assets	$ 76,048,069	$ 82,104,520	$ 158,099,142
Capital assets, net	932,977,708	942,065,389	897,680,190
Other noncurrent assets	302,662,846	308,663,522	324,224,428
Total assets	1,311,688,623	1,332,833,431	1,380,003,760
Deferred outflows of resources	41,831,016	44,825,869	27,865,455
Current liabilities	77,073,715	72,499,240	94,516,484
Noncurrent liabilities	1,310,945,989	1,332,697,067	1,341,892,109
Total liabilities	1,388,019,704	1,405,196,307	1,436,408,593
Deferred inflows of resources	251,890	156,831	465,724
Net position:			
Net investment in capital assets	(24,814,101)	(26,840,022)	(12,717,572)
Restricted		1,365	905,721
Unrestricted	(9,937,854)	(855,181)	(17,193,251)
Deficiency in net position	$ (34,751,955)	$ (27,693,838)	$ (29,005,102)

- Total assets at June 30, 2017 decreased by1.6% when compared to total assets at June 30, 2016. This primarily reflects a slight decline in net capital assets and a reduction of cash and equivalents of $6.2 million, or 7.5%, reflecting spending of bond proceeds for capital projects.

- Total assets at June 30, 2016 decreased by 3.4% when compared to total assets at June 30, 2015. This primarily reflects additions to capital assets offset by a decrease in receivables for college-owned portions of the Series 2015A Bond issue. Cash and cash equivalents decreased by $76 million reflecting significant spending of bond proceeds for capital projects.

- Reserves for capital improvements, multi-purpose and operating purposes as of June 30, 2017 were $26.5 million compared to $22.3 million as of June 30, 2016. Debt service reserve funds totaled $87.5 million as of June 30, 2017 compared to $90.6 million as of June 30, 2016.

- Reserves for capital improvements, multi-purpose and operating purposes as of June 30, 2016 were $22.3 million compared to $25.3 million as of June 30, 2015. Debt service reserve funds

totaled $90.6 million as of June 30, 2016 compared to $96.6 million as of June 30, 2015. This reduction is attributable to the use of debt service reserve funds in excess of the required level of reserves being applied as a source of funds to the Refunding Bond Series 2016A.

- Capital assets are discussed on page 12.

- Total liabilities at June 30, 2017 decreased 1.2% due to a $7.4 million decrease in accounts payable and $16 million net reduction in bonds payable offset by a $5.5 million increase in interagency payables.

- Total liabilities at June 30, 2016 decreased 2.2% due to a reduction in accounts payable, interagency payables and bonds payable offset by a $1.4 million increase in net pension liability over fiscal year 2015.

- Beginning with fiscal year 2015, the Authority implemented GASB 68 which requires the Authority to report the net pension liability which is the difference between the total pension liability and the value of the assets available in the pension plan's trust to pay pension benefits. The Commonwealth calculated the Authority's proportional share of the Commonwealth's net pension liability in fiscal year 2017 to be $3.6 million compared to $3.3 million in fiscal year 2016. The Authority invests its retirement trust fund with the Commonwealth's Pension Reserve Investment Trust. This investment was valued at $4.7 million as of June 30, 2017 and is more than adequate to fund the Authority's net pension liability of $3.6 million.

- University-owned student activity facilities are not carried as capital assets of the Authority. Project funds associated with university-owned assets are carried as interagency payable liabilities of the Authority. Debt associated with university-owned facilities is carried as receivables due from the college. Interest payments received from the colleges are recognized as investment income by the Authority.

- Debt administration is discussed on pages 13.

- A deficiency in total net position exists primarily due to depreciation and interest expenses exceeding operating and non-operating revenues over a period of time. The deficiency in net position at June 30, 2017 increased by $7.1 million compared to the net position at June 30, 2016. This increase is due to increases to assessment revenues offset by an increase in depreciation and interest expense and a decrease in net transfers from colleges. The net position at June 30, 2016 increased by $1.3 million compared to the net position at June 30, 2015. This increase was due to increases to assessment revenues, net investment income and net transfers from state colleges offset by an increase in depreciation, insurance premiums and bond issuance costs. The net position as of June 30, 2017 and 2016, excluding depreciation, was $8.6 million and $14.1 million, respectively.

Statements of Revenues, Expenses and Changes in Net Position

Authority revenue is primarily derived from assessments of state college residence hall rents and student activity fees pursuant to the Contract, in which the BHE commits the state colleges to meet the statutory and financial obligations related to the projects. 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.

Summary - Statements of Revenues, Expenses and Changes in Net Position

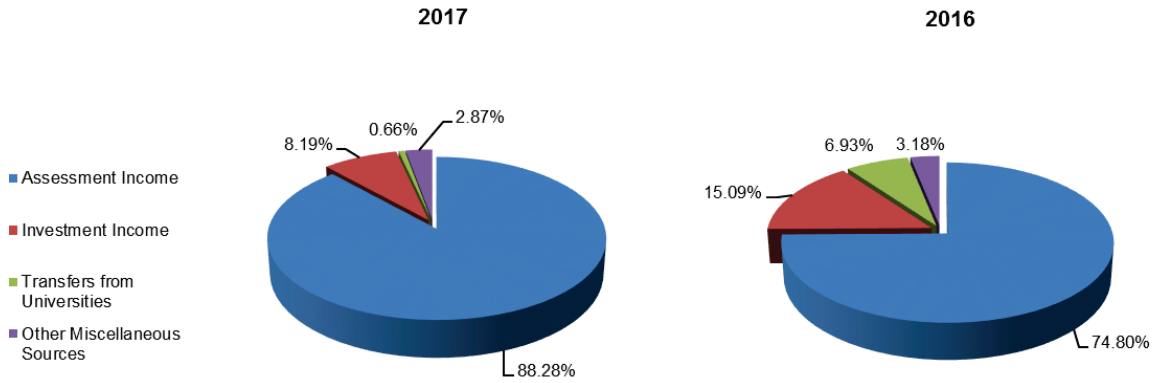
	Fiscal year ended June 30		
	2017	2016	2015
Total operating revenues	$ 86,522,984	$ 77,130,457	$ 74,813,069
Total operating expenses	47,080,270	45,145,972	42,435,206
Operating income	39,442,714	31,984,485	32,377,863
Nonoperating expenses, net	(46,500,831)	(30,673,221)	(37,238,200)
Increase (decrease) in net position	(7,058,117)	1,311,264	(4,860,337)
Net position - beginning of the year	(27,693,838)	(29,005,102)	(24,144,765)
Net position - end of the year	$ (34,751,955)	$ (27,693,838)	$ (29,005,102)

- Operating revenues grew 12.1% to $86.5 million for the year ended June 30, 2017 from $77.1 million for the year ended June 30, 2016 due to a $9.8 million increase in assessment revenues.

- Operating revenues grew to $77.1 million for the year ended June 30, 2016 from $74.8 million for the year ended June 30, 2015 due primarily to an increase in assessment revenues.

- Other revenue sources include investment income on project funds and reserves, transfers from state colleges in support of capital projects, and interest subsidy from the U.S. Treasury relating to the Authority's outstanding Build America Bonds. The $15.8 million increase in nonoperating expenses in fiscal 2017 is due to a decrease in net investment income and transfers from state colleges and an increase in interest expense. The 18% decrease in nonoperating expenses in fiscal year 2016 is due to the $4.7 million increase in net investment income and transfers from state colleges offset slightly by an increase in interest costs and bond issuance costs. The charts below compare total revenue for fiscal year 2017 with fiscal year 2016.

Summary - Total Revenue Fiscal Years 2017 and 2016



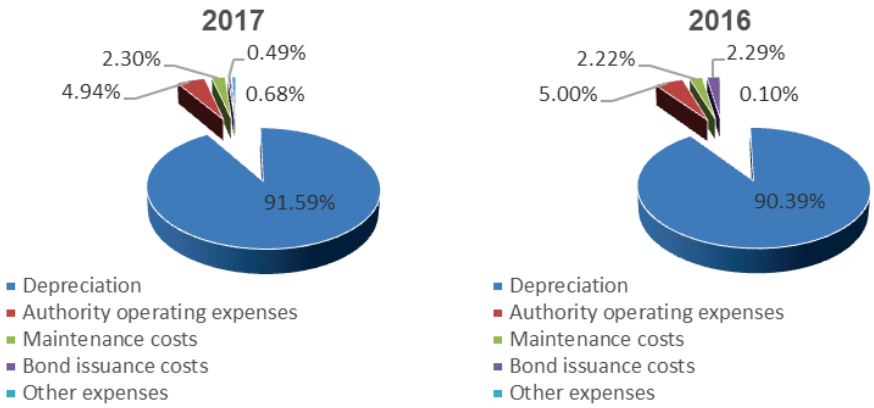
- Operating expenses include depreciation, insurance premium costs and operating expenses associated with Authority operations. In fiscal year 2017, depreciation expense was $43.3 million compared to $41.8 million in fiscal year 2016. The $1.6 million increase in depreciation expense is due to the additional depreciable assets brought into use in fiscal year 2017.

- In fiscal year 2016, depreciation expense was $41.8 million as compared to $38.9 million in fiscal year 2015. The $2.9 million increase in depreciation expense is due to the additional depreciable assets brought into use in fiscal year 2016, including major improvement and renewal and adaption at several campuses.

- The primary components of net nonoperating 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 5.1% or $2.8 million in fiscal year 2017 due to increased interest costs associated with outstanding bonds. Net investment income decreased by $7.4 million in fiscal year 2017. Interest expense increased by 0.9% in fiscal year 2016 due primarily to increased interest costs associated with the Series 2014B and 2014C Bonds. Net investment income increased to $15.3 million in fiscal year 2016 from $10.7 million in fiscal year 2015 due to the transfer of certain reserves held in cash to investment vehicles.

The charts below compare total expenses, excluding interest expense, for fiscal year 2017 with fiscal year 2016.

Summary - Total Expenses (excluding Interest Expense) Fiscal Years 2017 and 2016



Statements of Cash Flows

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

Summary - Statements of Cash Flows

	Fiscal year ended June 30		
	2017	2016	2015
Cash received from operations	$ 86,522,984	$ 77,130,457	$ 74,813,069
Cash expended for operations	(2,452,320)	(3,253,757)	(3,512,151)
Net cash provided by operations	84,070,664	73,876,700	71,300,918
Net cash provided by (used in) capital and related financing activities	(93,698,968)	(165,228,405)	(89,881,844)
Net cash provided by (used in) investing activities	3,448,845	14,922,753	77,525,095
Net increase (decrease) in cash and cash equivalents	(6,179,459)	(76,428,952)	58,944,169
Cash and cash equivalents, beginning of year	82,737,828	159,166,780	100,222,611
Cash and cash equivalents, end of year	$ 76,558,369	$ 82,737,828	$ 159,166,780

- Cash and cash equivalents were $76.6 million at June 30, 2017 compared to $82.7 million at June 30, 2016. The $6.2 million decrease is due primarily to project fund spending from outstanding bonds offset by the receipt of $21 million in proceeds from the Series 2017A Bonds.

- Cash and cash equivalents were $82.7 million at June 30, 2016 compared to $159.2 million at June 30, 2015. This $76.4 million decrease is due primarily to project fund spending from the Series 2014A, 2014B and 2014C Bonds offset slightly by the receipt of $11.5 million in proceeds from the Series 2015A Bonds.

- Cash provided by operations exceeded the cash expended for operations in fiscal year 2017 by $84.1 million compared to $73.9 million. The $9.8 million increase in cash received from contract payments was primarily a result of increased assessments for debt service.

- Net cash provided by operations exceeded the cash expended for operations in fiscal year 2016 by $73.9 million. The $2.3 million increase in cash received from assessments was a result of increased assessments for debt service and slightly lower operating expenses. Net cash provided by operations exceed the cash expended for operations in fiscal year 2015. The $6.4 million increase in cash received from assessments was a result of higher residence hall revenue and was offset by increased operating and other expenses.

- In fiscal year 2017, net cash used in capital and related financing activities was $93.7 million compared to $165.2 million in fiscal year 2016. The change between fiscal years is primarily attributable to a year over year reduction in project spending for both residence halls and student activity projects.

- In fiscal year 2016, net cash used in capital and related financing activities was $165.2 million compared to $89.9 million in fiscal year 2015. The change between years is primarily attributable to a $67 million increase in proceeds from bond issuance and a slight increase in transfers from state colleges. These were offset by the $211 million transfer from the escrow relating to the Refunding Bonds Series 2016A, and increases to principal and interest paid.

- Net cash provided by investing activities was $3.5 million in fiscal year 2017 compared to $14.9 million in fiscal year 2016. The $11.4 million reduction in net cash is due to the $13.8 million reduction in sale of investments offset by a $2.5 million decrease in the purchase of investments.

- Net cash provided by investing activities was $14.9 million in fiscal year 2016 compared to $77.5 million in fiscal year 2015. The $62.6 million reduction in net cash is due to the $53.4 million reduction in sale of investments offset by a $9.3 million increase in the purchase of investments.

Capital Assets

The Authority's investment in capital assets as of June 30, 2017 was $933 million, net of accumulated depreciation, compared to $942.1 million as of June 30, 2016 and $897.7 as of June 30, 2015. Capital assets include land, buildings and improvements thereon, furnishings and equipment. Capital assets comprised approximately 71% of total assets at June 30, 2017 and June 30, 2016 and 65% at June 30, 2015. During the years ended June 30, 2017 and 2016, the Authority had additions to capital assets of $34.2 million and $86.1 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 $11 million at June 30, 2017 compared to $16.7 million at June 30, 2016. The decrease in construction in progress was due to a reduced number and size of projects underway and undertaken in fiscal year 2017 in addition to an additional $17.8 million of assets being capitalized at June 30, 2017.

- The buildings and improvements balance was $1.28 billion at June 30, 2017 compared to $1.25 billion at June 30, 2016 and $1.16 billion at June 30, 2015.

- The furnishings and equipment balance was $57.8 million at June 30, 2017 compared to $55.3 million at June 30, 2016 and $53 million at June 30, 2015. The $2.5 million increase in furnishings and equipment in fiscal year 2017 was attributable to purchases across the state colleges.

- Land was $19.2 million at June 30, 2017, $11.6 million at June 30, 2016 and $6.6 million at June 30, 2015. The $7.6 million increase in land in fiscal year 2017 was attributable to the acquisition of Simonds Hall on behalf of Fitchburg State. The increase in land in fiscal year 2016 was attributable to the purchase of parcels in Framingham and Bourne on behalf of Framingham State University and Massachusetts Maritime Academy, respectively.

- 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, 2017 and 2016, respectively, such commitments were approximately $17.3 million and $27.5 million.

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

Debt Administration

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

As of June 30, 2017, the Authority had $1.23 billion in principal amount of bonds outstanding compared to $1.24 billion and $1.3 billion at June 30, 2016 and 2015, respectively. The outstanding bond obligations carried unamortized premium balances of $113.9 million, $117.7 million and $93.2 million, respectively, as of June 30, 2017, 2016 and 2015. The $12 million decrease in bonds outstanding in fiscal year 2017 is attributable to the issuance of $20.59 million in Series 2017A and $3.055 million in Community College Program Series 2 and offset by $35.6 million in principal payments made during the fiscal year. All the outstanding bonds carry fixed interest rates payable semi-annually on May and November 1st. For all state university program bonds, principal is payable annually on May 1st, with a

final maturity of 2049. Principal is payable semi-annually on May 1 and November 1 for the Community College Bonds, Series 2 issued in 2017 and Series 1, which was issued in fiscal year 2014. 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 was to receive a 35% interest rate subsidy directly from the U.S. Treasury. In fiscal years 2017, 2016 and 2015, a portion of the Authority's interest rate subsidy was reduced by approximately 6.9%, 6.8% and 7.3%, respectively, due to the federal government budgetary sequestration. The balance of the Authority's outstanding bonds is tax-exempt. The Authority has no Commonwealth-guaranteed debt outstanding and no authorization to issue any.

The Authority's state university program bonds are rated Aa2 by Moody's and AA- by S&P Global. On June 17, 2017, S&P Global lowered the Authority's credit rating from AA, mirroring its one notch lowering of the Commonwealth of Massachusetts rating from AA+ to AA. The Community College Program, Series 1 and Series 2 bonds are not rated.

Requests for Information

The Authority's financial statements are designed to present readers with a general overview of the Authority's finances. Additional financial information, including official statements relating to the Authority's bonds, can be found on the Authority's website www.mscba.org. Questions concerning the financial statements or requests for additional financial information should be addressed to the Executive Director, Massachusetts State College Building Authority, 253 Summer Street, Suite 300, Boston, Massachusetts 02210.

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

Statements of Net Position (Deficiency in Net Position)
June 30, 2017 and 2016

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 35,791,525	$ 36,205,338
Restricted cash and cash equivalents	28,491,038	34,334,373
Accounts receivable, net	11,698,026	10,693,091
Prepaid expenses	67,480	871,718
Total current assets	76,048,069	82,104,520
Noncurrent assets		
Restricted cash and cash equivalents	12,275,806	12,198,117
Restricted investments, including amounts held by trustee	80,082,527	82,921,885
Accounts receivable, net	210,304,513	213,543,520
Capital assets, net	932,977,708	942,065,389
Total noncurrent assets	1,235,640,554	1,250,728,911
Total assets	1,311,688,623	1,332,833,431
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows for pensions	1,017,026	894,266
Deferred losses on refunding of debt	40,813,990	43,931,603
Total deferred outflows of resources	41,831,016	44,825,869

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

Statements of Net Position (Deficiency in Net Position)
June 30, 2017 and 2016

	2017	2016
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 14,023,997	$ 21,399,240
Accrued payroll	220,676	93,820
Interagency payables	15,560,182	10,034,329
Compensated absences	115,664	108,682
Current portion of bonds payable	47,153,196	40,863,169
Total current liabilities	77,073,715	72,499,240
Noncurrent liabilities		
Compensated absences	144,281	125,883
Interagency payables	9,812,750	9,656,401
Bonds payable, net of current portion	1,297,376,297	1,319,628,052
Net pension liability	3,612,661	3,286,731
Total noncurrent liabilities	1,310,945,989	1,332,697,067
Total liabilities	1,388,019,704	1,405,196,307
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows for pensions	251,890	156,831
Total deferred inflows of resources	251,890	156,831
NET POSITION (DEFICIENCY IN NET POSITION)		
Net investment in capital assets	(24,814,101)	(26,837,719)
Unrestricted	(9,937,854)	(856,119)
Total net position (deficiency in net position)	$ (34,751,955)	$ (27,693,838)

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, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Income from contracts for financial assistance, management, and services	$ 85,979,296	$ 76,187,363
Other miscellaneous revenues	543,688	943,094
Total operating revenues	86,522,984	77,130,457
OPERATING EXPENSES		
Insurance costs	1,086,763	1,024,658
Authority operating expenses	2,338,033	2,312,194
Depreciation	43,333,694	41,762,241
Other expenses	321,780	46,879
Total operating expenses	47,080,270	45,145,972
Operating income	39,442,714	31,984,485
NONOPERATING REVENUES (EXPENSES)		
Net investment income	7,981,303	15,374,812
Interest expense	(57,143,097)	(54,345,047)
Bond issuance costs	(230,315)	(1,058,566)
Net transfers to/from State Universities	640,357	7,056,055
Build America Bonds interest subsidy	2,201,230	2,200,443
Miscellaneous nonoperating revenue	49,691	99,082
Net nonoperating revenues (expenses)	(46,500,831)	(30,673,221)
INCREASE (DECREASE) IN NET POSITION	(7,058,117)	1,311,264
NET POSITION (DEFICIENCY IN NET POSITION), BEGINNING OF YEAR	(27,693,838)	(29,005,102)
NET POSITION (DEFICIENCY IN NET POSITION), END OF YEAR	$ (34,751,955)	$ (27,693,838)

See Notes to Financial Statements.

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

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contracts for financial assistance, management, and services	$ 85,979,296	$ 76,187,363
Other miscellaneous receipts	543,688	943,094
Payments for insurance costs	(242,972)	(1,214,503)
Payments for operating expenses	(965,017)	(1,160,452)
Payments to employees	(922,551)	(831,923)
Payments for other expenses	(321,780)	(46,879)
Net cash provided by (used in) operating activities	84,070,664	73,876,700
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from bond issuance	24,927,946	227,033,367
Cash paid to bond trustee related to advanced refunding	-	(211,084,156)
Build America Bonds interest subsidy	2,199,262	2,200,443
Payments of bond issuance costs	(230,315)	(1,058,566)
Payments for capital assets	(38,988,992)	(87,674,862)
Miscellaneous receipts	49,691	99,082
Collections of debt service receivables	16,829,273	17,097,555
Transfer of funds from State Universities	640,357	7,056,055
Repayment of interagency loan payable	-	(1,200,000)
Payments from funds held for others	(7,141,441)	(22,365,548)
Funds received and held for others	5,020,571	3,945,698
Principal paid on capital debt	(35,803,682)	(36,461,773)
Interest paid on capital debt	(61,201,638)	(62,815,700)
Net cash provided by (used in) capital and related financing activities	(93,698,968)	(165,228,405)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	48,388,845	62,180,174
Purchases of investments	(48,550,995)	(51,071,603)
Interest on investments	3,610,995	3,814,182
Net cash provided by (used in) investing activities	3,448,845	14,922,753
Net increase (decrease) in cash and cash equivalents	(6,179,459)	(76,428,952)
Cash and cash equivalents, beginning of year	82,737,828	159,166,780
Cash and cash equivalents, end of year	$ 76,558,369	$ 82,737,828

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

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income	$ 39,442,714	$ 31,984,485
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	43,333,694	41,762,241
Change in net pension liability	298,229	226,408
Changes in assets and liabilities		
Prepaid expenses	804,238	(186,094)
Accounts payable and accrued liabilities	39,553	(3,751)
Accrued payroll and compensated absences	152,236	93,411
Net cash provided by (used in) operating activities	$ 84,070,664	$ 73,876,700

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

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

Supplemental cash flows information
Schedule of noncash investing, capital and financing activities

2017	
Acquisition of capital assets	$ 34,246,013
Accounts payable thereon:	
Beginning of year	9,001,509
End of year	(4,258,530)
Net interest incurred and earned, capitalized in construction in progress	-
Payments for capital assets	$ 38,988,992
Accounts receivable and Interagency payables related to State College capital projects on State College owned property	$ 7,221,418
Unearned interest income on accounts receivable related to State College capital projects on State College owned property	$ 3,040,517
Contractor accounts payable related to State College capital projects on State College owned property	$ 138,728
Unrealized gain (loss) on investment securities	$ (3,001,507)
2016	
Acquisition of capital assets	$ 86,147,440
Accounts payable thereon:	
Beginning of year	12,610,725
End of year	(9,001,509)
Net interest incurred and earned, capitalized in construction in progress	(2,081,794)
Payments for capital assets	$ 87,674,862
Accounts receivable and Interagency payables related to State College capital projects on State College owned property	$ 1,238,081
Unearned interest income on accounts receivable related to State College capital projects on State College owned property	$ 459,407
Contractor accounts payable related to State College capital projects on State College owned property	$ 720,382
Unrealized gain (loss) on investment securities	$ 4,156,495

See Notes to Financial Statements.

Note 1 - Summary of significant accounting policies

Organization

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

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

Basis of presentation

The accompanying financial statements have been prepared using the "economic resources measurement focus" and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board ("GASB"). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

- **Restricted:**

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

  Expendable - Net position which use is subject to externally imposed conditions that can be fulfilled by the actions of the Authority pursuant to those conditions or that expire by the passage of time.

- **Unrestricted:** All other categories of net position. Unrestricted net position may be designated for specific purposes by action of the Authority's Board.

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

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

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

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

Investments
Investments in marketable securities are stated at fair value. Realized and unrealized gains and losses are included in nonoperating revenues. Gains and losses on the disposition of investments are determined based on specific identification of securities sold or the average cost method. Investment income is recognized when earned and is generally credited to the trust fund holding the related assets. There were no significant realized gains or losses on investments during the years ended June 30, 2017 and 2016.

The Authority has no donor-restricted endowments.

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

Accounts receivable
Accounts receivable are stated at the total amount of the future minimum payments to be received less unearned interest income. Interest income is recognized using the effective interest method. No allowance for doubtful accounts has been made as of June 30, 2017 and 2016, as management considers all amounts fully collectible.

Capital assets
The accompanying financial statements include the transactions of all of the Authority-owned capital assets, which include residence halls for approximately 16,800 students in 2017 and 16,800 students in 2016, some with dining facilities as well as some with student activity facilities and land, at the State Universities.

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

Real estate assets, including improvements, are generally stated at cost. Furnishings and equipment are stated at cost at date of acquisition. In accordance with the Authority's capitalization policy, only those items with a total project cost of more than $50,000, and all furniture, fixtures and equipment, are capitalized. Interest costs on debt related to capital assets 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. During fiscal 2017 and 2016, the Authority incurred $230,315 and $1,058,566, respectively, of bond issuance costs.

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

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

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

Interest expense and capitalization
The Authority may capitalize interest costs incurred during the construction period of qualifying property assets. The amount of interest costs capitalized on qualifying assets acquired with proceeds of tax-exempt borrowings consists of all interest costs of the borrowing less any interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowings from the date of the borrowing until the assets are ready for their intended use. Bond premiums are amortized to interest expense on a straight-line basis over the terms of the related bonds. Deferred losses on bond refundings are amortized to interest expense principally on the effective interest method over the terms of the old trust or new trust agreements, whichever is shorter. During fiscal 2017 and 2016, total interest costs were accounted for as follows:

	2017	2016
Total interest incurred	$ 59,111,476	$ 62,083,263
Amortization of bond premium	(5,085,992)	(7,621,910)
Amortization of deferred loss	3,117,613	2,060,233
Less: capitalized portion of interest incurred	-	(2,176,539)
Interest expense	$ 57,143,097	$ 54,345,047
Capitalized portion of interest incurred	$ -	$ 2,176,539
Less: interest income on unused funds from tax-exempt borrowings	-	(94,745)
Net capitalized interest	$ -	$ 2,081,794

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

Reclassifications
Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation.

Note 2 - Cash and cash equivalents, and investments

Credit risk

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

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

Custodial credit risk

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

The Authority has two primary commercial banking relationships: Citizens Bank, N.A. ("Citizens") is the Authority's primary depository bank, U.S. Bank National Association ("U.S. Bank") is the Authority's trustee bank and holds all bond and related funds pursuant to the Trust Agreement. The Authority is party to a third party custodian agreement in which Citizens provides the Authority with collateral equal to the Authority's uninsured deposits and the custodian provides safekeeping services and holds the collateral on behalf of and for the benefit of the Authority. Pursuant to the agreement, eligible collateral is limited to only those obligations which are guaranteed as to the payment of principal and interest by the United States of America. All of the Authority's bank balances held by Citizens of $34,620,246 and $34,909,552 as of June 30, 2017 and 2016, respectively, were secured and fully collateralized pursuant to this agreement.

The Authority does not have a formal deposit policy for custodial credit risk with U.S. Bank. As of June 30, 2017 and 2016, the fair market value of the Authority's cash equivalent balances with U.S. Bank of $40,477,349 and $46,900,798, respectively, were exposed to custodial credit risk because they were uninsured and uncollateralized. These funds were invested in Fidelity Institutional Money Market Government Fund 57 (the "Fund 57") and the Massachusetts Municipal Depository Trust ("MMDT"). Fund 57 invests primarily in U.S. government securities, repurchase agreements, and may invest in reverse repurchase agreements guaranteed by U.S. Treasury obligations. MMDT invests primarily in U.S. Government securities, bank obligations, commercial paper and municipal securities. Both the Fund 57 and MMDT seek to preserve the investment value of $1 per share and the investment securities maintain a weighted average maturity of 60 days or less. The funds were not rated for average credit quality at June 30, 2017 and June 30, 2016.

As of June 30, 2017 and 2016, the fair value of the Authority's deposits held at the MMDT was $1,504,416 and $1,491,546, respectively. At June 30, 2017 and 2016, the approximate percentage of the Authority's deposits held at the MMDT and the respective investment maturities in days were as follows: 58% and 54% at 30 days or less; 25% and 29% at 31-90 days; 14% and 11% at 91-180 days; and 3% and 6% at 181 days or more, respectively. At June 30, 2017 and 2016, the MMDT's cash portfolio had a credit quality rating of either P1 or P2.

In addition to the commercial banking relationships, the Authority invests its retirement trust fund (Note 12) with the Massachusetts Pension Reserve Investment Trust ("PRIT"). PRIT consists of two investment funds, the Capital Fund and the Cash Fund. Each of these funds is managed, accounted for, and held separately by PRIT's custodian bank, Bank of New York ("BNY") Mellon. The Cash Fund consists of short-term investments, which are used to meet liquidity requirements. All Cash Fund earnings are reinvested. The Cash Fund maintains a stable net asset value of $1.00 per unit. The Capital Fund is invested in the General Allocation Account, which invests in all asset classes of PRIT in accordance with its asset allocation plan and investment policy guidelines. The Capital Fund serves as the investment portfolio of PRIT and consists of the following investments at June 30, 2017 and 2016: General Allocation (holds units of other accounts), Domestic Equity, Core Fixed Income, Value-Added Fixed Income, International Equity, Emerging Markets, Real Estate, Timberland, Timber/Natural Resources, Hedge Funds and Private Equity Investments. The funds held in the amount of $4,669,011 and $4,245,790 as of June 30, 2017 and 2016, respectively, with PRIT are intended to be used to fund the net pension liability. These funds were not rated for average credit quality at June 30, 2017 and 2016.

The Authority's investments are held at U.S. Bank, Citizens and PRIT and are represented by the following at June 30, 2017 and 2016:

	2017		2016	
	Cost	Fair value	Cost	Fair value
U.S. Government Agencies	$ 34,503,016	$ 35,231,646	$ 44,320,573	$ 46,018,901
State taxable bonds	17,475,000	21,651,292	17,475,000	23,152,004
U.S. Treasuries	16,639,224	18,530,578	6,821,484	9,505,190
Mutual funds	4,466,441	4,669,011	4,304,144	4,245,790
	$ 73,083,681	$ 80,082,527	$ 72,921,201	$ 82,921,885

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

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

At June 30, 2017, the Authority's investments in debt securities by contractual maturities and credit quality ratings, based on Moody's Investors Service, Inc., are as follows:

		Investment Maturities (in years)				
Investment type	Fair market value	Less than 1	1-5	6-10	Greater than 10	Credit rating
Fannie Mae Corporation ("FNMA") discount notes	$ 7,574,633	$ 7,574,633	$ -	$ -	$ -	Aaa
Strip Coupon Bonds - U.S. Govt. Issues	2,799,543	-	2,799,543	-	-	Aaa
Federal Home Loan Mortgage Corp. MTN ("FHLMCMTN") U.S. Govt. Issues	17,081,041	7,042,447	10,038,594	-	-	Aaa
Federal Farm Credit Banks ("FFCB") U.S. Govt. Issues	7,776,429	-	7,776,429	-	-	Aaa
Various Massachusetts ST Bonds	21,651,292	1,371,744		-	20,279,548	Aaa - Aa2
U.S. Government Securities - Treasury Notes	18,530,578	10,010,654	-	-	8,519,924	Aaa
Total	$ 75,413,516	$ 25,999,478	$ 20,614,566	$ -	$ 28,799,472	

At June 30, 2016, the Authority's investments in debt securities by contractual maturities and credit quality ratings, based on Moody's Investors Service, Inc., are as follows:

		Investment maturities (in years)				
Investment Type	Fair market value	Less Than 1	1-5	6-10	Greater than 10	Credit rating
Fannie Mae Corporation ("FNMA") discount notes	$ 24,675,168	$ 24,675,168	$ -	$ -	$ -	Aaa
Strip Coupon Bonds - U.S. Govt. Issues	2,824,298	-	2,824,298	-	-	Aaa
Federal Home Loan Mortgage Corp. MTN ("FHLMCMTN") U.S. Govt. Issues	10,424,039	-	10,424,039	-	-	Aaa
Federal Farm Credit Banks ("FFCB") U.S. Govt. Issues	8,095,396	-	8,095,396	-	-	Aaa
Various Massachusetts ST Bonds	23,152,004	-	1,423,264	-	21,728,740	Aaa - Aa1
U.S. Government Securities - Treasury Notes	9,505,190	-	-	-	9,505,190	Aaa
Total	$ 78,676,095	$ 24,675,168	$ 22,766,997	$ -	$ 31,233,930	

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

The following Authority investments at June 30, 2017 and 2016 are held by US Bank as custodian and, therefore, are subject to custodial credit risk as follows:

	2017	2016
U.S. Government Agencies	$ 35,231,646	$ 46,018,901
State taxable bonds	21,651,292	23,152,004
U.S. Treasuries	18,530,578	9,505,190
	75,413,516	78,676,095
Less insured amounts	(500,000)	(500,000)
	$ 74,913,516	$ 78,176,095

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

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

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

Level 3 - Unobservable inputs for an asset or liability.

The Authority's investments at fair value measurement are as follows at June 30, 2017:

Investment Assets:	Level 1	Level 2	Level 3	Total
U.S. Government Agencies	$ 35,231,646	$ -	$ -	$ 35,231,646
State taxable bonds	21,651,292	-	-	21,651,292
U.S. Treasuries	18,530,578	-	-	18,530,578
Mutual funds	-	4,669,011	-	4,669,011
Total investment assets	$ 75,413,516	$ 4,669,011	$ -	$ 80,082,527

The Authority's investments at fair value measurement are as follows at June 30, 2016:

Investment Assets:	Level 1	Level 2	Level 3	Total
U.S. Government Agencies	$ 46,018,901	$ -	$ -	$ 46,018,901
State taxable bonds	23,152,004	-	-	23,152,004
U.S. Treasuries	9,505,190	-	-	9,505,190
Mutual funds	-	4,245,790	-	4,245,790
Total investment assets	$ 78,676,095	$ 4,245,790	$ -	$ 82,921,885

Note 3 - Accounts receivable

Accounts receivable include the following at June 30, 2017 and 2016:

	2017	2016
Debt service receivables	$ 221,078,019	$ 223,160,130
Interest receivable on investments	549,534	706,054
Other miscellaneous receivables	8,245	5,654
Build America Bonds interest subsidy receivable	366,741	364,773
	$ 222,002,539	$ 224,236,611

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

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

During fiscal 2017, accounts receivable, net of unearned interest income, totaling $8,132,639 were added in connection with projects at two state universities and a project at one community college. During fiscal 2016, accounts receivable, net of unearned interest income, totaling $1,238,081 were recorded in connection with a project at one state university. A corresponding Interagency payable was also recorded by the Authority in both years as discussed further in Note 6.

The components of the Authority's debt service receivables in these State College-owned projects as of June 30, 2017 and 2016 are as follows:

	2017	2016
Total payments to be received	$ 294,461,597	$ 301,031,526
Less: Unearned income	(73,383,578)	(77,871,396)
Net debt service receivables in State College-owned projects	$ 221,078,019	$ 223,160,130

The following table sets forth the total payments to be received under these agreements as of June 30, 2017:

Year ending June 30:	
2018	$ 18,259,903
2019	18,264,769
2020	18,316,786
2021	18,284,192
2022	18,291,258
2023-2027	93,014,653
2028-2032	76,211,190
2033-2037	24,026,617
2038-2042	7,926,879
2043-2047	1,797,447
2048	67,903
Total	$ 294,461,597

Note 4 - Capital assets

Capital assets activity for the year ended June 30, 2017 are as follows:

	2017			
	Totals June 30, 2016	Additions	Reclassifications and reductions	Totals June 30, 2017
Land	$ 11,620,704	$ 7,597,459	$ -	$ 19,218,163
Construction in progress	16,714,164	12,088,698	(17,842,958)	10,959,904
Total not being depreciated	28,334,868	19,686,157	(17,842,958)	30,178,067
Buildings and improvements	1,252,022,265	12,082,242	17,842,958	1,281,947,465
Furnishings and equipment	55,313,589	2,477,614	-	57,791,203
Total depreciable assets	1,307,335,854	14,559,856	17,842,958	1,339,738,668
Total capital assets	1,335,670,722	34,246,013	-	1,369,916,735
Less accumulated depreciation:				
Buildings and improvements	(366,559,058)	(40,192,576)	-	(406,751,634)
Furnishings and equipment	(27,046,275)	(3,141,118)	-	(30,187,393)
Total accumulated depreciation	(393,605,333)	(43,333,694)	-	(436,939,027)
Capital assets, net	$ 942,065,389	$ (9,087,681)	$ -	$ 932,977,708

Capital assets activity for the year ended June 30, 2016 are as follows:

	2016			
	Totals June 30, 2015	Additions	Reclassifications and reductions	Totals June 30, 2016
Land	$ 6,551,535	$ 5,069,169	$ -	$ 11,620,704
Construction in progress	26,217,454	64,541,695	(74,044,985)	16,714,164
Total not being depreciated	32,768,989	69,610,864	(74,044,985)	28,334,868
Buildings and improvements	1,163,795,689	14,181,591	74,044,985	1,252,022,265
Furnishings and equipment	52,958,604	2,354,985	-	55,313,589
Total depreciable assets	1,216,754,293	16,536,576	74,044,985	1,307,335,854
Total capital assets	1,249,523,282	86,147,440	-	1,335,670,722
Less accumulated depreciation:				
Buildings and improvements	(327,692,904)	(38,866,154)	-	(366,559,058)
Furnishings and equipment	(24,150,188)	(2,896,087)	-	(27,046,275)
Total accumulated depreciation	(351,843,092)	(41,762,241)	-	(393,605,333)
Capital assets, net	$ 897,680,190	$ 44,385,199	$ -	$ 942,065,389

During fiscal year 2015, the Authority acquired the real estate, personal property and improvements located at 860 Worcester Road in Framingham, MA. This capital asset, with a cost basis of $1,200,000 was acquired by the Authority with funds provided by Framingham State University. In fiscal year 2016, the Authority used bond proceeds to repay Framingham State University.

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, 2017 and 2016.

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 $17,300,000 and $27,500,000, respectively, as of June 30, 2017 and 2016.

Note 5 - Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consisted of the following at June 30, 2017 and 2016:

	2017	2016
Capital assets and construction payables	$ 4,258,530	$ 9,001,509
Accrued bond interest payable	9,486,502	11,576,665
Contractor payables for State College owned assets	138,728	720,382
Authority operating expenses	140,237	100,684
	$ 14,023,997	$ 21,399,240

Note 6 - Interagency payables

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

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

As of June 30, 2017 and 2016, the Authority has an aggregate liability for Interagency payables of $25,372,932 and $19,690,730, respectively.

Interagency note payable

In conjunction with the Authority's acquisition of the real estate, personal property and improvements located at 860 Worcester Road in Framingham, MA (Note 4), the Authority was advanced funds by Framingham State University in the amount of $1,200,000. The advance was repaid in 2016.

Note 7 - Bonds payable

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

The following table summarizes the Authority's outstanding debt as of June 30, 2017:

	Issue date	Par amount	Interest rates (%)	Due May 1,	Effective interest rates (%)*	Par amount outstanding	Unamortized premiums	Total bonds payable
Project Revenue Bonds								
Refunding Series 2003B	03/05/2003	$ 117,513,022	2.0 - 5.5	2003 - 2039	5.70	$ 89,002,559	$ 4,821,133	$ 93,823,692
Series 2008A	03/12/2008	95,670,000	3.0 - 5.0	2009 - 2038	5.00	1,875,000	210,994	2,085,994
Series 2009A	01/28/2009	128,570,000	3.0 - 5.75	2010 - 2049	4.69	5,925,000	67,950	5,992,950
Series 2009B	12/22/2009	82,085,000	2.0 - 5.0	2011 - 2040	4.86	73,170,000	2,734,872	75,904,872
Series 2009C, Build America Bonds	12/22/2009	66,410,000	4.58 - 5.93	2018 - 2040	5.74	66,410,000	-	66,410,000
Series 2010A	12/17/2010	12,120,000	3.0 - 5.0	2012 - 2018	5.00	1,925,000	124,295	2,049,295
Series 2010B, Build America Bonds	12/17/2010	47,880,000	4.89 - 6.54	2020 - 2040	6.12	47,880,000	-	47,880,000
Refunding Series 2011A	06/08/2011	51,610,000	2.0 - 5.0	2012 - 2025	5.00	36,510,000	4,447,599	40,957,599
Series 2012A	01/04/2012	154,345,000	3.0 - 5.0	2013 - 2041	4.76	147,835,000	10,833,582	158,668,582
Refunding Series 2012B	03/01/2012	149,275,000	3.0 - 5.0	2018 - 2043	4.69	149,275,000	19,333,895	168,608,895
Series 2012C	12/20/2012	153,840,000	2.0 - 5.0	2014 - 2042	3.21	138,830,000	7,564,088	146,394,088
Series 2014A	01/07/2014	130,875,000	2.0 - 5.0	2015 - 2048	4.92	124,220,000	10,190,819	134,410,819
Series 2014B	12/17/2014	91,375,000	3.0 - 5.0	2016 - 2044	4.92	89,160,000	13,915,374	103,075,374
Series 2014C	12/17/2014	10,065,000	3.0 - 5.0	2016 - 2034	4.86	9,520,000	1,551,390	11,071,390
Refunding Series 2014D	12/17/2014	36,110,000	1.0 - 5.0	2015 - 2041	4.72	29,735,000	4,685,386	34,420,386
Series 2015A	12/17/2015	15,935,000	2.0 - 5.0	2017 - 2036	4.76	15,670,000	2,563,889	18,233,889
Refunding Series 2016A	02/25/2016	177,315,000	4.0 - 5.0	2019 - 2049	4.55	177,315,000	29,615,228	206,930,228
Series 2017A	01/25/2017	20,590,000	3.0 - 4.0	2018 - 2027	2.40	20,590,000	1,256,440	21,846,440
Total Project Revenue Bonds		1,541,583,022				1,224,847,559	113,916,934	1,338,764,493
Community College Program Bonds								
Series 1	03/06/2014	3,000,000	4.25	2015 - 2034	4.21	2,710,000	-	2,710,000
Series 2	01/20/2017	3,055,000	1.84 - 3.35	2021 - 2036	1.55	3,055,000	-	3,055,000
Total Community College Program Bonds		6,055,000				5,765,000	-	5,765,000
Total Bonds		$ 1,547,638,022				$ 1,230,612,559	$ 113,916,934	$ 1,344,529,493

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

The following table summarizes the Authority's outstanding debt as of June 30, 2016:

	Issue date	Par amount	Interest rates (%)	Due May 1,	Effective interest rates (%)*	Par amount outstanding	Unamortized premiums	Total bonds payable
Project Revenue Bonds								
Refunding Series 2003B	03/05/2003	$ 117,513,022	2.0 - 5.5	2003 - 2039	5.49	$ 96,331,241	$ 5,041,110	$ 101,372,351
Series 2008A	03/12/2008	95,670,000	3.0 - 5.0	2009 - 2038	6.12	3,570,000	464,326	4,034,326
Series 2009A	01/28/2009	128,570,000	3.0 - 5.75	2010 - 2049	6.45	8,765,000	105,023	8,870,023
Series 2009B	12/22/2009	82,085,000	2.0 - 5.0	2011 - 2040	4.82	75,075,000	2,854,647	77,929,647
Series 2009C, Build America Bonds	12/22/2009	66,410,000	4.58 - 5.93	2018 - 2040	5.74	66,410,000	-	66,410,000
Series 2010A	12/17/2010	12,120,000	3.0 - 5.0	2012 - 2018	4.72	3,785,000	273,285	4,058,285
Series 2010B, Build America Bonds	12/17/2010	47,880,000	4.89 - 6.54	2020 - 2040	6.12	47,880,000	-	47,880,000
Refunding Series 2011A	06/08/2011	51,610,000	2.0 - 5.0	2012 - 2025	5.00	40,945,000	5,013,751	45,958,751
Series 2012A	01/04/2012	154,345,000	3.0 - 5.0	2013 - 2041	4.77	149,610,000	11,288,138	160,898,138
Refunding Series 2012B	03/01/2012	149,275,000	3.0 - 5.0	2018 - 2043	4.69	149,275,000	20,082,304	169,357,304
Series 2012C	12/20/2012	153,840,000	2.0 - 5.0	2014 - 2042	3.23	143,495,000	7,868,682	151,363,682
Series 2014A	01/07/2014	130,875,000	2.0 - 5.0	2015 - 2048	4.88	126,870,000	10,521,117	137,391,117
Series 2014B	12/17/2014	91,375,000	3.0 - 5.0	2016 - 2044	4.98	91,085,000	14,433,624	105,518,624
Series 2014C	12/17/2014	10,065,000	3.0 - 5.0	2016 - 2034	4.90	9,885,000	1,643,501	11,528,501
Refunding Series 2014D	12/17/2014	36,110,000	1.0 - 5.0	2015 - 2041	4.63	33,725,000	4,881,855	38,606,855
Series 2015A	12/17/2015	15,935,000	2.0 - 5.0	2017 - 2036	4.52	15,935,000	2,698,831	18,633,831
Refunding Series 2016A	02/25/2016	177,315,000	4.0 - 5.0	2019 - 2049	4.63	177,315,000	30,549,786	207,864,786
Total Project Revenue Bonds		1,520,993,022				1,239,956,241	117,719,980	1,357,676,221
Community College Program Bonds								
Series 1	03/06/2014	3,000,000	4.25	2015 - 2034	4.21	2,815,000	#N/A	#N/A
Total Community College Program Bonds		3,000,000				2,815,000	#N/A	#N/A
Total Bonds		$ 1,523,993,022				$ 1,242,771,241	#N/A	#N/A

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

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

Year ending June 30:	Total principal	Total interest	Total debt service
2018	$ 42,067,203	$ 56,680,449	$ 98,747,652
2019	40,366,759	59,190,903	99,557,662
2020	42,549,310	57,729,246	100,278,556
2021	44,255,056	56,156,821	100,411,877
2022	46,493,668	54,497,750	100,991,418
2023 - 2027	261,694,454	242,706,605	504,401,059
2028 - 2032	268,451,380	161,031,830	429,483,210
2033 - 2037	228,019,729	91,118,267	319,137,996
2038 - 2042	196,840,000	34,853,238	231,693,238
2043 - 2047	52,855,000	6,278,200	59,133,200
2048 - 2052	7,020,000	421,675	7,441,675
Total	1,230,612,559	$ 820,664,984	$ 2,051,277,543
Plus: Unamortized premiums	113,916,934		
	$ 1,344,529,493		

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

Refunding revenue bonds
The Refunding Series 2003B Bonds refunded the Authority's Series 1999A, 1999-1, and 2000-1 Bonds. These bonds were refinanced to achieve a total reduction of debt service at issuance of $1,769,263 and a present value economic gain at issuance of $729,611. The refunding resulted in a deferred outflow of resources at issuance of $21,535,590, of which $11,854,718 and $12,670,936 were unamortized as of June 30, 2017 and 2016, respectively. In November 2011 and May 2010, the Authority exercised call options to fully redeem the remaining unpaid principal of the Series 1999-1 and 2000-1 Bonds, respectively. As of June 30, 2017, the assets held in escrow for the repayment of the remaining Series 1999A Bonds have an aggregate market value of $87,981,022 with an unpaid principal balance, plus accreted interest, of $71,564,998.

The Refunding Series 2011A Bonds refunded portions of the Authority's Series 2003A and 2004A Bonds. These bonds were refinanced to achieve a total reduction of debt service at issuance of $3,518,799 and a present value economic gain at issuance of $2,822,354. The refunding resulted in a deferred outflow of resources at issuance of $2,638,154, of which $1,487,430 and $1,676,998 were unamortized as of June 30, 2017 and 2016, respectively. During 2014, the Authority exercised the call option to fully redeem the related unpaid principal of these bonds.

The Refunding Series 2012B Bonds refunded portions of the Authority's Series 2003A, 2004A, 2005A, and 2006A Bonds. These bonds were refinanced to achieve a total reduction of debt service at issuance of $20,587,474 and a present value economic gain at issuance of $13,285,676. The refunding resulted in a deferred outflow of resources at issuance of $14,347,581, of which $10,457,173 and $11,210,155 were unamortized as of June 30, 2017 and 2016, respectively. During 2016 and 2015, the Authority exercised the call options to fully redeem the related unpaid principal of the 2006A bonds and 2005A bonds, respectively.

The Refunding Series 2014D Bonds refunded portions of the Authority's Series 2005A and 2006A Bonds. These bonds were refinanced to achieve a total reduction of debt service at issuance of $6,449,975 and a net present value economic savings at issuance of $3,604,695. The refunding resulted in a deferred outflow of resources at issuance of $244,383, of which $212,992 and $226,019 were unamortized as of June 30, 2017 and 2016, respectively. During 2016 and 2015, the Authority exercised the call options to fully redeem the remaining unpaid principal of the 2006A bonds and 2005A bonds, respectively.

The Refunding Series 2016A Bonds refunded portions of the Authority's Series 2008A and 2009A Bonds. These bonds were refinanced to achieve a total reduction of debt service at issuance of $43,977,921 and a net present value economic savings at issuance of $27,959,783. The refunding resulted in a deferred outflow of resources at issuance of $18,147,495, of which $16,801,677 and $18,147,495 were unamortized as of June 30, 2017 and 2016, respectively. As of June 30, 2017 and 2016, the assets held in escrow for the repayment of the remaining Series 2008A and 2009A Bonds have an aggregate market value of $201,913,428 and $212,270,568, respectively with an unpaid principal balance of $190,805,000 each year.

Debt service reserve fund investment agreements

In connection with the issuance of the Series 2003A Bonds, Series 2005A Bonds, Series 2006A Bonds, and Series 2009A Bonds, the Authority entered into debt service reserve fund investment agreements which provide for a guaranteed rate of return on the applicable debt service reserve funds to support the Authority's future debt service payments. The agreements provide for termination under certain circumstances as more fully described in the agreements. Termination of the agreements may generate a gain or loss to the Authority depending on the nature and circumstances of the termination. The 2012B Refunding Bonds refunded a portion of the Series 2005A Bonds which necessitated that a portion ($1,800,000) of the original Series 2005A debt service reserve fund investment agreement be terminated. The funds received from this termination payment are being held in the Series 2005A Bonds Rebate Account. The 2014D Refunding Bonds refunded a portion of the Series 2005A Bonds which necessitated that a portion ($1,069,938) of the original Series 2005A debt service reserve fund investment agreement be terminated. The funds received from this termination payment are being held in the Series 2005A Bonds Rebate Account. The 2016A Refunding Bonds refunded a portion of the Series 2008A Bonds and the Forward Delivery Agreement associated with those bonds was assigned by the provider proportionately to the 2016A Refunding Bonds. The 2016A Refunding Bonds refunded a portion of the Series 2009A Bonds. A portion ($3,600,000) of the original Series 2009A debt service reserve fund was liquidated and used as a source of funds for the 2016A Refunding Bonds.

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, 2017 and 2016:

	2017	2016
Unamortized balance, beginning	$ 117,719,980	$ 93,186,186
Current year additions	1,282,946	33,783,367
Unamortized premium on bonds refunded	-	(1,627,663)
Current year amortization	(5,085,992)	(7,621,910)
Unamortized balance, ending	$ 113,916,934	$ 117,719,980

Deferred losses on bond refundings are reflected as deferred outflows of resources in the accompanying statements of net position (deficiency in net position) and consisted of the following at June 30, 2017 and 2016:

	2017	2016
Balance, beginning	$ 43,931,603	$ 27,844,341
Current year additions	-	18,147,495
Current year amortization	(3,117,613)	(2,060,233)
Balance, ending	$ 40,813,990	$ 43,931,603

Note 8 - Long-term liabilities

Long-term liabilities at June 30, 2017 consisted of the following:

	2017				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Bonds payable, par	$ 1,242,771,241	$ 23,645,000	$ (35,803,682)	$ 1,230,612,559	$ 42,067,203
Unamortized premiums	117,719,980	1,282,946	(5,085,992)	113,916,934	5,085,993
Total bonds payable	1,360,491,221	24,927,946	(40,889,674)	1,344,529,493	47,153,196
Interagency payables	19,690,730	13,065,760	(7,383,558)	25,372,932	15,560,182
Net pension liability	3,286,731	325,930	-	3,612,661	-
Other liabilities					
Compensated absences	234,565	40,295	(14,915)	259,945	115,664
Total long-term liabilities	$ 1,383,703,247	$ 38,359,931	$ (48,288,147)	$ 1,373,775,031	$ 62,829,042

Long-term liabilities at June 30, 2016 consisted of the following:

	2016				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Bonds payable, par	$ 1,276,788,021	$ 193,250,000	$ (227,266,780)	$ 1,242,771,241	$ 35,803,683
Unamortized premiums	93,186,186	33,783,367	(9,249,573)	117,719,980	5,059,486
Total bonds payable	1,369,974,207	227,033,367	(236,516,353)	1,360,491,221	40,863,169
Interagency payables	34,048,013	4,746,338	(19,103,621)	19,690,730	10,034,329
Interagency loan payable	1,200,000	-	(1,200,000)	-	-
Net pension liability	1,878,277	1,408,454	-	3,286,731	-
Other liabilities					
Arbitrage payable	262,254	-	(262,254)	-	-
Compensated absences	222,257	34,295	(21,987)	234,565	108,682
Total long-term liabilities	$ 1,407,585,008	$ 233,222,454	$ (257,104,215)	$ 1,383,703,247	$ 51,006,180

Note 9 - Net position

The net investment in capital assets of ($24,814,101) at June 30, 2017, includes the effect of deferring the recognition of the losses on bond refundings. The $40,813,990 balance of the deferred outflows of resources on refunding of debt at June 30, 2017 will be amortized to interest expense over the terms of the old trust or new trust agreements, whichever is shorter, which will decrease the unrestricted net position and increase the net investment in capital assets over those periods (see Note 7).

Note 10 - Contingencies

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

Note 11 - Operating expenses

The Authority's operating expenses for the years ended June 30, 2017 and 2016 on a natural classification basis, are comprised of the following:

	2017	2016
Compensation	$ 1,074,787	$ 925,334
Supplies and services	2,671,789	2,458,397
Depreciation	43,333,694	41,762,241
	$ 47,080,270	$ 45,145,972

Note 12 - Retirement plan

Substantially all of the Authority's full-time employees are covered by the Massachusetts State Employees' Retirement System ("MSERS"). MSERS, a public employee retirement system ("PERS"), is a cost-sharing multi-employer defined benefit plan that is administered by the Massachusetts State Retirement Board and covers substantially all non-student employees. The Commonwealth does not issue separately audited financial statements for the plan. The financial position and results of operations of the plan are incorporated into the Commonwealth's financial statements, a copy of which may be obtained from the Office of the State Comptroller, Commonwealth of Massachusetts, One Ashburton Place, Room 901, Boston, MA 02108.

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

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

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

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

Hire Date	% of Compensation
Prior to 1975	5% of regular compensation
1975 to 1983	7% of regular compensation
1984 to June 30, 1996	8% of regular compensation
July 1, 1996 to present	9% of regular compensation
1979 to present	An additional 2% of regular compensation in excess of $30,000

For active Authority employees covered by MSERS, the Authority is not required to make contributions to the Plan. For retired Authority employees, the Commonwealth computes the projected benefit obligation of the retired employee. The Authority is responsible to contribute any shortfall that exists as a result of this computation. The total amount paid by the Authority to the Massachusetts State Retirement Board amounted to $115,941, $115,955 and $101,546 for the years ended June 30, 2017, 2016 and 2015, respectively, which equaled the required contributions each year. Annual covered payroll was approximately 100% of annual total payroll for the Authority in 2017, 2016 and 2015.

At June 30, 2017 and 2016, the Authority reported a liability of $3,612,661 and $3,286,731, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2016 and 2015, respectively, and the State's total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Authority's proportion of the net pension liability was based on an effective contribution methodology which allocates total contributions amongst the employers in a consistent manner based on an employer's share of total covered payroll. At June 30, 2017 and 2016, the Authority's proportion was 0.02620% and 0.02887%, respectively.

For the years ended June 30, 2017 and 2016, the Authority recognized pension expense of $414,170 and $342,364, respectively. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	$ 400,620	$ -
Net difference between projected and actual earnings on pension plan investments	242,511	-
Differences between expected and actual experience	171,592	-
Changes in proportion	202,303	-
Changes in proportion from Commonwealth	-	251,890
Total	$ 1,017,026	$ 251,890

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

Year ending June 30:	
2018	$ 170,592
2019	170,592
2020	267,971
2021	150,064
2022	5,917
Total	$ 765,136

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016. This valuation used the following assumptions:

1. (a) 7.5% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.

2. Salary increases are based on analyses of past experience but range from 4.0% to 9.0% depending on group and length of service.

3. Chapter 176 of the Acts of 2011 created a one-time election for eligible members of the Optional Retirement Plan (ORP) to transfer to MSERS and purchase service for the period while members of the ORP. As a result, the total pension liability of MSERS has increased by approximately $400 million as of June 30, 2016.

4. Mortality rates were as follows:

   (i) Pre-retirement - reflects RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct).

   (ii) Post-retirement - reflects RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct).

   (iii) Disability - the morality rate is assumed to be in accordance with the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct).

5. Experience studies were performed as follows:

   (i) Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011.

Investment assets of MSERS are with the Pension Reserves Investment Trust ("PRIT") Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2016 and 2015 are summarized in the following table:

		Long-term expected real rate of return	
Asset class	Target allocation	2016	2015
Global equity	40.00%	6.90%	6.90%
Core fixed income	13.00%	1.60%	2.40%
Private equity	10.00%	8.70%	8.50%
Real estate	10.00%	4.60%	6.50%
Value added fixed income	10.00%	4.80%	5.80%
Hedge funds	9.00%	4.00%	5.80%
Portfolio completion strategies	4.00%	3.60%	5.50%
Timber/natural resources	4.00%	5.40%	6.60%
Total	100.00%		

The discount rate used to measure the total pension liability for the measurement years ended June 30, 2016 and 2015 was 7.5% for both years. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Authority's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5% for both the measurement years ended June 30, 2016 and 2015, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate for each year:

Measurement year ended	1% decrease	Discount rate	1% increase
June 30, 2015	$ 4,467,055	$ 3,286,731	$ 2,267,739
June 30, 2016	4,707,878	3,612,661	2,684,452

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

Note 13 - Retiree health plan

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

Chapter 32A provides that contribution requirements of the plan members and the participating governments are established and may be amended by the GIC. Plan members or beneficiaries receiving benefits contribute anywhere from 0% to 20% depending on entry age.

Participating governments are contractually required to contribute at a rate assessed each year by GIC on a premium basis. The Authority's contributions to GIC for the years ended June 30, 2017, 2016, and 2015, were $151,421, $169,325 and $111,110, respectively, which equaled the required contributions each year. Required contributions include contributions for the total health plan costs for both active and retired employees.

Note 14 - Lease commitments and receivables

On July 24, 2009, the Authority entered into a lease agreement with an unrelated third party for office space located in Boston, Massachusetts. The lease was amended in January 2010 increasing the leased space to approximately 5,700 square feet. As amended, the lease provides for a minimum annual base rent of $115,885 for the initial year of the lease agreement and increases to $184,470 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, 2017 and 2016, rent expense incurred, including additional costs for monthly storage and parking which are not provided under the terms of the lease agreement, amounted to $193,156 and $198,303, respectively.

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

Year ending June 30:	Amount
2018	$ 184,470
2019	184,470
2020	122,980
	$ 491,920

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 ("MCAD") 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 is leased to MCPHS and included in buildings and improvements in the accompanying statements of net position (deficiency in net position) amounts to approximately $35,101,000 at both June 30, 2017 and 2016, with accumulated depreciation of $5,265,040 and $4,387,533 as of June 30, 2017 and 2016, respectively. In accordance with the lease agreement, MCPHS deposited $100,000 with the Authority in December 2009, which together with interest earned thereon, in the amount of $100,391, was credited towards the payment of MCPHS's first installment of annual rent during fiscal 2013.

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. MCPHS has exercised the option to extend both leases for one five-year period and two one-year periods, respectively. 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 MCAD for the purpose of operating a student health services clinic. The cost of the property leased to Harvard Vanguard and included in buildings and improvements in the accompanying statements of net position (deficiency in net position) amounts to approximately $1,107,000 at both June 30, 2017 and 2016, with accumulated depreciation of $165,852 and $138,210 as of June 30, 2017 and 2016, respectively. The lease terminated on June 30, 2017.

On June 30, 2017, the Authority entered into a lease agreement with Plus One Holdings, Inc. ("Plus One") to lease approximately 2,395 square feet of space at MCAD for the purpose of operating a student health services clinic. The lease agreement provides for an initial term of five years commencing in July, 2017, and thereafter, at the option of Plus One, may be extended for three

additional, five-year periods. The option to extend a term shall be exercised not less than one year prior to the expiration of the term then in effect. Annual rent shall be due in advance on the anniversary of the commencement date. Annual rent shall increase two and a half percent per year during the initial lease term and all extension periods.

The Authority has entered into an agreement with MCAD whereby the MCPHS, Harvard Vanguard, and Plus One lease payments will be made on a semiannual basis directly to MCAD, as payment of rent, and held in MCAD's residence hall trust fund and shall be used by MCAD for the operation of the leased property in a similar manner in which residence hall fees are used by the University and the Authority. In accordance with the lease agreement MCPHS and Vanguard paid MCAD $3,342,864 and $26,356, respectively, during fiscal 2017 and $3,326,790 and $25,713, respectively, during fiscal 2016. The Authority assesses annual obligations to MCAD, which include the pro rata share of the building occupied by MCPHS and Harvard Vanguard, on the same debt assessment basis the Authority uses for their other residence halls. The annual assessment included in income from contracts for financial assistance, management, and services in the accompanying statements of revenues, expenses and changes in net position for fiscal 2017 and 2016 related to these lease agreements amounted to $2,144,600 and $2,080,600, respectively.

Future minimum rental income to be remitted to MCAD under these operating lease agreements are as follows:

Year ending June 30:	MCPHS	Harvard Vanguard	Plus One Holdings	Total
2018	$ 3,389,145	$ 3,305	$ 27,782	$ 3,420,232
2019	2,800,751	-	28,477	2,829,228
2020	2,715,750	-	29,189	2,744,939
2021	2,786,625	-	29,919	2,816,544
2022	2,869,751	-	30,667	2,900,418
Thereafter	360,023	-	-	360,023
	$ 14,922,045	$ 3,305	$ 146,034	$ 15,071,384

Note 15 - Transfers from State Universities

In December 2015, the Authority entered into a memorandum of agreement with the Division of Capital Asset Management and Maintenance ("DCAMM") to assist in the purchase of the Warren Conference Center at Framingham State University. The agreement, among other matters, identifies the Authority's interest to acquire the property on behalf of Framingham State University with a purchase price of $8,000,000. During fiscal year 2016, the Authority received $6,500,000 from DCAMM in accordance with the agreement. The remaining $1,500,000 was paid by the Authority with the 2015A revenue bond issuance. No funds were transferred during fiscal year 2017.

In addition, other transfers from State Universities received in the ordinary course of business totaled $640,357 and $556,055 for fiscal years 2017 and 2016, respectively.

Supplementary Information

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

Supplementary Information

Schedule of the Authority's Proportionate Share of the Net Pension Liability
June 30, 2017

	2017	2016	2015	2014
Authority's proportion of the net pension liability (asset)	0.0262%	0.0289%	0.0253%	0.0264%
Authority's proportionate share of the net pension liability (asset)	$ 3,612,661	$ 3,286,731	$ 1,878,277	$ 2,350,479
Authority's covered-employee payroll	$ 1,704,399	$ 1,459,312	$ 1,431,639	$ 1,408,627
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	211.96%	225.22%	131.20%	166.86%
Plan fiduciary net position as a percentage of the total pension liability	63.48%	67.87%	76.32%	70.31%

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

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

See Independent Auditor's Report on page 3 and Note to Required Supplementary Information.

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

Supplementary Information

Schedule of Authority Contributions
June 30, 2017

	2017	2016	2015	2014
Contractually required contribution	$ 115,941	$ 115,955	$ 101,546	$ 97,745
Contributions in relation to the contractually required contribution	(115,941)	(115,955)	(101,546)	(97,745)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 1,704,399	$ 1,459,312	$ 1,431,639	$ 1,408,627
Contributions as a percentage of covered-employee payroll	6.80%	7.95%	7.09%	6.94%

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

See Independent Auditor's Report on page 3 and Note to Required Supplementary Information.

Massachusetts State College Building Authority
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Note to Required Supplementary Information
June 30, 2017

Note 1 - Changes in benefit terms and assumptions

FY2016 Changes in Actuarial Assumptions

Changes in benefit terms

Chapter 176 of the Acts of 2011 created a one-time election for eligible members of the Optional Retirement Plan ("ORP") to transfer to the State Employees' Retirement System (SERS) and purchase service for the period while members of the ORP. As a result, the total pension liability of SERS has increased by approximately $400 million as of June 30, 2016.

Changes in assumptions

Salary increases range changed to 4.00% to 9.00% from 3.50% to 9.00%.

Experience studies were performed as follows:
Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011.

FY2015 Changes in Actuarial Assumptions

Changes in benefit terms

In May 2015, Chapter 19 of the Acts of 2015 created an Early Retirement Incentive ("ERI") for certain members of MSERS who upon election of the ERI retired effective June 30, 2015. As a result, the total pension liability of MSERS has increased by approximately $230 million as of June 30, 2015.

Changes in assumptions

The investment rate of return changed to 7.5% from 8%.

The mortality assumptions changed as follows:

- Pre-retirement - was changed to reflect the RP - 2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct) from RP - 2000 Employees table projected 20 years with Scale AA (gender distinct).

- Post-retirement - was changed to reflect the RP - 2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct) from RP - 2000 Healthy Annuitant table projected 15 years with Scale AA (gender distinct).

- Disability - was changed to the mortality rate assumed to be accordance with the RP - 2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct) from the mortality rate assumed to be in accordance with the RP - 2000 Healthy Annuitant table projected 5 years with Scale AA (gender distinct) set forward 3 years for males.

The discount rate used to measure the total pension liability changed to 7.5% from 8%.

Massachusetts State College Building Authority
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Supplementary Information

Statistical Information (Unaudited)

Schedule of Net Position (Deficiency) by Category

Schedule of Net Position (Deficiency) by Category

	2008	2009	2010 (as restated)	2011 (as restated)	2012	2013	2014 (as restated)	2015	2016	2017
Net investment in capital assets	$ (23,698,356)	$ (11,777,270)	$ (21,689,811)	$ (3,693,773)	$ 1,380,597	$ 405,186	$ (3,080,091)	$ (12,717,572)	$ (26,837,719)	$ (24,814,101)
Restricted - expendable	106,446	8,976	2,555,116	1,897,286	2,415,383	2,231,469	905,631	905,721	-	-
Unrestricted	12,275,407	(834,537)	585,170	(17,664,638)	(19,618,320)	(24,880,753)	(21,970,305)	(17,193,251)	(856,119)	(9,937,854)
Total Net Position (Deficiency)	**$ (11,316,503)**	**$ (12,602,831)**	**$ (18,549,525)**	**$ (19,461,125)**	**$ (15,822,340)**	**$ (22,244,098)**	**$ (24,144,765)**	**$ (29,005,102)**	**$ (27,693,838)**	**$ (34,751,955)**

See Independent Auditor's Report on page 3.

Massachusetts State College Building Authority
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Supplementary Information

Statistical Information (Unaudited)

Changes in Net Position

	2008	2009	2010	2011 (as restated)	2012	2013	2014	2015	2016	2017
Operating Revenue										
Income from assessments	$ 33,715,219	$ 36,555,398	$ 42,453,490	$ 51,349,024	$ 55,373,353	$ 59,081,652	$ 67,825,646	$ 74,214,554	$ 76,187,363	$ 85,979,296
Federal grants for debt service	211,890	211,890	211,890	211,890	211,886	58,414	-	-	-	-
Other miscellaneous revenue	174,592	216,054	119,636	568,661	499,035	548,131	426,352	598,515	943,094	543,688
Total operating revenue	**34,101,701**	**36,983,342**	**42,785,016**	**52,129,575**	**56,084,274**	**59,688,197**	**68,251,998**	**74,813,069**	**77,130,457**	**86,522,984**
Non-Operating Revenue										
Net investment income	5,009,751	4,674,885	6,393,208	3,977,455	12,643,482	3,045,359	10,763,298	10,702,249	15,374,812	7,981,303
Transfers (to)/from State Universities	347,388	1,684,693	440,267	3,352,687	3,050,414	3,981,309	4,221,388	4,009,535	7,056,055	640,357
Transfers (to)/from DCAM	-	-	-	-	-	(497,294)	-	-	-	-
State capital appropriations	-	-	6,881,873	-	-	-	-	-	-	-
Build America Bonds interest subsidy	-	-	700,809	1,887,838	2,360,991	2,302,924	2,161,590	2,189,322	2,200,443	2,201,230
Gain (loss) on sale of assets	-	-	-	400,141	-	-	-	-	-	-
Miscellaneous nonoperating revenue	-	-	-	201,756	546,385	56,777	912,114	150,866	99,082	49,691
Capital grants	344,224	34,255	293,073	-	-	-	-	-	-	-
Total non-operating revenue	**5,701,363**	**6,393,833**	**14,709,230**	**9,819,877**	**18,601,272**	**8,889,075**	**18,058,390**	**17,051,972**	**24,730,392**	**10,872,581**
Total Revenue	**39,803,064**	**43,377,175**	**57,494,246**	**61,949,452**	**74,685,546**	**68,577,272**	**86,310,388**	**91,865,041**	**101,860,849**	**97,395,565**
Operating Expenses										
Insurance costs	(607,595)	(500,864)	(535,276)	(668,168)	(740,425)	(735,970)	(892,842)	(939,566)	(1,024,658)	(1,086,763)
Authority operating expenses	(1,060,471)	(1,282,995)	(1,392,357)	(1,483,170)	(1,481,186)	(1,621,486)	(1,660,589)	(2,208,557)	(2,312,194)	(2,338,033)
Depreciation	(17,306,821)	(18,614,829)	(20,854,040)	(24,968,701)	(28,603,149)	(29,888,212)	(33,711,899)	(38,884,197)	(41,762,241)	(43,333,694)
Other expenses	(181,503)	(224,192)	(583,365)	(162,258)	(294,516)	(426,570)	(235,606)	(402,886)	(46,879)	(321,780)
Total operating expenses	**(19,156,390)**	**(20,622,880)**	**(23,365,038)**	**(27,282,297)**	**(31,119,276)**	**(32,672,238)**	**(36,500,936)**	**(42,435,206)**	**(45,145,972)**	**(47,080,270)**
Non-operating expense										
Interest expense	(22,373,377)	(23,668,900)	(27,717,084)	(34,798,750)	(37,776,890)	(41,151,521)	(48,795,255)	(53,529,051)	(54,345,047)	(57,143,097)
Bond issuance costs	(311,698)	(371,723)	(402,289)	(780,005)	(2,150,595)	(1,175,271)	(564,385)	(761,121)	(1,058,566)	(230,315)
Total non-operating expense	**(22,685,075)**	**(24,040,623)**	**(28,119,373)**	**(35,578,755)**	**(39,927,485)**	**(42,326,792)**	**(49,359,640)**	**(54,290,172)**	**(55,403,613)**	**(57,373,412)**
Total Expenses	**(41,841,465)**	**(44,663,503)**	**(51,484,411)**	**(62,861,052)**	**(71,046,761)**	**(74,999,030)**	**(85,860,576)**	**(96,725,378)**	**(100,549,585)**	**(104,453,682)**
Increase (decrease) in net position	**$ (2,038,401)**	**$ (1,286,328)**	**$ 6,009,835**	**$ (911,600)**	**$ 3,638,785**	**$ (6,421,758)**	**$ 449,812**	**$ (4,860,337)**	**$ 1,311,264**	**$ (7,058,117)**

See Independent Auditor's Report on page 3.

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

Supplementary Information

Statistical Information (Unaudited)

Schedule of Revenue

Institution	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Bridgewater	$ 7,822,115	$ 8,322,153	$ 10,167,907	$ 12,019,967	$ 12,980,504	$ 12,987,262	$ 16,281,766	$ 16,506,948	$ 16,415,422	$ 17,500,999
Fitchburg	2,777,823	3,114,788	4,318,236	4,705,990	4,902,735	5,127,026	5,376,040	5,641,136	5,152,007	6,096,926
Framingham	3,566,123	4,296,966	4,440,318	4,923,218	6,695,874	7,103,882	7,959,801	7,907,969	7,378,039	11,225,027
Mass. College of Art	2,093,382	2,123,909	2,166,434	2,203,147	2,170,707	5,906,206	6,087,404	6,158,757	6,220,894	6,643,132
Mass. College of Liberal Arts	1,540,548	1,607,082	2,225,289	2,397,236	2,742,973	2,609,247	2,592,005	2,664,203	2,290,169	2,870,065
Mass. Maritime Academy	2,604,399	3,076,898	3,376,425	3,545,353	3,710,356	4,110,844	4,194,537	6,929,788	6,851,698	7,189,492
Salem	4,415,071	4,411,494	4,972,018	9,128,481	9,407,195	8,451,618	9,542,570	9,657,655	12,912,427	13,949,924
Westfield	5,002,812	5,552,861	6,264,556	6,649,381	6,943,818	7,402,580	9,996,056	10,382,798	10,207,246	11,465,584
Worcester	3,892,946	4,049,247	4,522,307	5,776,251	5,819,191	5,382,987	5,795,467	8,365,300	8,544,166	8,814,572
Mount Wachusett	-	-	-	-	-	-	-	-	215,295	223,575
Total	$ 33,715,219	$ 36,555,398	$ 42,453,490	$ 51,349,024	$ 55,373,353	$ 59,081,652	$ 67,825,646	$ 74,214,554	$ 76,187,363	$ 85,979,296

See Independent Auditor's Report on page 3.

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

Supplementary Information

Statistical Information (Unaudited)

Room Rates of Residence Facilities

Institution	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Bridgewater	$4,350-6,400	$5,100-6,656	$5,640-6,962	$5,800-7,100	$6,100-7,310	$6,300-7,460	$6,540-7,740	$6,740-7,840	$6,940-8,080	$7,220-$8,400
Fitchburg	$3,812-$4,464	$4,160-5,170	$4,642-5,345	$4,782-6,000	$4,930-6,204	$5,100-6,420	$5,230-6,580	$5,330-6,710	$5,440-6,840	$5,770-$7,900
Framingham	$4,034-4,974	$4,382-5,382	$4,755-5,755	$5,105-6,105	$5,495-8,250	$5,885-8,630	$6,085-8,830	$6,380-9,060	$6,680-9,280	$6,980-$9,580
Mass. College of Art	$6,400-$9,300	$6,710-9,580	$6,777-9,676	$7,350-10,280	$7,610-10,640	$7,876-11,000	$8,030-11,220	$8,190-11,440	$8,350-11,670	$8,560-$12,807
Mass. College of Liberal Arts	$3,622-$3,882	$3,800-4,202	$4,175-4,575	$4,375-4,875	$4,530-5,050	$4,740-5,140	$4,860-5,260	$5,210-5,510	$5,500-5,700	$5,750-$5,950
Mass. Maritime Academy	$4,100	$4,668	$4,978	$5,125	$5,300	$5,470	$5,910	$6,440	$6,790	$7,130
Salem	$4,114-6,766	$4,610-7,445	$5,071-8,204	$5,730-9,110	$6,150-9,350	$6,570-9,320	$6,700-9,500	$6,980-9,900	$7,280-10,320	$7,570-$10,730
Westfield	$3,588-5,990	$3,984-6,230	$4,303-6,516	$4,650-6,800	$4,800-7,100	$4,950-7,350	$5,250-7,500	$5,510-8,350	$5,730-8,680	$5,940-$9,000
Worcester	$4,220-6,484	$4,880-6,847	$5,272-7,165	$6,150-7,487	$6,580-7,800	$6,750-7,800	$6,920-7,980	$7,090-8,180	$7,270-8,370	$7,485-$8,585

See Independent Auditor's Report on page 3.

Massachusetts State College Building Authority
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Supplementary Information

Statistical Information (Unaudited)

Occupancy as a Percentage of Design Capacity at Residence Facilities

Institution	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Bridgewater	103%	104%	101%	100%	100%	99%	95%	99%	97%	96%
Fitchburg	104%	103%	105%	104%	100%	101%	100%	103%	101%	96%
Framingham	99%	101%	101%	104%	100%	100%	100%	98%	98%	94%
Mass. College of Art	99%	100%	100%	99%	100%	99%	99%	99%	98%	99%
Mass. College of Liberal Arts	89%	88%	94%	99%	94%	91%	86%	86%	79%	77%
Mass. Maritime Academy	92%	94%	100%	103%	106%	108%	111%	93%	101%	105%
Salem	100%	104%	106%	94%	102%	107%	106%	107%	100%	96%
Westfield	107%	107%	105%	104%	106%	101%	98%	98%	102%	99%
Worcester	100%	102%	102%	100%	103%	102%	101%	87%	94%	92%
State University Average	**101%**	**102%**	**102%**	**101%**	**101%**	**101%**	**99%**	**98%**	**98%**	**96%**

See Independent Auditor's Report on page 3.

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

To the Board
Massachusetts State College Building Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Massachusetts State College Building Authority (a component unit of the Commonwealth of Massachusetts) (the "Authority") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 12, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Purpose of this Report

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

Cohn Reznick LLP

Boston, Massachusetts
October 12, 2017

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BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the Series 2017 Bonds. The Series 2017 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 2017 Bond certificate will be issued for each maturity of each of the Series 2017B Bonds, Series 2017C Bonds and Series 2017D Bonds, each in the aggregate principal amount of such maturity and series, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ from S&P. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2017 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 2017 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 2017 Bonds, except in the event that use of the book-entry system for the Series 2017 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017 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 2017 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 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2017 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 2017 Bonds may wish to take certain steps to augment transmission to them of significant events with respect to the Series 2017 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Series 2017 Bonds may wish to ascertain that the nominee holding the Series 2017 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 2017 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 2017 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 2017 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 2017 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 2017 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 2017 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

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.

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

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

"Campus Project" means any Project financed with Bonds issued after 1998.

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

"Campus Residence Hall Project" means a Campus Project that is a residence hall.

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

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

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

"Commissioner" means the Commissioner of Higher Education of the Commonwealth.

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

"Comptroller" means Comptroller of the Commonwealth.

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

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

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

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

"Debt Service Reserve Fund Requirement" means 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, (ii) 125% of average annual Debt Service on all Bonds Outstanding and (iii) the maximum amount of Debt Service due in any future Fiscal Year on all Bonds Outstanding. The Supplemental Trust Agreement under which Bonds were issued in December, 2014 provides for an amendment to the Trust Agreement that would change the Debt Service Reserve Fund Requirement to zero. This change shall be effective only when approved by the Owners of a majority of the aggregate principal amount of the Bonds Outstanding at the time of approval. See "SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS – Debt Service Reserve Fund Requirement."

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

(i) direct obligations of the United States of America;

(ii) interest-only strips of the Resolution Funding Corporation;

(iii) pre-refunded municipal bonds rated Aaa by Moody's Investors Service and AAA by Standard & Poor's Ratings Service; or

(iv) obligations issued by the following agencies that are backed by the full faith and credit of the United States of America: Export-Import Bank (direct obligations or fully guaranteed certificates of beneficial ownership), Farmers Home Administration, Federal Financing Bank, General Services Administration (participation certificates), Maritime Administration (guaranteed Title XI financing), Department of Housing and Urban Development (project notes, local authority bonds and new communities debentures).

"Deferred Income Bond" means any Bond (i) as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is (a) compounded on each Valuation Date for such Deferred Income Bond and (b) payable only at the maturity or prior redemption of such Bonds and (ii) as to which interest accruing after the Interest Commencement Date is payable on the first interest payment date immediately succeeding the Interest Commencement Date and periodically thereafter on the dates set forth in the Supplemental Trust Agreement authorizing such Deferred Income Bond. For the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed prior to maturity or (ii) computing the principal amount of Bonds held by the registered owner of a Deferred Income Bond in giving to the Authority or the Trustee any notice, consent, request, or demand pursuant to the Trust Agreement for any purposes whatsoever, unless otherwise provided in the Supplemental Trust Agreement authorizing such Deferred Income Bond, the principal amount of a Deferred Income Bond shall be deemed to be its Appreciated Value.

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

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

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

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

"Indebtedness" means Bonds or Bond Anticipation Notes.

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

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

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

(i) Defeasance Obligations;

(ii) Agency Obligations;

(iii) obligations the timely payment of principal of and interest on which are unconditionally guaranteed by the United States of America;

(iv) Certificates or receipts representing direct ownership of future interest or principal payments on direct general obligations of the United States of America or any obligations of agencies or instrumentalities of the United States of America which are backed by the full faith and credit of the United States of America, which obligations are held by a custodian in safekeeping on behalf of the registered owners of such receipts;

(v) Interest-bearing time or demand deposits, certificates of deposit, or other similar banking arrangements with any government securities dealer, bank, trust company, savings and loan association, national banking association or other savings institution (including the Trustee or any affiliate of the Trustee), provided that such deposits, certificates, and other arrangements are fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or interest-bearing time or demand deposits or certificates of

deposit with any bank, trust company, national banking association or other savings institution (including the Trustee or any affiliate of the Trustee), provided such deposits and certificates are in or with a bank, trust company, national banking association or other savings institution whose long-term unsecured debt is rated in one of the two highest long-term rating categories by each Rating Agency;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) any Bonds cancelled by any Fiduciary at or prior to such date,

(ii) Bonds (or portions of Bonds) for the payment or redemption of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held in trust under the Trust Agreement and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given or provision satisfactory to the Trustee shall have been made for the giving of such notice as provided in the Trust Agreement;

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to applicable provisions of the Trust Agreement unless proof satisfactory to the Trustee is presented that any such Bonds are held by a bona fide purchaser in due course; and

(iv) Bonds deemed to have been paid as provided under the heading "Defeasance."

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

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

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

"Project" shall mean the construction of new buildings or structures and the acquisition, addition to, alteration, enlargement, reconstruction, rehabilitation, remodeling and other work, including, but not limited to, the alteration or modification of existing facilities or the construction of additional or new facilities required or made desirable by changes in or enactments of new law or regulation or changes in or new circumstances such as, by way of example and not by way of limitation, provision for access or use by handicapped persons, provision for

conservation of energy, provision for safety and security of persons and property, provision for other compliance with changed or new law, regulation or circumstance, in or upon or respecting existing buildings or structures, the provision and installation therein or in respect thereof of furnishings, furniture, machinery, equipment, facilities, approaches, driveways, walkways, parking areas, planting and landscaping, the acquisition of land, other property, rights, easements and interests acquired for or in respect to any thereof, the demolition or removal of any buildings or structures on land so acquired or interests in which are so acquired and site preparation, with respect to the financing or refinancing of which Bonds shall have been issued (or, as required by the context, with respect to which such financing or refinancing may be or shall have been proposed) under the Trust Agreement. The word shall also mean, whenever appropriate, such land, buildings or structures and such appurtenances.

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

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

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

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

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

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

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

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

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

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

"System Projects" means Projects financed by Bonds issued before 1998.

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

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

supplemented by the Twenty-third Supplemental Trust Agreement dated as of January 1, 2012, providing for the issuance of the Series 2012A Bonds, as further supplemented by the Twenty-fourth Supplemental Trust Agreement dated as of March 1, 2012, providing for the issuance of the Series 2012B Bonds, as further supplemented by the Twenty-fifth Supplemental Trust Agreement dated as of December 1, 2012, providing for the issuance of the Series 2012C Bonds, as further supplemented by the Twenty-sixth Supplemental Trust Agreement dated as of January 1, 2014 providing for the issuance of the Series 2014A Bonds, as further supplemented and amended by the Twenty-seventh Supplemental Trust Agreement dated as of December 1, 2014 providing for the issuance of the Series 2014B Bonds, the Series 2014C Bonds and the Series 2014D Bonds, as further supplemented by the Twenty-eighth Supplemental Trust Agreement dated as of December 1, 2015 providing for the issuance of the Series 2015A Bonds, as further supplemented by the Twenty-ninth Supplemental Trust Agreement dated as of February 1, 2016 providing for the issuance of the Series 2016A Bonds, as further amended and restated by the Thirtieth Supplemental Trust Agreement dated as of January 1, 2017, and as supplemented by the Thirty-first Supplemental Trust Agreement dated as of January 1, 2017 providing for the issuance of the Series 2017A Bonds, the Thirty-second Supplemental Trust Agreement dated as of December 1, 2017 providing for the issuance of the Series 2017 B Bonds and the Series 2017D Bonds, and the Thirty-third Supplemental Trust Agreement dated as of December 1, 2017 providing for the issuance of the Series 2017C Bonds.

"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, in which event such interest shall be payable from the Debt Service Fund. The Authority may also pledge the Revenues and other Authority funds to the payment of the principal of such notes, but such pledge shall be subordinate to the pledge securing the payment of the Bonds.

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

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

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

(1) Project Fund;

(2) Revenue Fund;

(3) Operating Fund;

(4) Debt Service Fund;

(5) Debt Service Reserve Fund;

(6) Rebate Fund;

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

(8) Multipurpose Reserve Fund.

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

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

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

(i) to the Debt Service Fund, an amount which, when added to other amounts on deposit in such Fund and available for such purpose, including amounts in any capitalized interest account that may have been established by the applicable Supplemental Trust Agreement, will equal the interest to become due and payable on Outstanding Bonds on the next interest payment date and any Principal Installment to become due and payable on Outstanding Bonds on or before the next date (within the next twelve months) on which such Principal Installment is payable (and if the amount on deposit in the Debt Service Fund shall be less than such required amount, the Trustee shall notify the Authority and the BHE in writing of the amount of the deficiency and request payment of such amount pursuant to the Contract);

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

(iii) to the Authority for deposit in the Operating Fund, the amount directed in writing to be deposited therein by an Authorized Officer;

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

(v) to the Authority for deposit in the Multipurpose Reserve Fund, the amount, if any, directed in writing to be deposited therein by an Authorized Officer pursuant to the Trust Agreement.

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

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

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

Debt Service Reserve Fund. If at any time the amounts on deposit and available therefor in the Debt Service Fund are insufficient to pay the Principal Installments and Redemption Price of and interest on the Bonds then due, the Trustee shall withdraw from the Debt Service Reserve Fund and deposit in the Debt Service Fund the amount necessary to meet any such deficiency.

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

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

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

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

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

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

Completion of Projects. The Authority covenants that it will with reasonable expedition complete each Project in conformity with law and all requirements of all governmental authorities having jurisdiction thereover. The Authority further covenants and agrees that upon completion or occupancy of each Project financed by a Series

of Bonds it will deliver to the BHE and to the Trustee a certificate stating the date upon which such completion occurred, as provided in the Trust Agreement and, if and to the extent that there is no obligation of the BHE under the Contract to undertake such operation and maintenance, will thereafter operate and maintain, or otherwise provide for the operation and maintenance of, such Project.

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

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

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

Use of Other Funds for Projects; Sale of Projects. Notwithstanding any other provision of the Trust Agreement, the Authority may permit the Commonwealth or any of its agencies, departments or political subdivisions, to pay the cost of maintaining, repairing and operating any Project out of funds other than Revenues on account of such Project whether pursuant to the Contract or otherwise. The Authority may also, if and to the extent now or hereafter permitted by law, sell any Project or any portion thereof owned by the Authority, and any other owner of a Project may, if and to the extent now or hereafter permitted by law, sell any Project or any portion thereof owned by such owner, provided that if such sale by the Authority or other owner is of an entire Project, the proceeds therefrom shall be in an amount sufficient, with all other moneys then held by the Trustee under the Trust Agreement and available for the purpose, to cause to be deemed to be paid as provided in under the heading "Defeasance" the principal or Redemption Price of and interest on the principal amount of Bonds then Outstanding allocable to such Project (which principal amount shall be evidenced to the Trustee by a certificate of an Authorized Officer) and to pay all necessary and proper expenses payable in connection therewith and provided, further, that if such sale is of a portion of a Project, the proceeds therefrom shall be an amount sufficient, with any other moneys then held by the Trustee under the Trust Agreement and available for the purpose, to cause to be deemed to be paid as provided under the heading "Defeasance" the principal or Redemption Price of and interest on a portion of the principal amount of Bonds then Outstanding allocable to such Project which bears the same proportion to the principal amount of Bonds then Outstanding allocable to such Project which the Project Costs of the portion of such Project to be sold bears to the Project Costs of the Project as a whole and to pay all necessary and proper expenses payable in connection therewith. 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 shal1 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 as soon as it has knowledge of any such insufficiency and, in any event, no later than the date in September or January, as the case may be, when the Authority next files its semiannual report on sufficiency of funds as required by the Act.

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

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

(ii) to add to the covenants and agreements of the Authority in the Trust Agreement, other covenants and agreements to be observed by the Authority for the purpose of further securing the Bonds;

(iii) to surrender any right, power or privilege reserved to or conferred upon the Authority by the Trust Agreement;

(iv) to authorize Bonds of a Series or subordinated obligations and, in connection therewith, specify and determine any matters and things relative to such Bonds or obligations not contrary to or inconsistent with the Trust Agreement;

(v) to confirm, as further assurance, any pledge under and the subjection to any lien or pledge created or to be created by the Trust Agreement of the Revenues or of any other moneys, securities or funds;

(vi) to cure any ambiguity or to cure, correct or supplement any defect or inconsistent provisions contained in the Trust Agreement; and

(vii) to modify the provisions of the Trust Agreement in regard to matters or questions arising thereunder as may be necessary or desirable and not contrary to or inconsistent with the Trust Agreement or to make any other changes that are not materially adverse to the Owners of Bonds.

Supplemental Trust Agreements Effective with Consent of Bondowners. At any time or from time to time, a Supplemental Trust Agreement may be adopted subject to consent by Bondowners in accordance with and subject to the provisions of the Trust Agreement, which Supplemental Trust Agreement, upon the filing with the Trustee of

a copy thereof certified by an Authorized Officer of the Authority and upon compliance with the provisions of the Trust Agreement, shall become fully effective in accordance with its terms as provided in the Trust Agreement.

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

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

Agreement making such amendment or modification shall be deemed conclusively binding upon the Authority, the Fiduciaries and the Owners of all Bonds upon the filing with the Trustee of the proof of the giving of such last mentioned notice.

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

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

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

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

(i) the Authority shall fail to make payment of any Principal Installment when the same shall become due and payable;

(ii) the Authority shall fail to make payment of any installment of interest on any Bonds when the same shall become due and payable;

(iii) the Authority shall default in the observance or performance of any other covenants or agreements on the part of the Authority contained in the Trust Agreement, and such default shall continue for 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding, provided that if such default cannot be remedied within such 30-day period, it shall not constitute an Event of Default if corrective action is instituted by the Authority within such period and diligently pursued until the default is remedied;

(iv) if an order, judgment or decree is entered by a court of competent jurisdiction (a) appointing a receiver, trustee, or liquidator for the Authority, (b) granting relief in involuntary proceedings with respect to the Authority under the federal bankruptcy act or (c) assuming custody or control of the Authority under the provision of any law for the relief of debtors, and the order, judgment or decree is not set aside or stayed within 60 days from the date of entry of the order, judgment or decree; or

(v) if the Authority (a) admits in writing its inability to pay its debts generally as they become due, (b) commences voluntary proceedings in bankruptcy or seeking a composition of indebtedness, (c) makes an assignment for the benefit of its creditors, (d) consents to the appointment of a receiver or (e) consents to the assumption by any court of competent jurisdiction under any law for the relief of debtors of custody or control of the Authority.

Remedies. Upon the occurrence and during the continuation of any Event of Default specified in the Trust Agreement, then and in every such case the Trustee may proceed, and upon the written request of the Owners of not less than 25% in aggregate principal amount of all Outstanding Bonds, shall proceed to protect and enforce its rights and the rights of the Bondowners under the laws of the Commonwealth or under the Trust Agreement by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board of officer having jurisdiction, either for the specific performance of any covenant or agreement contained therein or in aid or execution of any power therein granted or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights. The Trustee shall not be required to take any remedial action (other than the giving of notice) unless indemnity satisfactory to the Trustee is furnished for any liability to be incurred thereby. In the enforcement of any remedy under the Trust Agreement the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then, or during any default becoming, and at any time remaining, due from the Authority for principal, interest or otherwise under any of the provisions of the Trust Agreement on the Bonds and unpaid, with interest on overdue payments of principal at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Trust Agreement and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondowners, and to recover and enforce judgment or decree against the Authority, but solely as provided therein and in such Bonds, for any portion of such amount remaining unpaid, and interest, costs and expenses as above provided, and to collect (but solely from moneys in the Funds and Accounts available for such purpose) in any manner provided by law, the moneys adjudged or decreed to be payable. No remedy available under the provisions of the Trust Agreement shall be permitted to modify, alter, amend or rescind in any particular priority provided by the Trust Agreement for any Series of Bonds over any other Series of Bonds. The Bondowners and the Trustee acting for the Bondowners shall be entitled to all of the rights and remedies provided in the Act and to all of the rights and remedies otherwise provided or permitted by law. No default under any resolution, agreement, or other instrument other than the Trust Agreement, shall constitute or give rise to a default under the Trust Agreement. Upon the happening and continuance of any Event of Default, neither the Trustee nor the Bondowners shall have the right to declare the principal of any Bonds then Outstanding, or the interest accrued thereon, to be due and payable prior to its stated maturity.

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

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

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

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

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all such Bonds, together with such interest, ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

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

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

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

SUMMARY OF CONTRACT FOR FINANCIAL ASSISTANCE, MANAGEMENT AND SERVICES

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

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

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

Capital Improvement Reserve Accounts. The Authority shall maintain within the Capital Improvement Reserve Fund a System Projects Capital Improvement Reserve Account to be used to make Capital Improvements to System Projects. Pursuant to the Authority's annual operating budget, and at such time or times in each Fiscal Year as may be specified in such budget, the BHE shall pay over, or cause the State Universities to pay over, to the Trustee, for deposit in the System Projects Capital Improvement Reserve Account, from amounts collected as fees, rents, rates and other charges of the Authority, the greater of (i) the amount specified in the Authority's annual operating budget as being required by the Trust Agreement to be so deposited or (ii) an amount equal to 7.5% of the total fees, rents, rates and other charges collected with respect to the System Projects during such Fiscal Year. The Authority shall maintain within the Capital Improvement Reserve Fund a separate Campus Project Capital Improvement Reserve Account for each State University at which a Campus Residence Hall Project is located, to be used to make Capital Improvements to the Campus Residence Hall Projects at such State University. Pursuant to the Authority's annual operating budget, and at such time or times in each Fiscal Year as may be specified in such budget, commencing with the second full Fiscal Year after completion of a Campus Residence Hall Project, the applicable State University shall pay over to the Trustee, for deposit in the applicable Campus Project Capital Improvement Reserve Account, the greater of (i) the amount specified in the Authority's annual operating budget as being required by the Trust Agreement to be so deposited or (ii) an amount equal to the following percentages of the fees, rents, rates and other charges collected with respect to such Campus Residence Hall Project during the 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 applicable management contract guidelines under federal income tax law pertaining to bond-financed property. Notwithstanding the foregoing, the Authority may, in its sole discretion, elect to contract directly with a third party for the provision of any or all such services with respect to a particular Project other than a Commonwealth-owned Project. The Authority shall have no obligation to operate or maintain any Commonwealth-owned Project. Each State University shall submit to the Authority a copy of its annual financial statements for each Fiscal Year as soon as practicable after the issuance thereof. Each such financial statement shall be prepared in accordance with generally accepted accounting principles, shall be audited by an independent certified public accountant or accounting firm and shall contain such detail as to Projects as the Authority shall reasonably request. Each State University shall also provide the Authority such other information as the Authority may from time to time reasonably request. The BHE shall provide to the Authority such information as the Authority may from time to time reasonably request about the BHE, the system of public higher education in the Commonwealth, the State Universities and the Projects, including without limitation all information appropriate to enable the Authority to comply with the provisions of Rule 15c2-12 of the federal Securities and Exchange Commission (continuing disclosure requirements applicable to municipal securities).

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

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

Pledged Funds. Except as provided under the heading "Pledge of Trust Funds," the Pledged Funds are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to the pledge created under the Contract and by the Prior Contracts, and the BHE shall take all actions necessary to protect and effectuate such pledge, provided, however, that nothing in this section shall be deemed to limit the right of the BHE or any State University, to the extent permitted by law, to create a pledge, lien or other charge on any or all such Pledged Funds junior and subordinate to the pledge created under the Contract and provided, further, that the BHE or a State University may, to the extent permitted by law, create a pledge, lien or other charge on any or all such Pledged Funds in respect of a particular State University of equal rank with the pledge created under the Contract if, and only if, the BHE or the State University, as the case may be, shall have certified in writing to the Authority that the total revenues available for expenditure by such State University during each of the three most recently completed Fiscal Years (including the Pledged Funds, but excluding any Project Revenues, in respect of such State University) were not less than 200% of the maximum annual debt service requirements on all outstanding debt obligations allocable to such State University and the debt obligations then being issued. In computing principal and interest requirements for the purposes of this section on debt obligations as to which interest is deferred and compounded rather than being paid currently during any period of calculation, such calculation shall be made as if interest thereon accrued and was deemed paid at a rate determined on the date of such calculation by a nationally known investment banking firm selected by the BHE or State University, as the case may be, to be the rate which, if earnings at such rate were compounded on the initial public sale price in the manner required by the terms of such debt obligations through the maturity date or earlier date on which such compounding is scheduled to cease, would produce the amount of such debt obligations scheduled to mature on such maturity date or the accreted value of such debt obligations scheduled to exist on such earlier date, as the case may be.

Payments from Pledged Funds. The BHE shall make payments from Pledged Funds if and to the extent that Project Revenues related to a particular State University and other moneys received by the Authority or otherwise available pursuant to the Trust Agreement in connection with the Projects of such State University are insufficient to pay debt service on the Bonds allocable to such Projects and the Authority's expenses in connection with such Bonds or such Projects. Upon receipt from the Authority or the Trustee of notice of any such insufficiency relating to a particular State University, the BHE shall, as promptly as practicable, pay to the Trustee, or cause such State University to pay to the Trustee, from the Pledged Funds of such State University the amount of such insufficiency, provided that any such payment shall be made, first, from Pledged Trust Funds, until exhausted, and, second, from Pledged Appropriations. In the case of Westfield State University and the Massachusetts Maritime Academy, the Pledged Trust Funds shall be deemed to be exhausted if and to the extent that they have been paid to Bank of America pursuant to the prior liens described above under the heading "Pledge of Trust Funds" or are otherwise unavailable to the Authority or

the Trustee pursuant to applicable intercreditor agreements between the Authority and Bank of America as such intercreditor agreements may be amended from time to time. The Pledged Trust Funds of one State University may not be used to make payments under this section on behalf of any other State University. However, if the Pledged Trust Funds of the applicable State University have been exhausted and the Pledged Appropriations of such State University are insufficient to cover the insufficiency, the Board shall pay to the Trustee, or cause the Trustee to be paid, the amount of the remaining insufficiency from the Pledged Appropriations of all of the State Universities, ratably, according to the percentage of outstanding Bonds then allocable to each particular State University. In order to comply with the provisions of this paragraph or to effectuate the pledge described under the headings "Pledged Funds" and "Payment from Pledged Funds," the BHE shall take all actions necessary or desirable to effectuate transfers from funds made available for expenditure on behalf of an applicable State University pursuant to an appropriation or other spending authorization in the Commonwealth's annual operating budget, including supplemental and deficiency budgets and including, without limitation, any tuition retention authorization. Such actions shall include, without limitation, submitting or causing to be submitted to the Comptroller of the Commonwealth such directions or instructions as may be required or requested by the Comptroller to effectuate such transfers. The Authority agrees to give notice to the Secretary of the Executive Office for Administration and Finance of the Commonwealth whenever it gives notice to the BHE of an insufficiency as aforesaid, or whenever it has become aware that the Trustee has given such notice to the BHE.

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

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

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

amendments to the provisions of the Contract and to execute such other agreements and take such other actions as may be necessary to achieve the purposes of the Contract and to maintain the financial security of the Authority and the security for the Bonds.

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

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

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

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

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

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

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

rights to receive moneys under the Contract and to enforce the provisions of the Contract may be assigned to the Trustee.

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

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

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PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the Series 2017 Bonds, Bond Counsel proposes to deliver opinions 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 2017B (the "Series 2017B Bonds"), Project Revenue Bonds, Series 2017C (Federally Taxable) (the "Series 2017C Bonds") and Refunding Revenue Bonds, Series 2017D (collectively, the "Series 2017D Bonds" and, collectively with the Series 2017B Bonds and the Series 2017C Bonds, the "Series 2017 Bonds")

We have acted as bond counsel to the Authority in connection with the issuance by the Authority of the Series 2017 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 Thirtieth Supplemental Trust Agreement dated as of January 1, 2017 and as supplemented by the Thirty-second Supplemental Trust Agreement and the Thirty-third Supplemental Trust Agreement, each dated as of December 1, 2017 (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 2017 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.

For the Series 2017D Bonds only:

Reference is made to an opinion of even date of General Counsel to MCPHS University, f/k/a Massachusetts College of Pharmacy and Health Sciences ("MCPHS"). We have relied on such opinion with regard to matters addressed therein, including, without limitation, the current qualification of MCPHS as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"). We note that such opinion is subject to the limitations and conditions described therein. Failure of MCPHS to maintain its status as an organization described in Section 501(c)(3) of the Code or to use the Project in activities of MCPHS that do not constitute unrelated trades or businesses of MCPHS within the meaning of Section 513 of the Code may result in interest on the Series 2017D Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Series 2017D Bonds.

For the Series 2017 Bonds:

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 2017 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 2017 Bonds issued thereunder on a parity with other bonds issued under the Trust Agreement.

5. The Series 2017 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 2017 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 2017 Bonds.

For the Series 2017B Bonds and the Series 2017D Bonds only:

6. (i) Interest on the Series 2017B Bonds and the Series 2017D Bonds will not be included in the gross income of holders of such Series 2017B Bonds and the Series 2017D Bonds for federal income tax purposes. This opinion is rendered subject to the condition that the Authority [*Series 2017D Bonds only:* and MCPHS] 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 2017B Bonds and the Series 2017D Bonds in order to ensure that the interest on the Series 2017B Bonds and the Series 2017D Bonds is and continues to be excludable from the gross income of the holders of the Series 2017B Bonds and the Series 2017D Bonds for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Series 2017B Bonds and the Series 2017D Bonds to be included in the gross income of holders of such Series 2017B Bonds and the Series 2017D Bonds retroactive to the date of issuance of the Series 2017B Bonds and the Series 2017D Bonds.

(ii) While interest on the Series 2017B Bonds and the Series 2017D 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 2017B Bonds and the Series 2017D Bonds will be included in the "adjusted current earnings" of corporate holders of the Series 2017B Bonds and the Series 2017D 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 2017B Bonds and the Series 2017D Bonds.

For Series 2017C Bonds only:

6. Interest on the Series 2017C Bonds will be included in the gross income of the holders of the Series 2017C Bonds for federal income tax purposes. We express no opinion as to other federal tax consequences resulting from holding the Series 2017C Bonds.

The federal tax advice contained herein is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer, such federal tax advice is written to support the promotion or marketing of the Series 2017C Bonds, and each purchaser of a Series 2017C Bond should seek advice based on such purchaser's particular circumstances from an independent tax advisor.

For the Series 2017 Bonds:

7. Interest on the Series 2017 Bonds and any profit on the sale thereof are exempt from Massachusetts personal income taxes, and the Series 2017 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 2017 Bonds nor as to the taxability of the Series 2017 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 2017 Bonds and the enforceability of the Series 2017 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.

MINTZ, LEVIN, COHN, FERRIS, GLOVSKY AND POPEO, P.C.

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SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING

Massachusetts State College Building Authority
Project Revenue Bonds, Series 2017B
Project Revenue Bonds, Series 2017C (Federally Taxable)
Refunding Revenue Bonds, Series 2017D
(collectively, the "Series 2017 Bonds")

Authority Disclosure Agreement

Prior to the issuance of the Series 2017 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 2017 Bonds. The Authority will undertake for the benefit of the registered owners and Beneficial Owners (the "owners") of the Series 2017 Bonds to provide the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access system ("EMMA") pursuant to the requirements of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), no later than 270 days after the end of each fiscal year of the Authority, (i) the annual financial information described below relating to such fiscal year, together with audited financial statements of the Authority and each State University for such fiscal year if audited financial statements are then available, provided, however, that if audited financial statements of the Authority are not then available, such audited financial statements shall be delivered to the MSRB when they become available (but in no event later than 350 days after the end of such fiscal year) or (ii) notice of the Authority's failure, if any, to provide any such information. The BHE will undertake for the benefit of the owners of the Series 2017 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 2017 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 2007-2017 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 2017 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 2017 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 2017 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 2017 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 2017 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 2017 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 2017 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 2017 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 2017 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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The Series 2017D Bonds are being issued to refund prior to maturity all or any portion of the aggregate principal amount outstanding of the Authority's outstanding bonds described below (the "Refunded Bonds"). The Authority reserves the right to refund all or none of the bonds listed below and to refund other Authority bonds not listed below. The issuance of the Series 2017D Bonds and the refunding of the Refunded Bonds are subject to market conditions at the time of sale of the Series 2017D Bonds. No assurance can be given that any particular bond or any particular maturity will be refunded. Any refunding is contingent upon the delivery of the Series 2017D Bonds.

TABLE OF REFUNDED BONDS*

Project Revenue Bonds, Series 2009B

CUSIP	Maturity Dates	Par Amount	Interest Rate	Redemption Date	Redemption Price
575832 TD2	5/1/2021	$1,220,000.00	3.625%	05/01/2020	100%
575832 TE0	5/1/2022	1,265,000.00	5.000%	05/01/2020	100%
575832 TF7	5/1/2023	1,370,000.00	3.750%	05/01/2020	100%
575832 TG5	5/1/2024	200,000.00	3.875%	05/01/2020	100%
575832 TJ9	5/1/2025	100,000.00	3.875%	05/01/2020	100%
575832 TL4	5/1/2026	2,030,000.00	5.000%	05/01/2020	100%
575832 TM2	5/1/2027	2,205,000.00	5.000%	05/01/2020	100%
575832 TN0	5/1/2028	2,540,000.00	5.000%	05/01/2020	100%
575832 TP5	5/1/2029	2,895,000.00	5.000%	05/01/2020	100%
575832 TQ3	5/1/2030	3,275,000.00	5.000%	05/01/2020	100%
575832 TH3	5/1/2024	1,395,000.00	5.000%	05/01/2020	100%
575832 TK6	5/1/2025	1,650,000.00	5.000%	05/01/2020	100%
575832 TR1	5/1/2035	19,880,000.00	5.000%	05/01/2020	100%
575832 TS9	5/1/2040	30,250,000.00	5.000%	05/01/2020	100%
		$70,275,000.00			

* Preliminary; subject to change.

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Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

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