NEW ISSUE **Ratings: See "RATINGS" herein**

In the opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel to the Authority, under existing law, assuming continuing compliance with certain provisions of the Internal Revenue Code of 1986, as amended, interest on the Bonds will not be included in the gross income of the holders of the Bonds for federal income tax purposes. Interest on the Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on individuals and corporations, although interest on the Bonds will be taken into account in computing the alternative minimum tax applicable to certain corporations. In the opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., interest on the Bonds, and any profit made on the sale thereof, is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. See "TAX MATTERS" herein.

$101,700,000
University of Massachusetts Building Authority
Refunding Revenue Bonds, Senior Series 2011-2
(7 Month Window) (Commonwealth Guaranteed)

Dated: Date of Initial Delivery **Due: November 1, 2034**

The Refunding Revenue Bonds, Senior Series 2011-2 (the "Series 2011-2 Bonds" or the "Bonds") will be issued by the University of Massachusetts Building Authority (the "Authority") as fully registered bonds and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. Individual purchases of beneficial ownership of the Bonds will be made in book-entry form, in denominations of $100,000 or any integral multiple of $5,000 in excess thereof. No physical delivery of the Bonds will be made to purchasers. While the Bonds bear interest at the Windows Rate principal and semiannual interest (payable May 1 and November 1, commencing November 1, 2011) are payable to DTC by U.S. Bank National Association, Boston, Massachusetts, as Trustee. See "BOOK-ENTRY ONLY SYSTEM." The Bonds shall be subject to optional and mandatory sinking fund redemption prior to maturity and optional and mandatory tender for purchase as more fully described herein.

The Bonds will initially bear interest at the Windows Rate. (See the inside cover hereof) The Bonds may be converted to and from the Windows Rate Period, the Weekly Rate Period, the Daily Rate Period, or the Term Rate Period, and may be converted until maturity to the Fixed Rate Period (each, as the context may require, a "Mode"). The initial Windows Rate for the Bonds for the period commencing on the date of delivery of the Bonds and each Windows Spread thereafter will be determined by Citigroup Global Markets Inc., as Remarketing Agent for the Bonds, as described herein.

This Official Statement generally describes the Bonds only while bearing interest at the Windows Rate. Prospective purchasers of the Bonds bearing interest at rates other than the Windows Rate should not rely on this Official Statement.

The Bonds are special obligations of the Authority payable solely from funds provided under the Enabling Act (defined herein), the Project Trust Agreement (defined herein) and the Series Resolution (defined herein), including payments made by the Board of Trustees of the University of Massachusetts (the "University") and amounts paid by the Commonwealth of Massachusetts (the "Commonwealth") under its guaranty of principal and interest on the Series 2011-2 Bonds, including the purchase price thereof as applicable, under the Contract (defined herein), all as more fully described under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein. The purchase price of the Bonds bearing interest at the Windows Rate tendered for purchase is payable from the proceeds of the remarketing of such Bonds or, upon a Windows Mandatory Tender Date as described herein, from funds provided by the Authority or by the Commonwealth under its guaranty.

Except on a Windows Mandatory Tender Date, the Authority is not obligated to provide funds for the payment of the purchase price of any Bonds tendered for purchase from any source other than the proceeds of the remarketing of such Bonds.

THE SERIES 2011-2 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A GENERAL OBLIGATION OF THE AUTHORITY OR (EXCEPT FOR THE GUARANTY OF THE COMMONWEALTH) A DEBT OR LIABILITY OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF. EXCEPT FOR THE GUARANTY OF THE COMMONWEALTH, NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE SERIES 2011-2 BONDS. THE ENABLING ACT OF THE AUTHORITY DOES NOT IN ANY WAY CREATE A SO-CALLED MORAL OBLIGATION OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF TO PAY DEBT SERVICE WITH RESPECT TO THE SERIES 2011-2 BONDS. THE AUTHORITY DOES NOT HAVE TAXING POWER.

The Bonds are offered when, as and if issued by the Authority and received by the Underwriter, subject to the approval of legality by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel. Certain matters will be passed upon for the Authority by its counsel, Burns & Levinson LLP, Boston, Massachusetts, for the Underwriter by its counsel, McCarter & English, LLP, Boston, Massachusetts, and for the Commonwealth by its disclosure counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts. It is expected that the Bonds in definitive form will be available for delivery through DTC in New York on or about June 9, 2011.

Citi

Dated: June 8, 2011

PRINCIPAL AMOUNT, MATURITY DATE, INITIAL MANDATORY TENDER WINDOW, INITIAL WINDOWS SPREAD, PRICE AND INITIAL CUSIP NUMBER OF THE SERIES 2011-2 BONDS

$101,700,000
University of Massachusetts Building Authority
Refunding Revenue Bonds, Senior Series 2011-2
(7 Month Window) (Commonwealth Guaranteed)

(Windows Rate Period Only)

Principal Amount	Maturity Date (November 1)	Initial Mandatory Tender Window*	Interest Rate (Variable)	Initial Window Spread	Price	CUSIP†
$101,700,00	2034	210 days	SIFMA	0.09%	100%	914437QC5

The Series 2011-2 Bonds are subject to optional and mandatory redemption, optional tender for purchase during a Windows Rate Period and mandatory tender for purchase prior to maturity, as described herein. See "THE BONDS."

* The Mandatory Tender Window commences on the last day of the applicable Remarketing Window.

Addresses of Principal Parties

Authority

University of Massachusetts Building Authority
333 South Street, 4th Floor
Shrewsbury, Massachusetts 01545
Attention: Executive Director

Trustee

U.S. Bank National Association
One Federal Street, 3rd Floor
Boston, Massachusetts 02110
Attention: Corporate Trust Department

Remarketing Agent

Citigroup Global Markets Inc.
390 Greenwich Street, 2nd Floor
New York, New York 10013
Attention: Short-Term Tax-Exempt Trading

The information set forth or incorporated by reference herein has been obtained from the Authority, the University and other sources which are believed to be reliable, but, as to information from other than the Authority, it is not to be construed as a representation by the Authority. 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 Authority since the date hereof, except as expressly set forth herein.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. 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 Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

All quotations from and summaries and explanations of provisions of laws, the Project Trust Agreement, the Series 2011-2 Bonds and other documents herein do not purport to be complete; reference is made to said laws, the Project Trust Agreement, the Bonds, the Contract, and other documents for full and complete statements of their provisions. Copies of the above are available for inspection at the principal office of the Trustee.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SECURITIES OFFERED HEREBY AT A LEVEL 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

$101,700,000
University of Massachusetts Building Authority
Refunding Revenue Bonds, Senior Series 2011-2
(7 Month Window) (Commonwealth Guaranteed)

INTRODUCTORY STATEMENT

General

The purpose of this Official Statement, which includes the cover page and the appendices hereto, is to furnish information in connection with the offering by the University of Massachusetts Building Authority (the "Authority") of its $101,700,000 Refunding Revenue Bonds, Senior Series 2011-2 (the "Series 2011-2 Bonds").

Unless otherwise defined herein, capitalized terms used herein shall have the meanings set forth in Appendix D-1 "Summary of Legal Documents - Summary of Certain Provisions of the Project Trust Agreement - Definitions." All references to time in this Official Statement, unless otherwise specifically stated, are to Boston, Massachusetts time.

The Bonds are issued pursuant to Chapter 773 of the Acts of 1960 of the Commonwealth of Massachusetts, as amended (the "Enabling Act"), the Trust Agreement dated as of November 1, 2000 (the "Project Trust Agreement"), between the Authority and State Street Bank and Trust Company, Boston, Massachusetts, as trustee and predecessor to U.S. Bank National Association, as successor trustee (the "Trustee"), and the Series Resolution Authorizing the Issuance of Refunding Revenue Bonds, Senior Series 2011-2 (the "Series 2011-2 Series Resolution"), adopted by the Authority on May 12, 2011.

The Authority was created by the Enabling Act as a body politic and corporate and a public instrumentality of the Commonwealth of Massachusetts (the "Commonwealth") for the general purpose of aiding and contributing to the performance of the educational and other purposes of the University of Massachusetts (the "University") by providing dormitories, dining commons and other buildings and structures for the use of the University, its students, staff and their dependents and for lease to certain other entities related to the University, all in accordance with the Enabling Act. See "THE AUTHORITY" herein.

The Series 2011-2 Bonds are being issued to refund the Authority's Project and Refunding Revenue Bonds, Senior Series 2008-4 currently outstanding in the principal amount of $101,700,000 (the "Series 2008-4 Bonds"). The Authority is also issuing its Revenue Refunding Bonds Series 2011-1 Bonds (the "Series 2011-1 Bonds") on June 9, 2011 to refund the Authority's Project and Refunding Revenue Bonds, Senior Series 2008-3 currently outstanding in the principal amount of $135,040,000 (the "Series 2008-3 Bonds"). See "APPLICATION OF PROCEEDS AND PLAN OF REFUNDING"

The Enabling Act prohibits the Authority from refunding outstanding bonds except upon approval of the Board of Trustees of the University (the "University Trustees"). In connection with the Series 2011-2 Bonds and the Series 2011-1 Bonds, such approval has been obtained.

As more fully described herein, the Series 2011-2 Bonds will be special obligations of the Authority and, as to the payment of principal and redemption price, if any, of and interest thereon, are payable solely from and secured by amounts pledged under the provisions of the Enabling Act, the Project Trust Agreement and the Series Resolution. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS".

The purchase price of Series 2011-2 Bonds bearing interest at the Windows Rate tendered for purchase is payable from the proceeds of the remarketing of such Series 2011-2 Bonds and, on a Windows Mandatory Tender Date, from funds provided by the Authority or the Commonwealth under its guaranty. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," hereto.

The Series 2011-2 Bonds are payable solely from funds provided under the Enabling Act, the Project Trust Agreement, the Series Resolution, and any amounts paid by the Commonwealth under its guaranty of principal of and interest on the Series 2011-2 Bonds, including the purchase price thereof, all under the Contract for Financial Assistance, Management and Services dated as of June 9, 2011 (the "Contract") among the Commonwealth, acting by and through the University Trustees, and the Authority. For more information on the Contract, see Appendix D-2.

In the opinion of Bond Counsel, the full faith and credit of the Commonwealth are pledged for the performance of the guaranty for the Series 2011-2 Bonds. It should be noted, however, that Chapter 62F of Massachusetts General Laws establishes a state tax revenue growth limit and does not exclude performance of such guaranty from the scope of the limit and that Chapter 29, Section 60B of the Massachusetts General Laws imposes an annual limitation on the percentage of total appropriations that may be expended for payment of interest and principal on general obligation debt of the Commonwealth.

The obligations of the University Trustees to make payments under the Contract are limited to funds of the University lawfully available for such purpose. The obligations of the University Trustees in connection with the Bonds and the Contract do not constitute a debt or obligation of the Commonwealth (except for the guaranty of the Commonwealth of the payment of principal of and interest on the Series 2011-2 Bonds), and (a) except for such guaranty, neither the Commonwealth nor any political subdivision thereof shall be obligated to pay the Bonds, and (b) neither the faith and credit nor the taxing power of the Commonwealth or of any political subdivision thereof is pledged to the payment of the Bonds. The Enabling Act does not in any way create a so-called moral obligation of the Commonwealth or of any political subdivision thereof to pay debt service in the event of default. The Authority does not have taxing power. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

Purpose and Content of Official Statement

This Official Statement describes the terms and use of proceeds of, and security for, the Series 2011-2 Bonds while bearing interest at the Windows Rate. This introduction is subject in all respects to the additional information contained in this Official Statement, including Appendices A through F. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document.

Information about the University is set forth in Appendix A. Financial Statements of the Authority and of the University, respectively, for the fiscal years ended June 30, 2010 and June 30, 2009 are set forth in Appendices B and C. Summaries of certain provisions of the Project Trust Agreement and the Contract are included as Appendix D. The proposed form of opinion of Bond Counsel is included in Appendix E. Appendix F includes a summary of the Continuing Disclosure Agreements with respect to the Authority, the University and the Commonwealth.

For further information about the Commonwealth, specific reference is made to the Commonwealth's Information Statement dated March 15, 2011, as supplemented by the Commonwealth Information Statement Supplement dated May 6, 2011 (collectively, the "Commonwealth Information Statement"). The Commonwealth Information Statement has been filed with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") online system. The Commonwealth Information Statement is incorporated herein by reference.

Questions regarding the Commonwealth Information Statement or requests for additional information concerning the Commonwealth should be directed to Colin MacNaught, Assistant Treasurer for Debt Management, Office of the Treasurer and Receiver-General, One Ashburton Place, 12th floor, Boston, Massachusetts 02108, telephone (617) 367-3900, or to Karol Ostberg, Director of Capital Finance, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone (617) 727-2040.

The summaries of the agreements and other documents herein do not purport to be comprehensive or definitive and all references to any contract, agreement and other document described herein are qualified in their entirety by reference to each such contract, agreement and other document. All references herein to the 2011-2 Bonds are qualified in their entirety by reference to the definitive forms thereof and to the Project Trust Agreement and the Series Resolution. Definitive copies of all contracts, agreements and other documents described in the Official Statement are available for inspection prior to the date of issuance of the Series 2011-2 Bonds at the offices of the Authority, located at 333 South Street, 4th Floor, Shrewsbury, Massachusetts 01545, and subsequent to the date of issuance of the Series 2011-2 Bonds, at the Boston corporate trust office of the Trustee.

APPLICATION OF PROCEEDS AND PLAN OF REFUNDING

The proceeds from the sale of the 2011-2 Bonds will be used to refund on a current basis the outstanding amount of the Series 2008-4 Bonds as follows:

Deposit to the Series 2008-4 Redemption Fund	$101,700,000
Total Application of Proceeds	$101,700,000

Costs of issuance, including underwriter's discount, and accrued interest on the 2011-2 Bonds will be paid with other available funds of the Authority.

To effect the refunding of the Series 2008-4 Bonds, the Authority will cause a portion of the proceeds thereof to be deposited into the redemption fund for the Series 2008-4 Bonds, established for the purpose of refunding the outstanding amount of the Series 2008-4 Bonds. The Series 2008-4 Bonds will be redeemed on a date within ninety (90) days of the date of issuance of the Series 2011-2 Bonds (the "Redemption Date") at a price of 100% of the principal amount thereof, plus accrued interest to the Redemption Date. Interest on the Redeemed Bonds will cease to accrue from and after the Redemption Date. None of the monies in the redemption account for the Series 2008-4 Bonds will serve as security for or be available to pay principal of or interest on the Series 2011-2 Bonds.

THE BONDS

General

The Series 2011-2 Bonds will bear interest initially at the Windows Rate. At the option of the Authority, Series 2011-2 Bonds bearing interest at the Windows Rate may be converted and reconverted, as described below, to Series 2011-2 Bonds bearing interest at another Adjustable Rate, including the Weekly Rate, the Daily Rate, and the Term Rate, or may be converted to a Fixed Rate.

This Official Statement generally describes the Series 2011-2 Bonds only while bearing interest at the Windows Rate. Prospective purchasers of the Series 2011-2 Bonds bearing interest at rates other than the Windows Rate should not rely on this Official Statement. If the Authority elects to convert the Series 2011-2 Bonds to another Mode, a new official statement or a supplement to this Official Statement describing the terms of the Series 2011-2 Bonds during such Mode will be prepared.

While the Series 2011-2 Bonds bear interest at the Windows Rate, the rate of interest to be borne by the Series 2011-2 Bonds will be determined as described below under "Determination of Windows Interest Rate." The Series 2011-2 Bonds will be issued in the principal amount of $101,700,000 and are Variable Rate Bonds under the Project Trust Agreement. The Series 2011-2 Bonds will be dated the date of initial delivery thereof, will mature (unless redeemed prior to maturity) on November 1, 2034, and will be subject to optional and mandatory sinking fund redemption and optional and mandatory tender for purchase before maturity as described below.

The Series 2011-2 Bonds will be issued by means of a book-entry system, with bond certificates immobilized at The Depository Trust Company, New York, New York ("DTC"), and not available for distribution to the public, evidencing ownership of the Series 2011-2 Bonds in principal amounts of $100,000 or any integral multiples of $5,000 in excess thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Interest on the Series 2011-2 Bonds will be payable as stated below, principal of the Series 2011-2 Bonds will be paid, at maturity or upon earlier redemption, and the purchase price will be paid when due, to DTC or its nominee as registered owner of the Series 2011-2 Bonds. Transfer of principal and interest payments and the purchase price to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments and purchase price to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. While the Series 2011-2 Bonds bear interest at the Windows Rate the record date for principal and interest payments by DTC to its participants will be the Business Day next preceding an Interest Payment Date. Accordingly, debt service will be payable to participants of DTC, shown on the records of DTC, at the close of business on the business day preceding such debt service payment date. Neither the Authority nor the Trustee will be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. See "BOOK-ENTRY-ONLY SYSTEM."

The Interest Payment Dates for the Series 2011-2 Bonds bearing interest at the Windows Rate will be each May 1 and November 1, commencing on November 1, 2011, or in the event any such date is not a Business Day, the next succeeding Business Day.

Interest on the Series 2011-2 Bonds shall be paid on each Interest Payment Date, any redemption date for the Series 2011-2 Bonds, any mandatory or optional tender date and the stated maturity date of the Series 2011-2 Bonds. While the Series 2011-2 Bonds bear interest at the Windows Rate, interest accrued on such Series 2011-2 Bonds shall be computed on the basis of a 365/366 -day year for the number of days actually elapsed.

<u>Determination of Windows Interest Rate.</u> During each Windows Rate Period, the Series 2011-2 Bonds will bear interest at the Windows Rate, which will be determined by the Trustee or an agent appointed by the Trustee to calculate the Windows Rate (the "Windows Calculation Agent") each Thursday (or if such day is not a Business Day, then on the next succeeding Business Day) and will be equal to the Municipal Swap Index rate most recently published by the Securities Industry and Financial Markets Association (the "SIFMA Index") on such day plus the Windows Spread. The Underwriter will determine the Initial Windows Spread, which will apply from the date of delivery of the Series 2011-2 Bonds until a revised Windows Spread is determined by the Remarketing Agent and which will result in a Windows Rate that will enable the Remarketing Agent to sell the Series 2011-2 Bonds at a price (without regard to accrued interest) equal to the principal amount thereof. The Windows Calculation Agent will furnish each Windows Rate so determined to the Trustee, the Remarketing Agent and the Authority by Electronic Means no later than the Business Day next succeeding the date of determination. The first Windows Rate for each Windows Rate Period will be determined on or prior to the first day of such Windows Rate Period, will apply to the period commencing on the first day of such Windows Rate Period and ending on and including the next succeeding Wednesday and will be equal to the SIFMA Index as of the first day of such Windows Rate Period (or, if the first day of such Windows Rate Period is not a Thursday, the SIFMA Index as of the Thursday preceding the first day of such Windows Rate Period) plus the Windows Spread. Thereafter, each Windows Rate will apply to the period commencing on and including Thursday and ending on and including the next succeeding Wednesday (a "Calculation Period"), unless such Windows Rate Period ends on a day other than Wednesday, in which event the last Windows Rate for such Windows Rate Period will apply to the period commencing on and including the Thursday preceding the last day of such Windows Rate Period and ending on and including the last day of such Windows Rate Period.

During each Windows Rate Period, the Remarketing Agent may (i) with the consent of the Authority, increase the Windows Spread effective as of (a) any Windows Optional Tender Date during each Remarketing Window, (b) any Windows Mandatory Tender Date or (c) any other Mandatory Purchase Date for all of the 2011-2 Bonds that occurs pursuant to the Series Resolution during such Windows Rate Period, or (ii) reduce the Windows Spread effective as of any Windows Mandatory Tender Date or any other Mandatory Tender Date for all of the 2011-2 Bonds that occurs pursuant to the Series Resolution during such Windows Rate Period. The sum of the SIFMA Index plus the revised Windows Spread will be equal to the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax exempt obligations comparable, in the judgment of the Remarketing Agent, to the 2011-2 Bonds and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the 2011-2 Bonds, would enable the Remarketing Agent to sell all of the 2011-2 Bonds on the effective date of the revised Windows Spread at a price (without regard to accrued interest) equal to the principal amount thereof. A revised Windows Spread will apply to all 2011-2 Bonds bearing interest at a Windows Rate as of the effective date of the revised Windows Spread. The Remarketing Agent will give notice of the revised Windows Spread to the Trustee by Electronic Means not later than the second Business Day after the effective date of such revised Windows Spread. The Trustee will give notice of such revised Windows Spread by first-class mail to the Holders, with a copy to the Authority, not later than the second Business Day after receiving notice of such Windows Spread from the Remarketing Agent.

If the Windows Rate for any week is held to be invalid or unenforceable by a court of law or if the SIMFA Index is not available for any week, then the Windows Rate for such week will be equal to 85% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day such Windows Rate would otherwise be determined as provided herein for such Windows Rate Period, plus the Windows Spread.

In no event will the interest rate borne by any Series 2011-2 Bond exceed the Maximum Rate of 12%

Conversion. While the Series 2011-2 Bonds bear interest at the Windows Rate, the Series 2011-2 Bonds may be converted in whole or in part, to a different Adjustable Rate as directed by the Authority, in a written notice to the Trustee, the Remarketing Agent and any Rating Agency then rating the Series 2011-2 Bonds, delivered at least 30 days prior to the proposed effective date of the conversion to a different Adjustable Rate. Upon any change in the type of interest rate borne by the Series 2011-2 Bonds pursuant to the provisions in the Series 2011-2 Series Resolution (a "Change in Interest Rate Mode"), the Series 2011-2 Bonds are subject to mandatory tender for purchase at a price equal to the principal amount thereof plus accrued interest and premium, if any, on the effective date of such Change in Interest Rate Mode. (See, "Optional and Mandatory Tender for Purchase - Mandatory Tender Upon a Change in Interest Rate Mode" below.) The Trustee is required to mail the notice of the proposed Change in Interest Rate Mode received from the Authority to the holders of the Series 2011-2 Bonds no less than 15 days prior to the proposed effective date of the Change in Interest Rate Mode. A Change in Interest Rate Mode may only be effected on the last day of a Calculation Period. The notice of the proposed Change in Interest Rate Mode from the Authority shall be effective only if it is accompanied by the form of opinion that Bond Counsel expects to be able to give on the proposed effective date of such Change in Interest Rate Mode to the effect that such Change in Interest Rate Mode is authorized by the Series 2011-2 Series Resolution, is permitted under the Enabling Act and will not have an adverse effect on the exclusion of interest on such Series 2011-2 Bonds from gross income for federal income tax purposes.

In the event that any condition to the conversion of the Series 2011-2 Bonds shall not have been satisfied, then the Series 2011-2 Bonds shall continue to bear interest at the Windows Rate as in effect immediately prior to such proposed Change in Interest Rate Mode.

Remarketing Agent. The Remarketing Agent may at any time resign by giving at least 60 days' notice to the Authority and the Trustee. In addition, the Remarketing Agent may be removed at any time, upon at least 30 days' prior notice, at the direction of the Authority, by an instrument filed with the Remarketing Agent, and the Trustee and upon at least thirty (30) days' notice to the Remarketing Agent.

Redemption Provisions

Optional Redemption. The Series 2011-2 Bonds while in a Windows Rate Period are subject to redemption prior to their stated maturity date at the option of the Authority, in whole or in part, on any Business Day, at a redemption price equal to the principal amount of the Series 2011-2 Bonds or portion thereof to be redeemed, without premium, plus interest accrued thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption. The Series 2011-2 Bonds while in a Windows Rate Period shall be subject to mandatory redemption prior to their stated maturity date from Sinking Fund Installments, payable on November 1 of each of the years and in the amounts set forth below, at a redemption price equal to the principal amount of the Series 2011-2 Bonds to be redeemed, without premium, plus interest accrued thereon to the date fixed for redemption.

Year	Principal Amount	Year	Principal Amount
2011	$ 825,000	2023	$ 10,150,000
2012	855,000	2024	7,115,000
2013	885,000	2025	7,370,000
2014	915,000	2026	7,650,000
2015	955,000	2027	7,635,000
2016	1,150,000	2028	7,610,000
2017	1,060,000	2029	6,635,000
2018	1,100,000	2030	2,400,000
2019	1,155,000	2031	2,490,000
2020	7,750,000	2032	2,585,000
2021	8,080,000	2033	2,680,000
2022	9,785,000	2034*	2,865,000

* Final maturity.

Notice of Redemption. The Trustee is required to give notice of redemption of any Series 2011-2 Bonds, specifying the date of redemption, the principal amount thereof to be redeemed and the redemption price, by mailing, postage prepaid, not more than 60 days nor less than 30 days prior to the redemption date, copies thereof to the Registered Owners of any Series 2011-2 Bonds, or portions thereof, to be redeemed; provided, however, that failure of any Registered Owner to receive such notice so mailed to such Registered Owner or any defect therein shall not affect the validity of proceedings for the redemption of any Series 2011-2 Bonds, and failure to mail such notice to any Registered Owner entitled thereto shall not affect the validity of the proceedings for the redemption of any Series 2011-2 Bonds as to which no such failure occurred. On the date designated for redemption, notice having been mailed and moneys for payment of the Redemption Price of and interest accrued to the redemption date on the Series 2011-2 Bonds to be redeemed being held by the Trustee, the Series 2011-2 Bonds or portions of Series 2011-2 Bonds so called for redemption shall become and be due and payable at the Redemption Price provided for such Series 2011-2 Bonds (or such portions thereof) on such date, plus interest accrued thereon to such date, interest on such Series 2011-2 Bonds (or such portions thereof) shall cease to accrue, such Series 2011-2 Bonds (or such portions thereof) so called for redemption shall cease to be entitled to any lien, benefit or security under the Trust Agreement, and the Registered Owners thereof shall have no rights in respect of such Series 2011-2 Bonds (or such portions thereof) except to receive payment of the Redemption Price thereof and such interest accrued thereon so held by the Trustee. If, at the time of mailing of a notice of optional redemption, moneys have not been deposited with the Trustee in an amount sufficient to redeem all the Series 2011-2 Bonds called for redemption, such notice shall state that it is subject to the deposit of sufficient moneys not later than the opening of business on the redemption date, and that such notice shall be of no effect unless such moneys are deposited. So long as the book-entry-only system remains in effect for the Series 2011-2 Bonds, notices of redemption will be mailed by the Trustee only to DTC or its nominee, as registered owner of the Series 2011-2 Bonds. The Trustee is not responsible for giving notices of redemption to anyone other than the registered owners of the Series 2011-2 Bonds. The Authority is not responsible for giving any notice of redemption.

Partial Redemption. If the Series 2011-2 Bonds are redeemed in part other than by Sinking Fund Installments, the Authority shall as promptly as practicable after such redemption deliver to the Trustee a certificate reducing the amount of one or more of the Sinking Fund Installments coming due on the Series 2011-2 Bonds after such redemption. If the Trustee has not received such certificate at least five Business Days prior to the earliest date on which notice of the next redemption by Sinking Fund Installments of the Series 2011-2 Bonds is required to be given, the Trustee shall reduce such Sinking Fund Installments pro rata. If the Series 2011-2 Bonds are to be redeemed in part, the Series 2011-2 Bonds to be redeemed shall be selected by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided (a) that such portion of any Series 2011-2 Bond to be redeemed shall be in the principal amount of $5,000 or any integral multiple thereof, (b) that, in selecting Series 2011-2 Bonds for redemption, the Trustee shall treat each Series 2011-2 Bond as representing that number of Series 2011-2 Bonds which is obtained by dividing the principal amount of such Series 2011-2 Bond by $5,000, (c) that, to the extent practicable, the Trustee will not select any Series 2011-2 Bond for partial redemption if the amount of such Series 2011-2 Bond remaining Outstanding would be reduced by such partial redemption to less than the lowest Authorized Denomination and (d) Bank-Owned Bonds shall be redeemed prior to any Series 2011-2 Bonds which are not Bank-Owned Bonds. If, however, the Series 2011-2 Bonds are to be redeemed in part while the book-entry only system through DTC is in effect, the Series 2011-2 Bonds to be redeemed shall be selected by DTC in increments of $5,000 and otherwise as described in the foregoing sentence in such manner as DTC may determine.

Effect of Redemption. Notice of redemption having been given in the manner provided above, and money sufficient for the redemption being held by the Trustee for that purpose on the redemption date, the Series 2011-2 Bonds so called for redemption shall become due and payable on the redemption date, and interest thereon shall cease to accrue as of the redemption date and the owners of the Series 2011-2 Bonds so called for redemption shall thereafter no longer have any security or benefit under the Trust Agreement except to receive payment of the redemption price for such Series 2011-2 Bonds.

Optional and Mandatory Tender for Purchase

During any Windows Rate Period, a Bondholder (or, if the book-entry-only system described herein is in effect, a Participant) may, at its option, tender a Series 2011-2 Bond or any portion thereof in an Authorized Denomination for purchase by delivering an irrevocable written notice (a "Windows Optional Tender Notice") to the Trustee at its Principal Office for delivery of Series 2011-2 Bonds. A Windows Optional Tender Notice shall state the principal amount of such 2011-2 Bond and the principal amount thereof to be purchased. The giving of a Windows Optional Tender Notice by a Bondholder or Participant shall constitute the irrevocable tender for purchase of such Series 2011-2 Bond on the tender date for such Bond, if any, designated by the Remarketing Agent pursuant to the Series Resolution (a "Windows Optional Tender Date"), regardless of whether such Bond is delivered to the Trustee for purchase on such tender date. The Trustee is required to notify the Remarketing Agent of such optional tender by the Business day next succeeding the day of a receipt of a Windows Optional Tender Notice

As soon as practicable upon receipt from a Bondholder or Participant of a Windows Optional Tender Notice pursuant to preceding paragraph, but not later than 12:00 Noon, New York, New York time, on the Business day following receipt of such notice, the Trustee shall notify the Remarketing Agent, the Liquidity Facility Provider, if any, and the Authority by telephone, promptly confirmed in writing, or by telecopy, of receipt of such notice, the name of such Bondholder or Participant and the principal amount of Bonds to be purchased. The Trustee shall give notice of such optional tender, including the principal amount of Bonds to be purchased (but not the name of the tendering Bondholder or Participant), by first-class mail to the Bondholders not later than the second Business Day after receipt of such notice.

If the Remarketing Agent identifies a purchaser for such Series 2011-2 Bond during the period beginning on the Business Day notice of such optional tender is received by the Remarketing Agent from the Trustee and ending on the 30th day (or, if the 30th day is not a Business Day, the next succeeding Business Day) after such Windows Optional Tender Notice is received by the Remarketing Agent (a "Remarketing Window"), the Remarketing Agent shall give notice by Electronic Means as soon as practicable to the tendering Bondholder or Participant, the Trustee and the Authority that a purchaser has been identified. Such notice shall designate the Windows Optional Tender Date for such Series 2011-2 Bond, which shall be the earlier of (i) the last day of the Remarketing Window or (ii) any Business Day that is at least seven days after such notice is received by the tendering Bondholder or Participant.

The Trustee shall purchase such Series 2011-2 Bond on the Windows Optional Tender Date at the purchase price, but only with remarketing proceeds. If sufficient remarketing proceeds are not available for the purchase of such Bond on the Windows Optional Tender Date, then the Remarketing Agent's designation of a Windows Optional Tender Date for such Bond shall be deemed to be rescinded, such Series 2011-2 Bond shall not be tendered or deemed tendered or required to be purchased on such date and no Event of Default shall occur. The Remarketing Agent shall give notice of such rescission by Electronic Means to the tendering Bondholder or Participant, the Trustee or the Authority as soon as practicable and in any event not later than the next succeeding Business Day.

If the Windows Optional Tender Notice was given by a Bondholder, to obtain payment of the purchase price on the Windows Optional Tender Date, such Series 2011-2 Bond must be delivered at or prior to 10:00 a.m. on the Windows Optional Tender Date to the Trustee at its Principal Office for delivery of Bonds, accompanied by an instrument of transfer, in form satisfactory to the Trustee executed in blank by the Bondholder or its duly authorized attorney, with such signature guaranteed by a commercial bank, trust company, or member firm of the New York Stock Exchange. If the Windows Optional Tender Notice was given by a Participant, upon confirmation by the Securities Depository to the Trustee that such Participant has an ownership interest in the Series 2011-2 Bonds at least equal to the amount of Series 2011-2 Bonds specified in such irrevocable written notice, payment of the purchase price of such Series 2011-2 Bond shall be made by 3:00 p.m., or as soon as practicable thereafter, upon the receipt by the Trustee of the purchase price on the Business Day specified in the notice upon the transfer on the registration books of the Securities Depository of the beneficial ownership interest in such Series 2011-2 Bond tendered for purchase to the account of the Trustee, or a Participant acting on behalf of such Trustee, at or prior to 10:00 a.m., on the date specified in such notice.

If for any reason a Series 2011-2 Bond for which a Windows Optional Tender Notice has been delivered is not purchased by the last day of the Remarketing Window, then (i) all Series 2011-2 Bonds bearing interest at a Windows Rate shall be subject to mandatory tender for purchase on the last day of the Mandatory Tender Window (or, if the last day is not a Business Day, the next succeeding Business Day) after notice of such optional tender is received by the Remarketing Agent from the Trustee (a "Windows Mandatory Tender Date") at the purchase price, payable in immediately available funds, and (ii) the Remarketing Agent shall give notice of such Windows Mandatory Tender Date to the Trustee by Electronic Means not later than the second Business Day after the end of the Remarketing Window. For payment of the purchase price on the Windows Mandatory Tender Date, Series 2011-2 Bonds must be delivered at or prior to 10:00 a.m. on the Windows Mandatory Tender Date. If delivered after that time, the purchase price shall be paid on the next succeeding Business Day. The purchase price shall be payable only upon surrender of such Bonds to the Trustee at its Principal Office for delivery of Series 2011-2 Bonds, accompanied by an instrument of transfer, in form satisfactory to the Trustee, executed in blank by the Bondholder or its duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange. The failure to pay the purchase price of all tendered Bonds when due and payable on a Windows Mandatory Tender Date shall constitute an Event of Default under the Series Resolution. Notwithstanding the foregoing provisions of this paragraph, the 2011-2 Bonds shall not be subject to mandatory tender for purchase on a Windows Mandatory Tender Date if they are otherwise subject to mandatory tender for purchase pursuant to this paragraph after the last day of the Remarketing Window and before such Windows Mandatory Tender Date.

Mandatory Tender Upon a Change in Interest Rate Mode. While the Series 2011-2 Bonds are in the Windows Rate Period, the Series 2011-2 Bonds shall be subject to mandatory tender for purchase in accordance with the terms of the Series 2011-2 Series Resolution, on the effective date of a Change in Interest Rate Mode at a price equal to the principal amount thereof plus accrued interest and premium, if any. A Change in Interest Rate Mode may only be effected on the last day for a Calculation Period.

Mandatory Tender Upon Conversion to Fixed Rate. While the Series 2011-2 Bonds are in the Windows Rate Period, the Series 2011-2 Bonds shall be subject to mandatory tender for purchase in accordance with the terms of the Series 2011-2 Series Resolution on the Fixed Rate Conversion Date at a price equal to the principal amount thereof plus accrued interest and premium, if any.

Payment of Purchase Price. The purchase price of Series 2011-2 Bonds subject to optional or mandatory tender shall be payable in immediately available funds or by wire transfer upon written notice from the holder of such Series 2011-2 Bonds containing the wire transfer address (which shall be in the continental United States) to which such holder wishes to have such wire directed, if such written notice is received by the Trustee not less than five days prior to the related purchase date.

By the close of business on each Purchase Date or Mandatory Purchase Date, as the case may be, the Trustee shall purchase tendered Series 2011-2 Bonds from the tendering Registered Owners of such Series 2011-2 Bonds at the purchase price by wire transfer in immediately available funds. Funds for the payment of such purchase price shall be derived solely from immediately available funds derived from the remarketing of such Series 2011-2 Bonds, and none of the Trustee, the Authority nor the Remarketing Agent shall be obligated to provide funds from any other source.

In the event funds are not available in an amount sufficient to fund payment of the purchase price of the Series 2011-2 Bonds subject to tender, such Series 2011-2 Bonds shall not be purchased and the Remarketing Agent shall continue to determine the interest rate on the Series 2011-2 Bonds for each Calculation Period as provided in the Series 2011-2 Series Resolution.

Notice of Mandatory Tender. Notice of mandatory tender shall state the purchase date and that the Series 2011-2 Bonds are subject to mandatory tender on the purchase date at the applicable purchase price. Any such notice of mandatory tender for purchase shall be given by the Trustee, in the name of the Authority (with copies thereof to be given to the Remarketing Agent, the Authority, and any Rating Agency then rating the Series 2011-2 Bonds) by first-class mail to the holders of the Series 2011-2 Bonds subject to purchase at their addresses shown on the books of registry no less than ten (10) days prior to the Mandatory Purchase Date. The failure to mail such notice with respect to any Series 2011-2 Bond shall not affect the validity of the mandatory purchase of any other Series 2011-2 Bond with respect to which notice was so mailed.

Remarketing Agent. The Remarketing Agent is required to use its best efforts to remarket Series 2011-2 Bonds properly tendered for purchase.

Book-Entry Bonds. Beneficial Owners (hereinafter defined) will not have any rights to tender Series 2011-2 Bonds directly to the Trustee. Procedures under which a Beneficial Owner may direct a Direct Participant (hereinafter defined) of DTC or an Indirect Participant (hereinafter defined) of DTC acting through a Direct Participant of DTC to exercise a tender option right in respect of any Series 2011-2 Bonds or portions thereof shall be governed by standing instructions and customary practices determined by such Direct Participant or Indirect Participant. See "BOOK-ENTRY ONLY SYSTEM" herein.

For so long as the Series 2011-2 Bonds are registered in the name of Cede & Co., as nominee for DTC, notices of mandatory tender for purchase of Series 2011-2 Bonds shall be given to DTC only, and neither the Authority, the Trustee, the Underwriter nor the Remarketing Agent shall have any responsibility for the delivery of any of such notices by DTC to any Direct Participants of DTC, by any Direct Participants to any Indirect Participants of DTC or by any Direct Participants or Indirect Participants to Beneficial Owners of the Series 2011-2 Bonds.

For so long as the Series 2011-2 Bonds are registered in the name of Cede & Co., as nominee for DTC, delivery of Series 2011-2 Bonds required to be tendered for purchase shall be effected by the transfer by a Direct Participant on the applicable purchase date of a book entry credit to the account of the Trustee of a beneficial interest in such Series 2011-2 Bonds or portions thereof required to be tendered for purchase on that date.

For so long as the Series 2011-2 Bonds are registered in the name of Cede & Co., as nominee for DTC, payment of the purchase price shall be paid directly to DTC. Disbursement of such payments to the Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct Participants and the Indirect Participants. See "BOOK-ENTRY-ONLY SYSTEM" herein.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Series 2011-2 Bonds are special obligations of the Authority payable solely from the funds provided under the provisions of the Enabling Act, the Project Trust Agreement, and the Series Resolution, and the Contract.

The payment of the principal of and interest on the Series 2011-2 Bonds is unconditionally guaranteed by the Commonwealth. As authorized by the Enabling Act, the Authority, the Commonwealth, acting by and through the University Trustees, and the University Trustees have entered into the Contract pursuant to which the Series 2011-2 Bonds are to be endorsed to evidence the unconditional guaranty by the Commonwealth of the punctual payment of the principal of and the interest on the Series 2011-2 Bonds, including the purchase price thereof, as applicable. The Enabling Act pledges the full faith and credit of the Commonwealth for each such guaranty. See "Commonwealth Guaranty" below and the Commonwealth Information Statement.

Pledge of Revenues

The Project Trust Agreement assigns and pledges to the Bond Trustee and grants to the Bond Trustee a security interest in all rights of the Authority under the Contract to receive all Revenues payable to the Authority thereunder and pledged under the Project Trust Agreement. The Project Trust Agreement pledges to the Bond Trustee for the benefit of the holders of the Series 2011-2 Bonds and all other bonds issued under the Project Trust Agreement (i) all moneys paid or payable for deposit in or on deposit in any Fund, Account or subaccount created under the Project Trust Agreement, all investments received or receivable for deposit in or on deposit in or on deposit in any Fund, Account or subaccount created under the Project Trust Agreement and all interest or other income on such investments paid or payable for deposit in or on deposit in any Fund, Account or subaccount created thereunder and all rights of the Authority to receive such moneys, investments and interest or other income (except for the Rebate Fund), subject to application of such moneys, investments and other income as provided in the Project Trust Agreement; and (ii) (a) subject to the Project Trust Agreement, the Revenues from each Project financed or refinanced under the Project Trust Agreement and (b) the Revenues, including Secondary Revenues payable to the Authority from Other Projects, except the pledge made in clauses (ii)(a) and (b) does not include amounts necessary to pay for maintenance, repair and operation of any Project financed under the Project Trust Agreement, fees and expenses of the Bond Trustee, any paying agent, any escrow agent in connection with any refunding bonds issued under the Project Trust Agreement, insurance premiums, rent payable under lease agreements between the Authority and the Commonwealth, allocable operating and administrative expenses of the Authority and any amounts required by Section 19C of the Enabling Act to be paid to the Treasurer and Receiver-General of the Commonwealth out of such Revenues.

Pursuant to the Enabling Act, Revenues pledged by the Project Trust Agreement and received by the Authority in connection with the Projects financed or refinanced by any Series of Bonds issued under the Project Trust Agreement are pledged to the payment of the principal of and interest on all Outstanding Bonds under the Project Trust Agreement as they become due, the redemption price or the purchase price of Outstanding Bonds redeemed or purchased as provided in the Project Trust Agreement, and other costs payable with respect to Outstanding Bonds under the Project Trust Agreement.

The Series 2011-2 Bonds are on a parity with all other Senior Bonds previously issued and Outstanding under the Project Trust Agreement and with all Senior Bonds hereafter issued and Outstanding under the Facilities Trust Agreement.

As authorized by the Enabling Act, the University Trustees have agreed in the Contract to maintain, repair and operate the 2011-1 and 2011-2 Projects and all other Projects financed or refinanced by the Bonds or to cause the 2011-1 and 2011-2 Projects and such other Projects to be so maintained, repaired and operated and have agreed in the Contract to remit to the Trustee Revenues in an aggregate amount at least equal to debt service on the Bonds and related expenses. See Appendix D-2 – "Summary of Certain Provisions of the Contract."

With respect to the aggregate of all Revenues from the Projects and from any other projects or property the Revenues from which are pledged under the Project Trust Agreement, the Contract requires that the Authority fix and revise fees, rents, rates and other charges so as to: (1) maintain, insofar as consistent with such requirements, reasonable uniformity in charges for like accommodations at the University and (2) provide Revenues sufficient to (a) pay the cost of maintaining, repairing and operating the Projects and such other projects and property, if any, to the extent that the University Trustees have not undertaken to provide such maintenance, repair and operation, (b) pay the fees and expenses of the Trustee, any paying agent and any fiscal agent appointed by the Authority in connection with the issuance of Bonds or any other notes or bonds secured or provided for under the Project Trust Agreement, premiums of insurance maintained by the Authority with respect to the applicable Projects and such other projects and property and rentals payable by the Authority under any lease or leases of land on which such Projects or any other such project or property may be located, (c) pay the principal of (including Sinking Fund Installments) and the interest on the Bonds and notes and bonds issued to finance or refinance such other projects or property, as such principal and interest shall become due and payable, (d) pay such portions of the current office and other operating and administrative expenses of the Authority (which shall include any amount (the "Rebate Amount") required by the Internal Revenue Code of 1986, as amended or other applicable law to be rebated by the Authority with respect to the Bonds to the United State of America and not provided from other funds of the Authority) as the Authority shall deem properly allocable to the Projects and such other projects and property, (e) pay amounts payable by the Authority under the Series Resolutions, the Swap Agreements, or any other contract or other arrangement with respect to the Bonds, (f) create or maintain reserves, if any, for any of the foregoing purposes as may be required under any resolution of the Authority as may be required or permitted by the Project Trust Agreement, (g) pay the amount, if any, required by Section 19C of the Enabling Act to be paid to the Commonwealth to repay certain appropriations or other expenditures, if any, and (h) create the reserves required by Section 10 of the Enabling Act with respect to the Series 2011-2 Bonds.

Under the Contract, the Authority shall certify to the University Trustees (with a copy to the Trustee) on or before July 1, 2011 (for the period through October 31, 2010) and each March 1 thereafter for the twelve-month period commencing the next succeeding November 1, the amount estimated for each component of the Projects, detailing (i) the projected costs of operating, maintaining and repairing the Projects, (ii) the Authority's projected debt service costs and fees and expenses related to the Bonds, including without limitation any payments with respect to any Swap Agreements, Reimbursement Agreements or Liquidity Facility Agreements, (iii) the Authority's projected operating and administrative costs, (iv) any projected required deposits to reserves, including without limitation the Section 10 Reserve Fund, Capital Improvements Reserve Fund and the General Reserve Fund, (v) any projected payments to the Commonwealth pursuant to Section 19C of the Act, (vi) any additional reserves it may propose to create or augment consistent with the Project Trust Agreement and (vii) the amount, if any, payable to the University Trustees to reimburse Specific Revenue Project expenses, if any, incurred by the University Trustees (collectively, the "Certified Amount"). Such certificate, which may be revised from time to time as necessary, shall state the dates within such period when any portion of the Certified Amount shall be due, the portion of the Certified Amount due on such dates, the payee of such amount and payment instructions, the source of such payments and the amount payable from each source. The Certified Amount shall also detail the fees, rents, rates and other charges proposed for the use of the Projects, which shall be fixed so as to be sufficient, in the aggregate, together with other available moneys, to cover all of the costs and transfers to reserves as aforesaid allocable to the Projects. The Certified Amount shall be paid from Revenues generated from Specific Revenue Projects, University Eligible Gifts (as defined in Appendix D-2), Authority Eligible Gifts (as defined in Appendix D-2), other available Revenues of the Authority and, in the case of Projects financed by the Bonds, all funds of the University permitted by law to be applied thereto, including without limitation amounts available in the University's Unrestricted Net Assets (as defined in Appendix D-2). See Appendix D-2 – "Summary of Certain Provisions of the Contract."

Under the Contract, the University Trustees pledge to the making of payments required thereunder all available funds of the University, including trust funds and other funds administered by the University Trustees as gifts, grants or trusts, or as provided in the University enabling act.

The University shall cause to be available in the Unrestricted Net Assets at all times amounts sufficient to pay such portion of the Certified Amount required to be paid therefrom and to provide for any other payments required under the Prior Contracts or under the HEFA Financing Agreements (as defined in Appendix D-2). See Appendix D-2 – "Summary of Certain Provisions of the Contract."

On or before July 1, 2011, and on or before April 1 of each year thereafter, the President of the University or the Vice President for Management and Fiscal Affairs and Treasurer of the University, or such other officer as delegated pursuant to the provisions of the Contract, shall certify in writing to the Authority whether or not there are sufficient funds in the Unrestricted Net Assets to pay the amounts so required to be paid therefrom and, if so, that such funds will be held in trust in the Unrestricted Net Assets for the equal and ratable benefit of the Authority and each other person or entity for whose benefit amounts will be applied to the payment of amounts required to be paid therefrom and will not be expended for any other purpose. Such funds will be so held and not expended for any other purpose; provided, however, that if any portion of the Certified Amount is paid from University Eligible Gifts, Authority Eligible Gifts, other Authority revenues or Revenues from Specific Revenue Projects, then after any such payment an amount equal to such portion so paid need no longer be held in the Unrestricted Net Assets.

If such certification states that sufficient funds are not available in the Unrestricted Net Assets to pay such amounts, such certification shall state the amount of funds in the Unrestricted Net Assets that are available to pay a portion of such amounts and a ratable portion of such funds in the Unrestricted Net Assets shall be held in trust for the benefit of the Authority to be applied to the payment pro rata of all amounts payable to or for the account of the Authority from the Unrestricted Net Assets. The University will continue to be obligated to pay any portion (or, if applicable, all) of the Certified Amount payable from all funds of the University permitted by law to be applied thereto notwithstanding any shortfall in amounts available in the Unrestricted Net Assets.

If such certification states that sufficient funds are not available in the Unrestricted Net Assets to pay such amounts, or if the Authority has not received such certificate as required by the Contract, the Authority will promptly adopt or revise mandatory fees, rates, rents and other charges for the use of the Projects and any portion thereof to be charged and billed to and collected from students in the University and provide for the billing, collection and remittance of such fees rates, rents and other charges by the University Trustees at such times and in such manner as in the judgment of the Authority will produce moneys sufficient and available to meet the requirements hereof. The Authority shall promptly notify the University Trustees in writing of the matters set forth in the foregoing sentence. Although the Contract requires that any fixing or revision of charges by the Authority receive the prior written approval of the University Trustees, the University Trustees have agreed in the Contract to approve, and have agreed to confirm such approval from time to time, all fees, rents, rates and other charges adopted or revised by the Authority as described in this paragraph and have agreed to cause the same to be billed to and collected from students in the University as the Authority may provide and remitted as the Authority may provide.

The undertakings by the University Trustees to perform or cause to be performed maintenance, repair and operation of the 2011-1 and 2011-2 Projects and any other projects financed or refinanced by the Bonds are declared by the Contract to constitute that portion of fees, rents, rates and other charges which are necessary to pay the cost of maintenance, repair and operation.

All moneys collected, received or set aside by the University Trustees to be transmitted to the Authority are stated by the Contract to be collected or received for the account of the Authority in trust to be held and applied solely as provided in the Enabling Act and the Contract.

Rate Covenant

Under the Project Trust Agreement, the Authority covenants that it will fix revise, adjust and collect Charges for the use of each Project and any other projects or property the Revenues from which are pledged under the Project Trust Agreement to provide Revenues sufficient in the aggregate to pay all expenses of the Authority allocable to projects financed or refinanced under such Project Trust Agreement and debt service on all bonds issued and outstanding under such Project Trust Agreement, all as set forth in Appendix D-1 – "Summary of Certain Provisions of the Project Trust Agreement."

Commonwealth Guaranty

As authorized by the Enabling Act, the Contract provides for the unconditional guaranty by the Commonwealth of the punctual payment of the principal of and interest on the Series 2011-2 Bonds as such principal and interest become due and payable, including the applicable purchase price thereof. The full faith and credit of the Commonwealth are pledged for the performance of each guaranty.

The Enabling Act presently limits to $200,000,000 the total principal amount of notes and bonds of the Authority that may be so guaranteed and outstanding at any one time, exclusive of bonds and notes previously refunded or to be refunded by such outstanding notes and bonds. The total principal amount of obligations of the Authority to be so guaranteed and outstanding immediately after issuance of the 2011-2 Bonds, and after the refunding of the Commonwealth guaranteed Series 2008-4 Bonds, will be $138,515,000.

The provisions of the Contract pertaining to the construction, renovation or repair of the Project and the guaranty of the Series 2011-2 Bonds continue in full force and effect until all amounts payable with respect to the Bonds shall have been paid in full. The provisions of the Contract pertaining to the operation and maintenance of the Project to which they apply and the fixing and collection of Charges with respect thereto continue in full force and effect until all bonds issued under the Project Trust Agreement are paid in full. See Appendix D-2 – "Summary of Certain Provisions of the Contract."

Enforceability of Guaranty and Information Relating to the Commonwealth

The full faith and credit of the Commonwealth are pledged for the performance of the Commonwealth guaranty of the Series 2011-2 Bonds. As is generally the case with other full faith and credit obligations of the Commonwealth, funds with which to honor the guaranty are to be provided by appropriation. The Enabling Act does not include any provisions as to procedures to be followed in making funds available to honor each guaranty should it be called upon. However, in accordance with the Enabling Act, the Project Trust Agreement requires that the Authority maintain a reserve for principal of and interest on the Series 2011-2 Bonds, and principal of and interest on all other outstanding bonds issued under the respective Trust Agreement having the benefit of the guaranty. See "Section 10 Reserve Fund" below.

As described in the Commonwealth Information Statement, Chapter 62F of the Massachusetts General Laws establishes a state tax revenue growth limit and does not exclude principal and interest payments on Commonwealth obligations from the scope of the limit and Chapter 29, Section 60B of the Massachusetts General Laws imposes an annual limitation on the percentage of total appropriations that may be expended for payment of interest and principal on general obligation debt of the Commonwealth.

The ability of the Commonwealth to honor the guaranty, should the guaranty be called upon, will depend upon a number of factors as discussed in the Commonwealth Information Statement.

Massachusetts General laws Chapter 258 confers jurisdiction upon the Superior Court to hear contract and other claims against the Commonwealth and enter judgments thereon. Payment of such judgments by the Commonwealth is to be made out of appropriated funds. Among other matters, the Commonwealth Information Statement states: "The Commonwealth has waived its sovereign immunity and consented to be sued on contractual obligations, which includes bonds and notes issued by it and all claims with respect thereto. However, the property of the Commonwealth is not subject to attachment or levy to pay a judgment, and the satisfaction of any judgment generally requires legislative appropriation. Enforcement of a claim for payment of principal of or interest on bonds and notes of the Commonwealth may also be subject to the provisions of federal or Commonwealth statutes, if any, hereafter enacted extending the time for payment or imposing other constraints upon enforcement, insofar as the same may be constitutionally applied. The United States Bankruptcy Code is not applicable to states."

Section 10 Reserve Fund

The Enabling Act requires that the Authority shall create a reserve for principal and interest for all bonds guaranteed under a contract for financial assistance such as the Contract. As to any series of guaranteed bonds, the required reserve is an amount equal to the largest amount of principal, including sinking fund redemption, and interest payments due on the outstanding bonds of such series in any one year after the year in which such series of bonds shall be issued. The Project Trust Agreement and the Series 2011-2 Series Resolution create a Section 10 Reserve Fund for the Series 2011-2 Bonds. All Guaranteed Bonds of a Senior Series outstanding under such Project Trust Agreement are secured equally and ratably by the Section 10 Reserve Fund created under such Project Trust Agreement.

The Enabling Act requires the Authority, in each year commencing with the first year next succeeding the year in which a series of bonds guaranteed by the Commonwealth is issued, to deposit in such reserve an amount equal to one-twelfth of the required amount of the reserve (the "Annual Series Requirement") for such series of guaranteed bonds, with provision for adjustment in case of a withdrawal from or of an addition other than from a deposit to the reserve. The Enabling Act further requires that the Authority make additional deposits in such reserve if and as needed to maintain it in the required amount, provided that if a deficiency shall exist because of any withdrawal to pay principal of or interest on bonds, the amount of such deficiency shall be taken into account in determining the required amount of any subsequent deposit only to the extent that it is practicable to do so.

The Project Trust Agreement requires that, after necessary Revenues have been deposited to the Interest Account, Principal Account and Sinking Fund Account in the Debt Service Fund created by such Project Trust Agreement, the balance of Revenues available under such Project Trust Agreement be deposited in the Section 10 Reserve Fund established by such Project Trust Agreement until the amounts so deposited in the Fund equal the aggregate of the Annual Series Requirements in effect for such fiscal year in regard to all Guaranteed Bonds Outstanding under such Project Trust Agreement. See Appendix D-1 - "Summary of Certain Provisions of the Project Trust Agreement - Establishment and Application of Funds and Accounts - Revenue Fund." Moneys in the Section 10 Reserve Fund are required by the Project Trust Agreement to be applied to payments to the appropriate account in the Debt Service Fund in order to make up any deficiencies in those accounts with respect to Guaranteed Bonds issued and outstanding under such Project Trust Agreement.

The Section 10 Reserve Fund shall be funded from revenues in accordance with the Project Trust Agreement. The Section 10 Reserve Fund will not be funded as of issuance of the Series 2011-2 Bonds.

Additional Indebtedness

The Project Trust Agreement provides that the Authority may issue additional bonds on a parity with or subordinate to the bonds issued under the Project Trust Agreement. See Appendix D-1 – "Summary of Certain Provisions of the Project Trust Agreement." The Enabling Act presently limits to $200,000,000 the total principal amount of notes and bonds of the Authority that may be guaranteed by the Commonwealth and outstanding at any one time, exclusive of bonds and notes previously refunded or to be refunded by such outstanding notes and bonds. See "Commonwealth Guaranty." On the date of issuance of the Series 2011-2 Bonds, the Authority is expecting to issue additional Refunding Bonds, Senior Series 2011-1 prior to June 30, 2011 (see "INTRODUCTION," herein), which will be on parity with the Series 2011-2 Bonds.

For information regarding the University's capital plans and means for funding its future capital plans, see Appendix A, hereto under the caption "Current and Future Capital Plans."

Pursuant to the Financing Agreement dated as of September 12, 2006 by and between Massachusetts Health and Educational Facilities Authority ("MHEFA") and the University, acting in the name and on behalf of the Commonwealth, and pursuant to the Loan and Facilities Trust Agreement dated as of September 12, 2006 among MHEFA, the University and Chittenden Trust Company, as Trustee providing for the issue of Massachusetts Health and Educational Facilities Authority Revenue Bonds, University of Massachusetts Issue, Series D (2007), Worcester City Campus Corporation Issue (University of Massachusetts Project) Series E (2007) and Worcester City Campus Corporation Issue (University of Massachusetts Project) Series F (2007), the University agreed not to request or permit the Authority to issue additional indebtedness on behalf of the University except (i) indebtedness that is payable from all available funds of the University or (ii) indebtedness secured by pledged revenues derived from the project or projects being financed, new or increased student fees, existing pledged revenues or any combination of the foregoing, provided, that the maximum annual debt service on all such revenue-backed indebtedness then outstanding, including the additional indebtedness, does not exceed 10% of the amount shown on the then most recent audited financial statements of the University as total available revenues. In addition, no such indebtedness shall be subject to acceleration.

For a description of the Authority's bonds outstanding under the Project Trust Agreement and the Facilities Trust Agreement dated as of December 1, 2000 between the Authority and the Trustee (the "Facilities Trust Agreement"), see "THE AUTHORITY - General" herein and Appendix B.

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each fiscal year ending June 30 the debt service for the Series 2011-2 Bonds and on all outstanding bonds of the Authority issued under the Project Trust Agreement and the Facilities Trust Agreement as of the date of issuance of the Series 2011-2 Bonds, including the Series 2011-2, including principal (whether at maturity or by mandatory sinking fund redemption), interest and total debt service. Debt service includes the purchase price due on a Windows Mandatory Tender Date. The Authority is considering issuing additional Refunding Bonds, Series 2011-1, for which the estimated debt service is not included in the following table (see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS", herein, under the caption "Additional Indebtedness").

June 30	Total Debt Service on Outstanding Authority Bonds*	Principal on Series 2011-2 Bonds	Interest on Series 2011-2 Bonds**	Total Debt Service on Series 2011-2 Bonds	Total Debt Service on Authority Bonds
2011	$125,405,686				$125,405,686
2012	147,884,761	$825,000	$3,153,038	$3,978,038	151,862,799
2013	148,100,022	855,000	3,497,582	4,352,582	152,452,604
2014	151,963,119	885,000	3,467,289	4,352,289	156,315,407
2015	148,421,547	915,000	3,435,951	4,350,951	152,772,498
2016	146,779,795	955,000	3,403,394	4,358,394	151,138,189
2017	145,810,110	1,150,000	3,366,746	4,516,746	150,326,855
2018	143,520,646	1,060,000	3,328,270	4,388,270	147,908,916
2019	143,379,128	1,100,000	3,290,664	4,390,664	147,769,792
2020	143,253,412	1,155,000	3,251,405	4,406,405	147,659,817
2021	136,794,492	7,750,000	3,096,369	10,846,369	147,640,860
2022	125,218,652	8,080,000	2,820,768	10,900,768	136,119,421
2023	123,667,582	9,785,000	2,509,739	12,294,739	135,962,320
2024	123,063,633	10,150,000	2,162,670	12,312,670	135,376,303
2025	118,679,772	7,115,000	1,862,087	8,977,087	127,656,859
2026	118,047,824	7,370,000	1,609,903	8,979,903	127,027,727
2027	112,465,285	7,650,000	1,348,405	8,998,405	121,463,690
2028	111,431,594	7,635,000	1,082,293	8,717,293	120,148,886
2029	107,668,232	7,610,000	816,877	8,426,877	116,095,109
2030	97,950,467	6,635,000	568,872	7,203,872	105,154,339
2031	91,546,477	2,400,000	411,572	2,811,572	94,358,050
2032	91,963,444	2,490,000	326,438	2,816,438	94,779,882
2033	91,212,387	2,585,000	238,082	2,823,082	94,035,469
2034	75,209,445	2,680,000	146,418	2,826,418	78,035,863
2035	73,162,060	2,865,000	49,880	2,914,880	76,076,940
2036	68,633,830				68,633,830
2037	67,708,012				67,708,012
2038	66,742,600				66,742,600
2039	59,116,721				59,116,721
2040	30,498,241				30,498,241
2041	29,883,003				29,883,003

* Excludes debt service of the Series 2008-4 Bonds being refunded with the proceeds of the Bonds.

** Interest on the Series 2011-2 Bonds is assumed at the rate of 3.482% based on the fixed rate of interest being paid to the swap counterparty under the 2006-1 Swap Agreement. See "THE AUTHORITY - Interest Rate Swap Agreements," herein.

POTENTIAL FUNDS AVAILABLE FOR PAYMENT OF THE PURCHASE PRICE ON A WINDOWS MANDATORY TENDER DATE

As described herein, the Series 2011-2 Bonds, while bearing interest in the Windows Mode, are subject to optional and mandatory tender under certain circumstances. The Authority is not obligated to pay the purchase price of a Series 2011-2 Bond that is optionally tendered and not remarketed: however, failure to purchase such Series 2011-2 Bonds that have been optionally tendered will cause all Series 2011-2 Bonds to become subject to mandatory tender at the end of the applicable Mandatory Tender Window. If the Series 2011-2 Bonds become subject to mandatory tender following the end of the Remarketing Window, then within the Mandatory Tender Window the Authority may take one of several actions, including, but not limited to, (i) a remarketing of the Series 2011-2 Bonds after a change in Mode which might require obtaining a bank liquidity facility, or (ii) a refunding of the Series 2011-2 Bonds. If the Authority is unable to take any of these actions, of if any of these actions are unsuccessful, then the Authority will be required to use its own funds to either redeem the Series 2011-2 Bonds or pay the purchase price on the Windows Mandatory Tender Date.

THERE IS NO THIRD-PARTY LIQUIDITY SUPPORT FOR THE PAYMENT OF THE PURCHASE PRICE OF THE SERIES 2011-2 BONDS SUBJECT TO MANDATORY TENDER ON A WINDOWS MANDATORY TENDER DATE. THEREFORE, IF THE SERIES 2011-2 BONDS BECOME SUBJECT TO MANDATORY TENDER ON A WINDOWS MANDATORY TENDER DATE, ONLY FUNDS, IF ANY, PROVIDED BY A REMARKETING OR REFUNDING OF THE SERIES 2011-2 BONDS OR FUNDS PROVIDED BY THE AUTHORITY OR BY THE COMMONWEALTH UNDER ITS GUARANTY WILL BE AVAILABLE TO PAY THE PURCHASE PRICE OR REDEMPTION PRICE OF THE SERIES 2011-2 BONDS. NO THIRD PARTY LIQUIDITY PROVIDER IS OBLIGATED TO PAY THE PURCHASE OR REDEMPTION PRICE OF THE SERIES 2011-2 BONDS ON A WINDOWS MANDATORY TENDER DATE. THE FAILURE TO PAY THE TENDER PRICE OF ALL, TENDERED SERIES 2011-2 BONDS WHEN DUE AND PAYABLE ON A WINDOWS MANDATORY TENDER DATE WILL CONSTITUTE AN EVENT OF DEFAULT UNDER THE SERIES RESOLUTION. IN EVALUATING THE RISKS RELATED TO THE SERIES 2011-2 BONDS, INVESTORS SHOULD CONSIDER THE AUTHORITY'S LIQUIDITY AND ITS ABILITY TO ACCESS THE DEBT MARKETS.

The University's total cash, cash equivalents, and investments as of June 30, 2010 and June 30, 2009 are set forth in note 2 of the University's audited financial statements attached as Appendix C hereto. Set forth below is a table showing as of June 30, 2010 the University's total cash, cash equivalents, and investments that can be liquidated, settled or accessed within thirty (30) days. Such amount may be available to pay the purchase or redemption price of Series 2011-2 Bonds subject to mandatory tender on a Windows Mandatory Tender Date. The University has not committed to maintain any minimum balance or internal target and may use all of its cash, cash equivalents, and investments in its discretion and without restriction. Thus such amounts and the value thereof will vary over time, and neither the Authority nor the University can predict or provide any assurances as to the amount of funds that might actually be available to pay any such mandatory tender price if the Series 2011-2 Bonds actually become subject to mandatory tender on a Windows Mandatory Tender Date.

Certain Cash, Cash Equivalents and Investments* as of June 30, 2010

Assets ($000)	**Combined Investments**
CASH AND CASH EQUIVALENTS	
Cash & Cash Equivalents	$ 222,951
FIXED INCOME	
US Treasuries & Aaa-rated Agencies	-
Publicly Traded Fixed Income Securities (mutual funds)	105,116
Publicly Traded Fixed Income Securities (individual securities)	169,381
EQUITIES (long-only)	
Publicly Traded Equities (mutual funds)	
Domestic	6,891
International	13,538
Publicly Traded Equities (ownership of shares of stock)	
Domestic	7,153
International	-
COMMODITIES (publicly traded only)	2,990
Total	$ 528,021

*Includes Unrestricted Working Capital and Other Unrestricted Non-Endowed Funds.

The University has agreed to update the information in the above table on a quarterly basis. See Appendix F – "Summary of Continuing Disclosure Undertakings." The University estimates that the total cash, cash equivalents and investments that can be liquidated, settled or accessed within thirty (30) days was approximately $786 million as of March 31, 2011 (unaudited). As described above, such amounts and the value thereof vary over time.

BOOK-ENTRY-ONLY SYSTEM

DTC

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2011-2 Bonds. The Series 2011-2 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 Bond certificate will be issued for each stated maturity of Series 2011-2 Bonds, in the aggregate principal amount of the applicable stated maturity, and will be deposited with DTC.

DTC, the world's largest securities 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, as amended. 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 ("Participants" or "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 Standard & Poor's highest rating: AAA. 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 the Series 2011-2 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011-2 Bonds on DTC's records. The ownership interest of each actual purchaser of each 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 2011-2 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 the Series 2011-2 Bonds, except in the event that use of the book-entry system for the Series 2011-2 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2011-2 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 the Series 2011-2 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2011-2 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2011-2 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2011-2 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series 2011-2 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2011-2 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI 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 the Series 2011-2 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 2011-2 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 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, 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 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.

A Beneficial Owner shall give notice to elect to have its Series 2011-2 Bonds purchased or tendered, through its Participant, to the Trustee and the Remarketing Agent, and shall effect delivery of such Series 2011-2 Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2011-2 Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of the Series 2011-2 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2011-2 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2011-2 Bonds to Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2011-2 Bonds at any time by giving reasonable notice to the Authority or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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 UNDERWRITER TAKES RESPONSIBILITY FOR THE ACCURACY THEREOF.

No Responsibility of the Authority or the Trustee

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2011-2 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE HOLDERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2011-2 BONDS.

Certificated Bonds

DTC may discontinue providing its services as securities depository with respect to the Series 2011-2 Bonds at any time by giving reasonable notice to the Authority and the Trustee. In addition, the Authority may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners of the Series 2011-2 Bonds. If for either reason the Book-Entry Only system is discontinued, Bond certificates will be delivered as described in the Agreement and the Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the holder of such Bond. Thereafter, the Series 2011-2 Bonds may be exchanged for an equal aggregate principal amount of the Series 2011-2 Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the principal corporate trust office of the Trustee. The transfer of the Series 2011-2 Bonds may be registered on the books maintained by the Trustee for such purpose only upon the assignment in the form satisfactory to the Trustee. For every exchange or registration of transfer of the Series 2011-2 Bonds, the Authority and the Trustee may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge may be made to the holder of such Bond for any exchange or registration of transfer of the Series 2011-2 Bonds. The Trustee will not be required to transfer or exchange the Series 2011-2 Bonds during the notice period preceding any redemption if such Series 2011-2 Bonds (or any part thereof) is eligible to be selected or has been selected for redemption.

THE AUTHORITY

General

The Authority was created by the Enabling Act 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 Enabling Act.

The Authority was created for the general purpose of aiding and contributing to the performance of the educational and other purposes of the University by providing dormitories, dining commons and other buildings and structures primarily (i) for the use of the University, its 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 the University and subject to regulation by the University Trustees, (iii) for a research foundation or other research organization the operation of which in conjunction with the University is approved by the University Trustees, or (iv) any other entity the activities of which are approved by the University Trustees as furthering the purposes of the University.

The Enabling Act prohibits the Authority from refunding outstanding bonds except upon approval of the University Trustees. In connection with the Series 2011-2 Bonds, such approval has been obtained.

The Authority is empowered, among other things, to acquire, construct, remove, demolish, add to, alter, enlarge, reconstruct, remodel and do other work upon any building or structure and to provide and install furnishings, furniture, machinery, equipment, approaches, driveways, walkways, parking areas, planting, landscaping and other facilities therein. The Enabling 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 Enabling Act establishes a $200,000,000 limit on the total outstanding principal amount of notes and bonds issued by the Authority which are guaranteed by the Commonwealth (excluding refunded notes or bonds), of which $138,515,000 were outstanding as of June 30, 2010. The Series 2008-4 Bonds account for $101,700,000 of the total outstanding principal amount of Commonwealth guaranteed bonds, and these Series 2008-4 bonds will be refunded in their entirety with the issuance of the Series 2011-2 Bonds. Accordingly, the total principal amount of obligations of the Authority to be so guaranteed and outstanding immediately after issuance of the Series 2011-2 Bonds will be $138,515,000.

The Authority expects to issue additional Refunding Revenue Bonds, Senior Series 2011-1 prior to June 30, 2011 in order to refund the outstanding Series 2008-3 Bonds. The Series 2011-1 Bonds will not be guaranteed by the Commonwealth.

The Enabling Act requires approval by the Treasurer and Receiver General of the Commonwealth and the Commissioner of Administration of the Commonwealth, or by their designees, of the sale and terms of bonds or notes sold by the Authority, which approval the Authority will obtain prior to the sale of the Series 2011-2 Bonds.

Interest Rate Swap Agreements

The Authority has an interest rate swap agreement outstanding in connection with the Series 2008-4 Bonds being refunded with the Series 2011-2 Bonds. This interest swap agreement had originally been entered into with respect to the Authority's Series 2006-1 Bonds, which were refunded by the 2008-3 Bonds and the 2008-4 Bonds (the "2006-1 Swap Agreement"). The swap agreement remained outstanding and was matched on a pro-rata basis with the 2008-3 Bonds and the 2008-4 Bonds. The swap agreement hedging against the variable rate exposure of the 2008-4 Bonds will remain in place following the issuance of the 2011-2 Bonds and is intended to hedge against the variable rate exposure of such bonds. Under this swap agreement the Authority will pay a fixed rate of 3.482% and receive a floating rate based on 60% of the three-month LIBOR Rate plus 0.18%. See Appendix A - "Letter from the University - Outstanding Indebtedness," Appendix B - "Financial Statements of the Authority" and Appendix C - "Financial Statements of the University."

The Authority also entered into interest rate swap agreements with respect to (i) its Series 2008-A Bonds (the "2008-A Swap Agreement") with Lehman Brothers Special Financing Inc., as swap counterparty, in an initial notional amount or $26,580,000, and (ii) its Series 2008-1 (the "2008-1 Swap Agreement") with UBS AG, as swap counterparty, in an initial notional amount of $232,545,000. The 2006-1 Swap Agreement, the 2008-A Swap Agreement and the 2008-1 Swap Agreement are hereinafter referred to as the "Swap Agreements."

The 2008-A Swap Agreement was effective on May 1, 2008 and matures on May 1, 2038, which is the final maturity of the Series 2008-A Bonds, unless terminated earlier in accordance with the terms thereof, and provides that Authority will pay a fixed rate of 3.378% and receive a floating rate based on 70% of the one-month LIBOR Rate.

The 2008-1 Swap Agreement was effective on May 1, 2008 and matures on May 1, 2038, which is the final maturity of the Series 2008-1 Bonds, unless terminated earlier in accordance with the terms thereof and provides that that Authority will pay a fixed rate of 3.388% and receive a floating rate based on 70% of the one-month LIBOR Rate.

Under certain circumstances (including the occurrence of certain events of default by any of the Authority or the swap counterparties), the Swap Agreements are subject to termination prior to their stated expiration dates. Following any termination of any of the Swap Agreements, either the Authority or the applicable swap counterparty may owe a termination payment to the other, depending upon market conditions and the events that caused the applicable Swap Agreement to terminate. In the event of an early termination of a Swap Agreement, there can be no assurance that (i) the Authority will receive any termination payment payable to it by the applicable swap counterparty, and (ii) the Authority will have sufficient amounts to pay a termination payment payable by it to the applicable swap counterparty, and (iii) the Authority will be able to obtain a replacement swap agreement with comparable terms. Under certain market conditions, the Authority could owe a termination payment to a swap counterparty that could be substantial.

Members, Officers and Staff

The Authority consists of eleven members appointed by the Governor of the Commonwealth, five of whom shall be appointive members of the University Trustees and may, but need not, be graduates of the University, and two others of whom shall be graduates of the University. Members from the University Trustees serve while they are University Trustees; each other member serves for a term expiring on June 30 in the sixth calendar year after the calendar year in which his or her term began (unless appointed to fill a vacancy in which case such member shall serve for the unexpired term). Each member continues in office until his or her successor is appointed and qualified. 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 needs to be a member of the Authority.

The present members and officers of the Authority and the dates of expiration of their respective terms are as follows:

Member's Name, Position, Residence and Profession	Date of Appointment	Term Expires
Robert K. Sheridan, Chair, Hingham Chief Executive Officer, Savings Bank Life Insurance	2002	June 30, 2013
Richard J. Lawton,* Vice Chair, Falmouth Attorney, Richard J. Lawton	2006	September 1, 2011
Paul J. Carney, Secretary-Treasurer, San Francisco, CA	2006	June 30, 2011
Francis X. Callahan, Jr., Member, Arlington President, Massachusetts Building Trades Council, AFL-CIO	2010	June 30, 2015
Edward W. Collins, Jr.,* Member, Springfield International Representative, International Brotherhood of Electrical Workers	2010	September 1, 2012
Robert L. Fortes, Member, Boston Principal, The Fortes Group	2006	June 30, 2012
Philip W. Johnston,* Member, Marshfield President, Philip W. Johnston Associates	2010	September 1, 2012
William F. Kennedy, Member, Quincy Attorney, Nutter McClennen & Fish, LLP	2002	**
Brian W. McNally, Member, Sudbury Principal, Atlantic Benefit Group	2007	**
Henry M. Thomas, III,* Member, Springfield President and Chief Executive Officer, Urban League of Springfield, Inc.	2010	September 1, 2012
Stephen P. Tocco,* Member, Reading President and Chief Executive Officer, ML Strategies+	2006	September 1, 2011

* University Trustee
** Term expired. Member serves until successor is appointed.
+ ML Strategies is an affiliate of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel to the Authority

David J. MacKenzie is the Executive Director of the Authority. Prior to his appointment in 2004, Mr. MacKenzie was the Vice Chancellor for Administration and Finance at the Boston campus of the University. Mr. MacKenzie has also served as the Interim Chancellor at the UMass Boston and at the UMass Lowell campuses, as General Counsel to the Massachusetts Health and Educational Facilities Authority and as the Staff Director of the Massachusetts Senate Committee on Ways and Means.

Steven W. Dansby is the Chief Financial Officer and Assistant Secretary-Treasurer of the Authority. Mr. Dansby has previously served as Chief Financial Officer of the Massachusetts Housing Partnership Fund and American Red Cross of Massachusetts Bay. He has also served as Director of Administration and Finance of the Massachusetts Health and Educational Facilities Authority.

The Authority maintains offices at 333 South Street, 4th Floor, Shrewsbury, Massachusetts 01545. The Authority's telephone number is (774) 445-7250.

For information about outstanding indebtedness of the Authority, see Appendix A under the heading "Indebtedness of the University - University of Massachusetts Building Authority." See Appendix B for a copy of the Authority's audited financial statements for the fiscal year ended June 30, 2010.

LITIGATION

There is no litigation of any nature now pending or, to the knowledge of the Authority or its independent general counsel, threatened seeking to restrain or enjoin or restraining or enjoining the issuance, sale, execution or delivery of the Bonds or in any way contesting the validity of the Bonds or any proceedings of the Authority with respect to the issuance or sale thereof, the validity of the Contract or the guaranty thereunder with respect to the Series 2011-2 Bonds, or any proceedings of the Authority or of the Commonwealth taken with respect to the issuance or sale thereof, the validity of the Contract, or any proceedings of the Authority or of the Commonwealth taken with respect thereto, or of the pledge of any moneys or security provided under the Project Trust Agreement for the payment of the Bonds or the existence or powers of the Authority or the titles of its officers to their offices.

See Appendix A under the caption "Litigation" for a discussion of material litigation against the University.

LEGALITY FOR INVESTMENT

As declared by the Enabling Act, the Bonds are securities in which all public officers and public bodies of the Commonwealth and its political subdivisions, all savings banks, insurance companies, trust companies in their commercial departments, and, within the limits set by Section 40 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 Bonds are securities which may properly and legally be deposited with and received by any state or municipal officer or any agency or political subdivision of the Commonwealth for any purpose for which the deposit of bonds or other obligations of the Commonwealth is now or may hereto be authorized by law.

TAX MATTERS

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel to the Authority, is of the opinion that, under existing law, interest on the Series 2011-2 Bonds will not be included in the gross income of the holders of the Bonds for federal income tax purposes. In rendering its opinions, Bond Counsel will rely upon certificates of the Authority with respect to certain material facts solely within the Authority's knowledge relating to the Projects and the application of the proceeds of the Bonds and will rely on certificates of the University with respect to certain material facts solely within the University's knowledge relating to the Projects. This opinion is expressly conditioned upon compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), which requirements must be satisfied subsequent to the date of issuance of the 2011-2 Bonds in order to ensure that interest on the Series 2011-2 Bonds is and continues to be excludable from the gross income of the holders thereof. Failure to so comply could cause the interest on the Series 2011-2 Bonds to be included in the gross income of the holders thereof, retroactive to the date of issuance of the Series 2011-2 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 and the University have provided covenants and certificates as to their respective continued compliance with such requirements.

In the opinion of Bond Counsel, under existing law, interest on the Series 2011-2 Bonds will not constitute a preference item under section 57(a)(5) of the Code for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations under section 55 of the Code. However, interest on the Series 2011-2 Bonds will be included in "adjusted current earnings" of corporate holders of the Series 2011-2 Bonds and therefore will be taken into account under section 56(g) of the Code in the computation of the alternative minimum tax applicable to certain corporations.

Bond Counsel has not opined as to other federal tax consequences of holding the Series 2011-2 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 Series 2011-2 Bonds or, in the case of a financial institution, that portion of the holder's interest expense allocated to the Series 2011-2 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% of the sum of certain items, including interest on the Series 2011-2 Bonds, (iii) interest on the Series 2011-2 Bonds earned by certain foreign corporations doing business in the United States could be subject to a foreign branch profits tax imposed by section 884 of the Code, (iv) passive investment income, including interest on the Series 2011-2 Bonds, may be subject to federal income taxation under section 1375 of the Code for an S Corporation that has Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such S Corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income receipts or accruals of interest on the Series 2011-2 Bonds and (vi) receipt of investment income, including interest on the Series 2011-2 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 Series 2011-2 Bonds is now generally required to be reported by payors to the Internal Revenue Service ("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 Owner of such Series 2011-2 Bond 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 Owner as being subject to backup withholding because of prior underreporting. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Series 2011-2 Bonds from gross income for federal tax purposes.

In the opinion of Bond Counsel, interest on the Series 2011-2 Bonds and any profit made on the sale thereof are also exempt from Massachusetts personal income taxes and the Series 2011-2 Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to the other Massachusetts tax consequences resulting from holding the Series 2011-2 Bonds. However, prospective purchasers should be aware that the Series 2011-2 Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Series 2011-2 Bonds and the interest thereon are included in the measure of Massachusetts corporate excise and franchise taxes. Bond Counsel has not opined as to the taxability of the Series 2011-2 Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, under the laws of states other than the Commonwealth.

On the date of delivery of the Series 2011-2 Bonds, the original purchasers of the Series 2011-2 Bonds will be furnished with an opinion of Bond Counsel substantially in the applicable form shown in "Proposed Form of Opinion of Bond Counsel" attached hereto as Appendix E.

RATINGS

The Series 2011-2 Bonds, while in the Windows Rate Period have been assigned short-term ratings of "F1+" by Fitch Ratings ("Fitch"), "P-1" by Moody's Investors Services, Inc. ("Moody's") and "A-1+" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies Inc. ("S&P"). The Series 2011-2 Bonds have also been assigned long-term ratings of "AA+", "Aa1" and "AA" (applicable to the Windows Rate Period only) by Fitch, Moody's, and S&P, respectively, based on the guaranty by the Commonwealth.

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 rating will continue for any given period of time or that a rating will not be revised or withdrawn entirely by any or all of such rating agencies, if in its or their judgment, circumstances so warrant. Any downward revision or withdrawal of a rating could have an adverse effect on the market prices of the Series 2011-2 Bonds.

LEGAL MATTERS

All legal matters related to the authorization and issuance of the Series 2011-2 Bonds are subject to the approval of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel for 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 Series 2011-2 Bonds. Certain matters will be passed upon for the Authority by its counsel, Burns & Levinson LLP, Boston, Massachusetts, for the Underwriter by its counsel, McCarter & English, LLP, Boston, Massachusetts, and for the Commonwealth, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Commonwealth Disclosure Counsel.

DISCLOSURE CERTIFICATES

At the time of delivery of the Series 2011-2 Bonds, an Authorized Officer of the Authority will furnish a certificate to the effect that, to the best of his knowledge and belief, the Official Statement as of its date and as of the date of delivery of the Series 2011-2 Bonds does not contain any untrue statement of a material fact and do not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they are made, not misleading. To the extent that such certificate covers information regarding the University and the Commonwealth, the Executive Director of the Authority will rely solely upon the certificates of the University and the Commonwealth discussed in the following paragraphs.

At the time of delivery of the Series 2011-2 Bonds, the President and Vice President for Management and Fiscal Affairs and Treasurer, of the University will deliver a certificate to the effect that, to the best of their knowledge and belief, the information set forth in the Official Statement relating to the University, as of the date of the Official Statement and the date of delivery of the Series 2011-2 Bonds did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

At the time of delivery of the Series 2011-2 Bonds, the Treasurer and Receiver-General and the Secretary of Administration and Finance of the Commonwealth will deliver a certificate to the effect that, to the best of their respective knowledge and belief, the information set forth in the Commonwealth Information Statement as of the date of the Official Statement and the date of delivery of the Series 2011-2 Bonds did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. Prior to the delivery of said certificate, the Treasurer and Receiver-General and the Secretary of Administration and Finance of the Commonwealth will have received similar certificates from various officials of the Commonwealth with respect to the portion of the Commonwealth Information Statement relating to their areas of supervision.

UNDERWRITING

Citigroup Global Markets Inc. (the "Underwriter") has entered into a Bond Purchase Agreement to purchase the Series 2011-2 Bonds, subject to certain conditions, at a purchase price of $101,700,000 and the Underwriter will receive a fee from the Authority in an amount equal to $537,047.60. The Underwriter has agreed to make a public offering of all of the Series 2011-2 Bonds. The prices and other terms respecting the offering and sale of the Series 2011-2 Bonds may be changed from time to time by the Underwriter after the Series 2011-2 Bonds are released for sale, and the Series 2011-2 Bonds may be offered and sold at prices lower than such initial public offering prices, including sales to dealers who may sell the Series 2011-2 Bonds into investment accounts.

REMARKETING AGENT

The initial Remarketing Agent for the Bonds shall be Citigroup Global Markets Inc. The Remarketing Agent will determine the Windows Spread on the Bonds and perform the other duties and remarket Bonds as provided for in the Series Resolution, subject to the provisions of any remarketing agreement with the Remarketing Agent. The Remarketing Agent may deal in Bonds for its own account or as broker or agent for others and may do anything any other Bondholder may do to the same extent as if the Remarketing Agent were not serving as such.

CERTAIN CONSIDERATIONS AFFECTING SALES OF VARIABLE RATE BONDS

The Remarketing Agent is Paid by the Authority

The Remarketing Agent's responsibilities include determining the Windows Spread from time to time and remarketing Series 2011-2 Bonds that are tendered pursuant to the optional or mandatory tender provisions of the Series Resolution by the owners thereof (subject, in each case, to the terms of the Remarketing Agreement), all as further described in this Official Statement. The Remarketing Agent is appointed by the Authority and is paid by the Authority for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Series 2011-2 Bonds.

Tenders to the Trustee and the Remarketing Agent

As described under "BOOK-ENTRY ONLY SYSTEM," while the Series 2011-2 Bonds are in book-entry form, a beneficial owner may give notice to elect to tender its Series 2011-2 Bonds, through its Participant, to the Trustee and the Remarketing Agent and may effect delivery of such Series 2011-2 Bonds by causing the Participant to transfer the Participant's interest in the Series 2011-2 Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Series 2011-2 Bonds in connection with an optional tender or a mandatory tender may be deemed satisfied when the ownership rights in the Series 2011-2 Bonds are transferred by Participants on DTC's records and followed by a book entry credit of tendered Series 2011-2 Bonds to the Trustee's DTC account. Tendering Bondholders will receive par, plus accrued interest, if any, after the required number of days' notice have elapsed. For example, while the Series 2011-2 Bonds bear interest at the Weekly Rate, tendering Bondholders will receive par, plus accrued interest on the seventh Business Day following their tender to the Trustee. Tendering Bondholders will be paid with the proceeds of the remarketing of the Series 2011-2 Bonds.

The Remarketing Agent Routinely Purchases Variable Rate Obligations for its Own Account

The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations issued by many issuers and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Series 2011-2 Bonds for its own account and, in its sole discretion, routinely acquires such tendered Series 2011-2 Bonds in order to achieve a successful remarketing of the Series 2011-2 Bonds (*i.e.*, because there otherwise are not enough buyers to purchase the Series 2011-2 Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Series 2011-2 Bonds, and may cease doing so at any time without notice.

The Remarketing Agent may also make a secondary market in the Series 2011-2 Bonds by routinely purchasing and selling Series 2011-2 Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales must be at fair market value, which may be at, above, or below par. No notice period is required for such purchases. However, the Remarketing Agent is not required to make a secondary market in the Series 2011-2 Bonds. Thus, investors who purchase the Series 2011-2 Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Bonds other than by tendering the Series 2011-2 Bonds in accordance with the tender process.

The Remarketing Agent may also sell any Series 2011-2 Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Series 2011-2 Bonds. The purchase of Series 2011-2 Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Series 2011-2 Bonds in the market than is actually the case. The practices described above also may result in fewer Series 2011-2 Bonds being tendered in a remarketing.

Bonds May be Sold at Prices Other Than Par

Pursuant to the Series Resolution and the Remarketing Agreement, on each Determination Date, the Remarketing Agent is required to determine the interest rate that will be effective with respect to the Series 2011-2 Bonds on the first day of the Calculation Period That rate is required by the Series Resolution to be the minimum rate of interest per annum which, in the opinion of the Remarketing Agent, would be necessary on and as of such day to remarket the Series 2011-2 Bonds in a secondary market transaction at a price equal to the principal amount thereof plus accrued interest thereon. The interest rate will reflect, among other factors, the level of market demand for the Series 2011-2 Bonds (including whether the Remarketing Agent is willing to purchase Series 2011-2 Bonds for its own account). There may or may not be Series 2011-2 Bonds tendered and remarketed on a Determination Date, and the Remarketing Agent may or may not be able to remarket any Series 2011-2 Bonds tendered for purchase on such date at par. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third-party buyers for all of the Series 2011-2 Bonds at the remarketing price. If the Remarketing Agent owns Series 2011-2 Bonds for its own account, in its sole discretion, it may sell those Series 2011-2 Bonds at fair market value, which may be at prices above or below par only on days other than the first day of the Calculation Period and Determination Dates after the interest rate for the succeeding Calculation Period has been set. The Remarketing Agent may not agree in advance of the first day of a Calculation Period to sell Series 2011-2 Bonds to a customer at a price below par.

Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the Bonds, Without a Successor Being Named

Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Series Resolution and the Remarketing Agreement. In the event there is no Remarketing Agent, Bondholders will be required to tender their Series 2011-2 Bonds to the Trustee. In that event, the Series 2011-2 Bonds will bear interest at the rate determined as described above under “THE BONDS - Description of the 2011-2 Bonds – Determination of Windows Interest Rate” as such sections relate to the Remarketing Agent’s failure to determine the interest rate on the Series 2011-2 Bonds. Remarketing of Series 2011-2 Bonds will cease until a successor remarketing agent has been appointed.

CONTINUING DISCLOSURE

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

To date, the Authority, the University and the Commonwealth have complied with all of their undertakings under paragraph (b)(5) of Rule 15c2-12.

FINANCIAL ADVISOR

Public Financial Management, Inc. (“PFM”) is serving as financial advisor to the Authority for the issuance of the Series 2011-2 Bonds. PFM is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness, or fairness of the information contained in this Official Statement. PFM is an independent financial advisory firm and is not engaged in the business of underwriting, trading, or distributing securities.

FINANCIAL STATEMENTS OF THE AUTHORITY

The financial statements of the Authority as of June 30, 2010 and 2009, and for the fiscal year then ended, included in this Official Statement as Appendix B, have been audited by PricewaterhouseCoopers LLP, certified public accountants, as stated in their report, dated December 16, 2010, which report is also included in Appendix B.

FINANCIAL STATEMENTS OF THE UNIVERSITY

The financial statements of the University at June 30, 2010 and 2009, and for each of the fiscal years then ended, included in this Official Statement as Appendix C, have been audited by PricewaterhouseCoopers LLP, independent accountants, as set forth in their report dated December 16, 2010, which references the report of other auditors and which report is also included in Appendix C. Insofar as such financial statements, for the fiscal year ended June 30, 2010, relate to the financial statements of the Authority, such financial statements have been audited by PricewaterhouseCoopers LLP, independent accountants, whose report thereon appears herein in Appendix B.

MISCELLANEOUS

All quotations from and summaries and explanations of the Enabling Act, the Project Trust Agreement, the Series Resolution, the Contract, and the Swap Agreement 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 Project Trust Agreement, the Series Resolution, the Contract and the Swap Agreement may be obtained upon request directed to the University of Massachusetts Building Authority, 333 South Street, 4th Floor, Shrewsbury, Massachusetts 01545, 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 2011-2 Bonds.

The execution and delivery of this Official Statement by its Executive Director have been duly authorized by the Authority.

UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY

By: /s/ David J. MacKenzie
David J. MacKenzie
Executive Director

APPENDIX A

LETTER FROM THE UNIVERSITY

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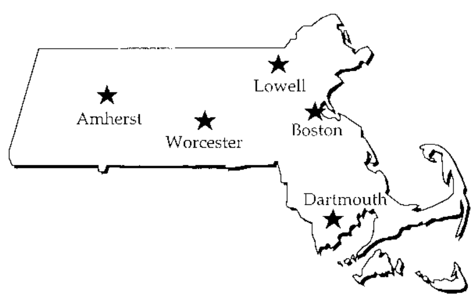
APPENDIX A

UNIVERSITY

OF

MASSACHUSETTS



Dated June 8, 2011

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APPENDIX A

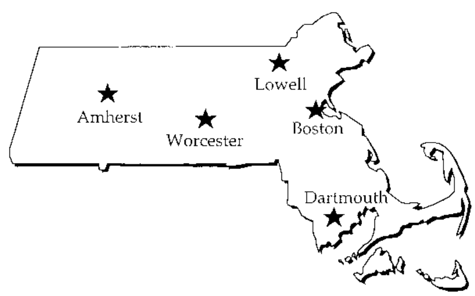
June 8, 2011

University of Massachusetts Building Authority
333 South Street, 4th Floor
Shrewsbury, MA 01545

Members of the University of Massachusetts Building Authority:

In connection with the issuance by the University of Massachusetts Building Authority (the "Authority") of its Refunding Revenue Bonds, Senior Series 2011-1 (the "Series 2011-1Bonds"), and Refunding Revenue Bonds, Senior Series 2011-2 (the "Series 2011-2 Bonds" and collectively with the Series 2011-1 Bonds, the "Bonds") we are pleased to submit the following information with respect to the University of Massachusetts (the "University" or "UMass") and other pertinent matters for inclusion in this Official Statement. Unless otherwise indicated by context, all utilization and financial data for any year refers to the fiscal year ended June 30. Unless otherwise indicated, the University is the source of all information included in this Appendix A.

University of Massachusetts



HISTORY AND MISSION

The University is a state coeducational institution for higher education with separate campuses at Amherst, Boston, Dartmouth, Lowell and Worcester in The Commonwealth of Massachusetts (the "Commonwealth"). The University was established in 1863 in Amherst, under the provisions of the 1862 Morrill Land Grant Acts, as the Massachusetts Agricultural College. It became known as the Massachusetts State College in 1932 and in 1947 became the University of Massachusetts. The Boston and Worcester campuses were opened in 1965 and 1970, respectively. The Lowell and Dartmouth campuses (previously the University of Lowell and Southeastern Massachusetts University, respectively) were made a part of the University by a legislative act of the Commonwealth, effective September 1, 1991.

The University's core mission is to provide an affordable and accessible education of high quality and to conduct programs of research and public service that advance knowledge and improve the lives of the people of the Commonwealth, the nation, and the world. In the fall of 2010, the University enrolled approximately 58,563 full-time equivalent ("FTE") students. The University's five campuses are geographically dispersed throughout the Commonwealth and possess unique and complementary missions. In addition, the University has a system-wide online education consortium called UMassOnline, which currently offers approximately 1,500 online and blended courses annually.

The University was rated as one of the world's best universities in the Times of London's *2010 World University Rankings*. UMass was ranked 56th out of the top 200 universities in the world, and was the only public university in New England to be listed in the global top 200. The University was ranked fourth highest in Massachusetts, sixth highest in New England, 14th highest in American public universities and 33rd highest of all American institutions (public or private). The University was also ranked as the 19th best university in the world and the 13th best American university in the Times of London's *2011 World Reputation Rankings*. Adding to its world-class reputation, research expenditures at the University reached approximately $536 million in fiscal year 2010, surpassing the $500 million mark for the first time in the University's history.

UNIVERSITY CAMPUSES

Amherst Campus

The Amherst campus ("UMass Amherst"), the University's flagship campus approximately 90 miles west of Boston, is the largest in the University system. With a student body of approximately 21,552 FTE undergraduate and approximately 4,776 FTE graduate students enrolled in the fall of 2010, the Amherst campus offers the most comprehensive and varied programs of the campuses in the University system, including liberal arts and professional programs, in addition to doctoral and research programs. It offers six associate-level programs and 86 bachelor's, 72 master's and 50 doctoral degree programs. During the 2009-2010 academic year, 72 associate, 4,851 bachelor and 1,502 advanced degrees were conferred. Students may enroll in the Commonwealth Honors College, School of Education, College of Engineering, College of Humanities and Fine Arts, Isenberg School of Management, School of Nursing, College of Natural Sciences, School of Public Health and Health Sciences, College of Social and Behavioral Sciences and the Stockbridge School of Agriculture, which offers associate level programs.

The 1,400-acre Amherst campus includes the 28-story W.E.B. Du Bois Library, containing approximately three million volumes as well as governmental documents and law collections, the 9,000-seat state-of-the-art multi-purpose arena, the William D. Mullins Center, and 45 campus residence halls in six unique residential areas. In 2008, the campus opened the Studio Arts Building and the Central Heating Plant and completed renovations to a landmark academic building. In 2009, the campus completed a new student recreation center and an integrated sciences building. In 2011, the UMass Amherst police department began operations at the new Campus Police Station and Emergency Operations Center, which is the first new construction on campus to meet LEED certification standards. Over the last few years, the campus has made great strides in its commitment to sustainability and green initiatives reducing its carbon footprint by 30%, water use by 43%, steam use by 24% and electricity by 9%. The 2009 report of *The Top American Research Universities (The Center)* ranks UMass Amherst 72nd in federal research expenditures among public research institutions. On a number of other measures of competitive success – national academy memberships, faculty awards, doctorates awarded, and postdoctoral appointees – the Amherst campus ranks in the top 50 among public research universities. During fiscal year 2010, the campus saw a record amount of sponsored research, securing approximately 498 total federal awards worth approximately $129,262,137; an increase of approximately 38% compared to the previous year.

Boston Campus

The 175-acre Boston campus ("UMass Boston"), which is located three miles from downtown Boston on a harbor peninsula with the John F. Kennedy Presidential Library and the Massachusetts State Archives and Commonwealth Museum, is currently a non-residential campus. In April 2004, the Boston campus opened its new 331,000 square foot state-of-the-art Campus Center to better serve its students. The Boston campus focuses on the academic needs of the local urban and non-traditional population and research and policy needs of business, government, and communities in the greater Boston metropolitan region. The Boston campus has a diverse student body, consisting of approximately 8,845 FTE undergraduate students and approximately 2,596 FTE graduate students enrolled in the fall of 2010. The Boston campus offers 65 undergraduate degree programs, 14 undergraduate certificate programs, 70 master's programs and graduate certificate programs and 25 doctoral programs (including tracks) through the College of Liberal Arts, College of Science and Mathematics, College of Management, College of Nursing and Health Science, College of Public and Community Service, McCormack Graduate School of Policy and Global Studies and the College of Education and Human Development. During the 2009-2010 academic year, 33 certificates and 1,762 bachelor and 1,217 advanced degrees were conferred.

The Boston campus is the only educational institution in the Northeast to share its campus with a presidential library. The students and faculty have access to the John F. Kennedy Library, as well as to the State Archives building, which houses valuable Massachusetts state government records. The Boston campus also has over 550,000 books and journals at its Healey Library.

UMass Boston has started the design and anticipates starting the construction on three new facilities to be located on the existing Boston campus: an Integrated Sciences Complex, a general academic building, and the Edward M. Kennedy Institute for the United States Senate (the "Kennedy Institute"). The Integrated Science Complex and the general academic building will both be operated by the Boston campus. The Kennedy Institute will be operated by a charitable organization registered in the District of Columbia going by the same name. The Kennedy Institute will operate as a civic, academic, and research institution focused on the study of the United States Senate. Although the Kennedy Institute will have broad public access and will be available for target groups outside of the University, one of the primary purposes of the Kennedy Institute is to enhance the academic and research environment available to the students and faculty of the University. Due to the multi-purpose nature of the Kennedy Institute, the University's annual financial commitment for the capital and operating expenses of the Kennedy Institute is limited to approximately $1.25 million.

On May 19, 2010 the Authority purchased the Bayside Exposition Center (the "Bayside site") for $18.7 million. The 20-acre Bayside site is approximately 1.5 miles from the Boston campus and will help meet the space needs of the Boston campus as it begins to develop new campus facilities and renovate outdated existing facilities. The acquisition of the Bayside site will initiate a University-led planning process to create a vision for redeveloping the site to further University and local objectives. UMass Boston plans to work with the City of Boston, the state, neighbors, and the surrounding communities to develop a plan that realizes the potential of the Bayside site, stimulates economic activity, creates jobs, and brings greater activity and opportunity to Columbia Point and the region. In the interim, the Bayside site will allow the University to replace parking eliminated during the above referenced construction process.

UMass Boston's 25-year capital plan calls for the redevelopment of the campus with new and renovated facilities, new infrastructure, and green space for greater access to and engagement with the public. The first 10 years of the master plan, launched in 2007, calls for more than $500 million in new facilities and infrastructure construction on the campus.

Dartmouth Campus

The Dartmouth campus ("UMass Dartmouth") distinguishes itself as a vibrant public university actively engaged in personalized teaching and innovative research, and acting as an intellectual catalyst for regional economic, social, and cultural development. The Dartmouth campus offers over 40 undergraduate and 30 graduate programs (including seven at the Ph.D. level) through the College of Arts and Sciences, the Charlton College of Business, the College of Engineering, the College of Nursing, the College of Visual and Performing Arts, the School for Marine Science and Technology and the School of Education, Public Policy, & Civic Engagement. The main campus, designed by the eminent architect Paul Rudolf, is located on 710 acres in North Dartmouth and is approximately 55 miles south of Boston and 35 miles east of Providence, Rhode Island. Other Dartmouth campus sites include the School for Marine Science and Technology on the waterfront in New Bedford, the Star Store Center for the Arts in New Bedford, the Advanced Technology and Manufacturing Center in Fall River, a state-of-the-art technology facility for small business incubation, and Professional and Continuing Education Centers located in New Bedford, Fall River and Fairhaven.

On February 2, 2010, the Massachusetts Board of Higher Education issued approval for UMass Dartmouth to offer the juris doctorate (J.D.) degree and establish the first public law school in the Commonwealth. Through the donation of assets, which is anticipated to be made to the University of Massachusetts Foundation, Inc. (the "Foundation"), with an approximate value of $23 million, including the facility, equipment, systems, and furnishings from an existing private law school (Southern New England School of Law), the Dartmouth Campus admitted the first class of new students of the University of Massachusetts School of Law in August 2010. The opening fall head count enrollment for the first year of operation of the new law school was approximately 318; 40 students more than initially projected. The focus of the law school is expected to be public-service, with a curriculum concentrating on civil and human rights, legal support for businesses, economic justice, and community law. The operating plan for the new law school calls for increasing enrollment, recruiting faculty, and improving assets in order to prepare the school for accreditation from the American Bar Association.

The Dartmouth campus had approximately 7,045 FTE undergraduate and approximately 1,218 FTE graduate students enrolled in the fall of 2010. During the 2009-2010 academic year, 1,273 bachelor and 316 advanced degrees were conferred. The 2010 edition of U.S. News and World Report's "America's Best Colleges", ranks the University of Massachusetts Dartmouth, in the "Best Universities – Master's" category, as number one in New England and 20th among all northern public universities, which in addition to the New England states, also includes New York, New Jersey, Pennsylvania, and Maryland. The College of Engineering is listed among the 50 best engineering undergraduate programs, both public and private, and one of only four schools from New England. The campus – fully engaged in a strategic growth plan entitled Engaged, Embedded, Evolving – weaves its research, creative, and community service activities of faculty and graduate students into the undergraduate experience and into the economic and cultural life of southeastern Massachusetts. Areas of focus include marine science, bio-materials, public policy, K-12 schools, Portuguese-American Studies and the creative economy.

Lowell Campus

The Lowell campus ("UMass Lowell") offers a wide array of academic programs, with a focus on science, engineering and technology, and is committed to educating students for lifelong success in a diverse world and conducting research and outreach activities that sustain the economic, environmental and social health of the region.

Located in the historic industrial City of Lowell, approximately 25 miles northwest of Boston, the campus spans more than 125 acres along the Merrimack River on three campus clusters – North, South and East. The Lowell campus had a student body of approximately 9,206 FTE undergraduate and approximately 2,155 FTE graduate students in the fall of 2010. The Lowell campus offers five associate's, 37 bachelor's, 31 master's and 15 doctoral degree programs through the College of Fine Arts, Humanities, and Social Sciences, the College of Sciences, the College of Engineering, the School of Health and Environment, the College of Management and the Graduate School of Education. During the 2009-2010 academic year, 39 associate, 1,477 bachelor, and 675 advanced degrees were conferred.

Three recently completed major capital acquisitions are expected to better position the Lowell campus to serve its students, faculty, and staff, while also serving to connect the campus community to the City of Lowell. In July 2009, the Authority purchased the former Doubletree Hotel in the downtown section of Lowell and converted the property into the UMass Lowell Inn & Conference Center (the "ICC"). Establishing the ICC created a multi-purpose property that maintains hotel accommodations in the City, serves as housing for 400 students, and creates high-quality conference space which will improve the vitality of the University and the City of Lowell. In February 2010, the Authority acquired the 6,500-seat Tsongas Arena from the City of Lowell. The renamed Tsongas Center at UMass Lowell hosts hockey games, concerts, functions, University events and other community activities. In January 2011, the Authority purchased the former St. Joseph's Hospital in Lowell. University Crossing, as the property is now called, will offer an important connection point centrally located between UMass Lowell's North, South and East campuses, and is expected to be transformed into a vibrant hub for students and the community.

Worcester Campus

The Worcester campus ("UMass Worcester") provides general and specialized medical education and engages in a comprehensive program of basic scientific and clinical research. Located approximately 40 miles west of Boston and 50 miles east of Amherst, the campus is home to the School of Medicine (the "Medical School"), the Graduate School of Biomedical Sciences and the Graduate School of Nursing; a $255 million research enterprise; public service initiatives throughout the Commonwealth, and the University Campus hospital of UMass Memorial Health Care, which was formerly the Clinical Services Division of the University. Effective March 31, 1998, as enacted by Chapter 163 of the Acts of 1997 of the Commonwealth, the Clinical Services Division of the University and the subsidiaries of a University-related organization, UMASS Health System, were contributed to and merged with and into an independent Massachusetts not-for-profit corporation named UMass Memorial Health Care, Inc. ("UMass Memorial"). The University maintains certain relationships with UMass Memorial through the arrangements presented in detail in the notes to the University's financial statements.

Created in 1962, UMass Worcester provides medical education at an affordable cost to Massachusetts residents, and graduate education to science and nursing students, offering incentives to graduates who practice primary care and other medical disciplines in underserved areas in Massachusetts. Ranked 9th in primary care education among the nation's accredited medical schools and schools of osteopathic medicine by weekly news magazine *U.S. News & World Report* in its 2010 edition of "America's Best Graduate Schools," the School of Medicine also ranked 47th among medical schools based on research criteria.

Comprising Basic & Biomedical Sciences and Clinical & Population Health Research divisions, the Graduate School of Biomedical Sciences trains students in their selected specialty area, while emphasizing a broad background in the basic medical sciences in preparation for research with direct relevance to human disease. The Graduate School of Nursing provides high quality master's and doctoral-level preparation for advanced practice nurses and nurse educators.

In 2006, Professor of Molecular Medicine Craig C. Mello, PhD, a *Howard Hughes Medical Institute* ("HHMI") investigator, was co-recipient of the *Nobel Prize in Physiology or Medicine* with Andrew Fire, PhD, of Stanford University for their discovery of RNA interference ("RNAi"), a naturally occurring gene-silencing process with the potential to revolutionize medicine. This unprecedented honor was followed in quick succession by additional high-profile scientific honors recognizing the critical mass of RNAi investigators at the Worcester campus.

With the signing of the $1 billion Life Sciences Bill by Massachusetts Governor Deval Patrick on June 16, 2008, UMass Worcester assumed a key role in helping realize the Commonwealth's potential as a global leader in life sciences. The law provides funding for a facility (a research complex that will be known as the "Sherman Center") that will house the new Advanced Therapeutics Cluster ("ATC"), composed of the Gene Therapy Center, the RNAi Therapeutics Center and the Center for Stem Cell Biology and Regenerative Medicine. A grant agreement signed on September 23, 2009 between the Commonwealth and the Life Sciences Center formalized the appropriation of approximately $90 million, which is to be distributed by fiscal year 2013, to support the construction of the Sherman Center on the Worcester campus.

To help address physician workforce shortages in the Commonwealth, the Worcester campus has begun to increase the incoming class size for the Medical School over the next several years. Over the past few years, the Medical School has increased the class size from 103 to 125. Over the next three years, the Medical School will monitor the progress of the expanded class size through all four years, including the expanded clinical teaching sites, to assess how the increase in class size affects the educational experience. In the fall of 2010, the Worcester campus had approximately 1,170 FTE graduate and medical students enrolled in six master's and six doctoral degree programs, as well as approximately 556 post-graduate students enrolled in 62 medical residency programs. During the 2009-2010 academic year, 195 advanced degrees were conferred. The Worcester campus provides general and specialized medical care and engages in a comprehensive program of basic scientific and clinical research that benefits the recipients of clinical services and contributes to the national effort to understand, prevent and treat disease.

UMassOnline

In February 2001, the University launched UMassOnline, the University's system-wide online education consortium. Headquartered at the President's Office Collaborative Services Facility in Shrewsbury, Massachusetts, UMassOnline enables the University to provide greater access to its educational programs and to increase revenues that can be used to support the campuses. In fiscal year 2010, UMassOnline and the Continuing Education units at the five campuses collaboratively generated tuition revenue of $56.2 million and supported over 45,815 course enrollments.

UMassOnline's mission is to provide access to a University of Massachusetts education to students who are unable to attend one of the campuses; serving community needs for education in the critical areas of economic development, health and welfare and education; and raising revenues for support of students, faculty, teaching, outreach, and research. To this end, the 12-member UMassOnline team supports the campuses in developing, growing and marketing online programs by funding the development of new online programs; providing faculty support, development and training; providing technology support and by creating and maintaining a robust platform for online learning; assessing new teaching and learning technologies; and deploying marketing programs that will position the University as a high-quality national leader in online higher education, as well as increase online course and program enrollments in the Massachusetts, New England, national and international markets.

Currently, the University offers over 106 online degrees, certificates and continuing medical education programs, as well as 1,500 online and blended courses annually.

The University of Massachusetts Collaborative Service Facility

The University established the University of Massachusetts Collaborative Services Facility ("CSF") in November 2003. The CSF is located in Shrewsbury, Massachusetts. The CSF was created for the purpose of consolidating a number of departments within the University President's Office and other UMass organizations in an effort to both reduce costs and better serve the University system. In February 2009, in an effort to further reduce operating costs, the majority of the President's Office staff moved from an office located in downtown Boston to the CSF.

In April 2007, the Worcester City Campus Corporation ("WCCC"), as described below under "UNIVERSITY RELATED ORGANIZATIONS", acquired the property at 333 South Street, Shrewsbury, which is the present location of the CSF, from Maxtor Realty Corporation and Seagate Technology, LLC. The purchase price was $27.5 million, which consisted of approximately 83 acres of property and two buildings containing approximately 670,000 gross square feet of space. This acquisition allows WCCC to provide major benefits to the University and the Medical School by providing immediate available off campus space to meet the needs of the University, the Medical School and its clinical partner, UMass Memorial. This property provides substantial capital cost avoidance as the acquisition cost of approximately $45 per square foot compares favorably with new building costs of $150 - $300 per square foot for office or laboratory construction.

The University of Massachusetts Club

The University, acting through the Authority, has established an Alumni dining club, known as "The University of Massachusetts Club." The club opened on October 31, 2005 and is located on the 33rd floor of 225 Franklin Street in downtown Boston. The club is managed by a national hospitality management firm.

UNIVERSITY RELATED ORGANIZATIONS

The financial statements of the University include the University and certain other organizations that have a significant relationship with the University. The statements include the University's blended component units, which are the Authority, a public instrumentality of the Commonwealth created by Chapter 773 of the Acts of 1960 of the Commonwealth, as amended, and WCCC, a tax-exempt organization, and the University of Massachusetts Amherst Foundation, Inc. (the "UMass Amherst Foundation"), a tax-exempt organization that was established in fiscal year 2003. The purposes of the Authority are to provide dormitories, dining commons and other buildings and structures for use of the University and other entities associated with the University and to issue bonds to finance such projects. On November 4, 1992, the University created WCCC to purchase various assets of Worcester City Hospital, to operate as a real estate holding company and to foster and promote the growth, progress and general welfare of the University. WCCC includes Worcester Campus Services, Inc. Public Sector Partners, Inc. ("PSP") and its wholly-owned subsidiary Medmetrics Health Partners, Inc. ("MHP"), and for the fiscal years ended June 30, 2009 and 2008, Worcester Foundation for Biomedical Research, Inc. ("WFBR"), as subsidiaries. WFBR applied for dissolution in April 2010. During fiscal year 2009 the board of trustees of PSP, a Massachusetts corporation formed under M.G.L.c. 180, which is comprised equally of representation from the Medical School and UMass Memorial Health Ventures, Inc. (a subsidiary of UMass Memorial) voted to amend the bylaws of PSP naming WCCC to be the sole member of the corporation. Upon acceptance of WCCC to be the sole member of the corporation, PSP is now a component unit of WCCC, and as such it has been blended into the financial statements of the University for the fiscal year ended June 30, 2009. The University's discrete component units are the Foundation and the University of Massachusetts Dartmouth Foundation, Inc. (the "Dartmouth Foundation"). These foundations are tax-exempt organizations related to the University and established to foster and promote the growth, progress and general welfare of the University and to solicit, receive, and administer gifts and donations for such purposes. The Foundation manages the majority of the University's endowments, including the endowment of the UMass Amherst

Foundation. The Foundation and the Dartmouth Foundation are reported in the financial statements of the University as part of the University Related Organizations.

GOVERNANCE

Under the General Laws of the Commonwealth (the "General Laws"), the University is governed by a Board of Trustees (the body herein called the "University Trustees" or the "Board of Trustees of the University") under the coordinating authority of the Commonwealth's Department of Higher Education ("DHE") (successor to the Board of Higher Education, which was the successor to the Higher Education Coordinating Council). The day-to-day operations of the University are directed by a team of administrative officers of the University, the chief executive officer being the President.

The General Laws give the University Trustees the authority to govern the University and to appoint the President of the University, the Chancellors (the senior administrative officers of each campus) and other officers and members of the professional staff. The General Laws also grant to the University Trustees the legal right to establish and manage non-appropriated funds, which funds include, for example, certain student fees, grants and contracts and funds used to support certain self-sufficient operations within the University. See "UNIVERSITY REVENUES AND BUDGETING" below. The University Trustees consist of 19 voting members and three non-voting members. Seventeen voting members of the University Trustees are appointed by the Governor of the Commonwealth. One of these appointees is the Secretary of Education, as mandated by Chapter 27 of the Acts of 2008, and at least five of those appointed must be alumni of the University and one must be a representative of organized labor. Two of the voting members are full-time students of the University, and three additional full-time students act as non-voting members. The student members are elected annually from each of the five campuses, and the two voting student positions are rotated annually among the members representing the five campuses. The University Trustees, except for the student members, serve five-year staggered terms.

The President of the University is responsible for implementing the policies of the University Trustees and for providing leadership for the activities and operations of the University. The President's Office is responsible for the development of academic and financial policy, overall coordination of University activities and certain University-wide operational activities, including Internal Audit, the Treasurer's and Controller's functions, Information Systems and Human Resources.

Education System Reorganization

In February 2008, legislation was passed that reorganized the leadership structure of education in the Commonwealth. A cabinet-level executive office of education was established with comprehensive education oversight, including the following departments: Early Education, Elementary and Secondary Education, and Higher Education. The legislation also established a position of Secretary of Education whose authority includes authorizing the hiring of the respective Commissioners of the education departments, approving long-term planning, and approving budget and capital requests. In addition, the reorganization increased the size of each of the education boards by two members and designated the Secretary of Education as a voting member on the three education boards as well as a voting member of the Board of Trustees of the University. The reorganization also provided the Governor with the authority to appoint the chair of the University Trustees.

Department of Higher Education

The University is subject to the coordinating authority of the DHE, which has the statutory responsibility under Chapter 15A of the General Laws of the Commonwealth to develop, foster and advocate for the public higher education system in Massachusetts (which consists of the University, nine state colleges and 15 community colleges), to review and approve tuition at the University, to review and establish tuition at the state colleges and the community colleges, to approve changes in academic programs at these institutions, and to collaborate with the public institutions of higher education in order to identify and define institutional missions.

The DHE consists of 13 voting members; one of whom is the Secretary of Education, nine members appointed by the Governor reflecting regional geographic representation, and three members chosen to represent public institutions of higher education. 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 a public institution of higher education. Of the members chosen to represent public institutions of higher education, one must be a member of the Board of Trustees of the University as voted by the University Trustees, one must be a member of a board of trustees of a state college chosen by vote of the chairs of the boards of trustees of each of the state colleges, and one must be a member of a board of trustees of a community college chosen by vote of the chairs of the boards of trustees of each of the community colleges. Three of the DHE members appointed by the Governor shall be appointed for terms coterminous with that of the Governor. The remaining members of the DHE shall be appointed to serve five-year terms, except that the undergraduate student members will be appointed annually. The chairperson of the DHE is selected by the Governor.

Board of Trustees[*]

The present members and officers of the University Trustees, their original appointment dates and the expiration dates of their respective current terms are set forth below. The term expiration date is September 1 of the applicable year; however University Trustees generally continue to serve until a successor University Trustee is appointed.

Name and Position; Month and Year Initially Appointed	**Current Term Expiration Date**
James J. Karam, *Board of Trustees Chair,* Tiverton, Rhode Island *Appointed January 2002* President, First Bristol Corporation	2011
Ruben J. King-Shaw, Jr., *Board of Trustees Vice Chair,* Carlisle *Appointed September 2005* Chairman & CEO, Mansa Equity Partners, Inc.	2010
Henry M. Thomas, III, J.D., *Board of Trustees Vice Chair,* Springfield *Appointed September 2007* President and CEO, Urban League of Springfield, Inc.	2012
Lawrence F. Boyle, J.D., Milton *Appointed January 2002* Senior Partner, Morrison, Mahoney & Miller, LLP	2011
Jennifer C. Braceras, J.D., Concord *Appointed September 2006* Attorney and Writer	2011
Edward W. Collins, Jr., Springfield *Appointed September 2007* International Representative, IBEW	2012
John A. DiBiaggio, D.D.S., Snowmass Village, Colorado *Appointed October 2003* Former President, Tufts University (retired)	2013
Christopher Dinan, Braintree *Non-Voting Student Member, elected April 2010* University of Massachusetts, Dartmouth	2011
Michael G. Fox, Sharon *Voting Student Member, elected April 2010* University of Massachusetts, Amherst	2011
Maria D. Furman, Wellesley *Appointed November 2009* Former Managing Director and Bond Portfolio Manager of Standish Mellon Asset Management (retired)	2014

Administrative Officers

The following is a list of the current administrative officers of the University. University President Jack M. Wilson, Ph.D., has announced that he will conclude his presidency at the end of his current term, which ends on June 30, 2011. Dr. Wilson will become the Distinguished Professor of Higher Education, Emerging Technologies and Innovation at the University of Massachusetts Lowell campus. By the end of his term, Dr. Wilson will have served as University President for approximately eight years. The University Trustees appointed a search committee to seek, encourage, interview and recommend the strongest possible candidates for the position of President of the University. The committee was chaired by UMass Board of Trustees Chairman James J. Karam and included UMass faculty members, trustees, alumni, and business and community leaders. After conducting a national search, the Board of Trustees unanimously elected Robert L. Caret, PhD., as the next president of the University.

Robert L. Caret, Ph.D., President-Elect, age 63

Robert L. Caret, PhD., was elected President of the University on January 13, 2011, and will begin his term as President on July 1, 2011. Dr. Caret previously served as president of Towson University, where he also served as a faculty member, dean, executive vice president, and provost during his more than 25-year tenure there. Between 1995 and 2003 he left Towson University to assume the presidency of San Jose State University. Dr. Caret received his Ph.D. in organic chemistry from the University of New Hampshire and his Bachelor of Science degree in chemistry and mathematics from Suffolk University.

Jack M. Wilson, Ph.D., President, age 65

Jack M. Wilson, Ph.D., was appointed President of the University on March 24, 2004. Since September 2003, he had served as the interim President. Previously, he had served as the Vice President for Academic Affairs of the University and he was the founding Chief Executive Officer of UMassOnline, the University's system wide online education consortium. A physicist of national distinction, Dr. Wilson came to the University on January 21, 2001 after 11 years at Rensselaer Polytechnic Institute, where he was the J. Erik Jonsson '22 Distinguished Professor of Physics, Engineering Science, Information Technology, and Management and where he was the founding Director of the Anderson Center for Innovation in Undergraduate Education and Co-Director of the Severino Center for Technological Entrepreneurship. Dr. Wilson was also the co-founder and chairman of LearnLinc Corporation, a supplier of software systems for corporate training to Fortune 1000 corporations. Dr. Wilson received B.A. and M.A. degrees from Thiel College and a Ph.D. from Kent State University.

James R. Julian, Jr., J.D., Executive Vice President and Chief Operating Officer, age 49

James R. Julian, Jr., J.D., has been the Executive Vice President at the University since January 1996. Prior to joining the University, he served as Chief of Staff and Counsel for the former Massachusetts Senate President, William M. Bulger, from 1991 to 1996. He holds a B.S. degree in Political Science from Suffolk University in Boston, Massachusetts and a J.D. degree from the New England School of Law in Boston, Massachusetts.

Marcellette G. Williams, Ph.D., Senior Vice President for Academic Affairs, Student Affairs and International Relations, age 69

Marcellette G. Williams, Ph.D., has been the Senior Vice President for Academic and Student Affairs and International Relations since July 2005. Dr. Williams served as interim Chancellor of the Amherst campus from July 2001 through July 2002. Prior to becoming interim Chancellor, Dr. Williams was deputy chancellor and professor of English and Comparative Literature at the Amherst campus. Prior to joining the University, Dr. Williams served in a variety of academic and administrative positions at Michigan State University, where she earned her bachelor's, master's and doctoral degrees.

David J. Gray, Senior Vice President for Administration, Finance and Technology, and Treasurer, age 57

David J. Gray was appointed to the position of Senior Vice President for Administration, Finance and Technology, effective February 1, 2009. Previously, he had served as the Chief Information Officer and Vice President for Information Services from 2000 through January 2009 and the Chief Executive Officer ("CEO") of UMassOnline from 2004 through January 2009. He had served as interim CEO of UMassOnline from September 2003. Prior to joining the University, he served as Vice Chancellor for Information Technology for the Pennsylvania State System of Higher Education from 1995 to 2000 and as the Assistant Vice Chancellor for Financial Management from 1990 to 1995. Mr. Gray received a B.A. degree in political science and a Master of Public Administration degree from The Pennsylvania State University.

Thomas J. Chmura, Vice President for Economic Development, age 61

Thomas J. Chmura has been Vice President for Economic Development at the University since January 1993. He also served as Chief of Staff for the President's Office in 1995. Previously, Mr. Chmura was Director of Economic Development for the Greater Baltimore Committee, the business leadership organization for the

Baltimore metropolitan area from 1989 to 1992. Mr. Chmura received a B.S. degree in Engineering and an M.S. degree in Urban and Environmental Studies from Rensselaer Polytechnic Institute in Troy, New York.

Robert P. Connolly, Vice President for Media Relations and University Spokesperson, age 57

Robert P. Connolly, Vice President for Media Relations and University Spokesperson, joined the University of Massachusetts in April 1996. Prior to joining the University, he had a career in journalism, serving as the *Boston Herald's* State House bureau chief and also working for the *Worcester Telegram* and the *Patriot Ledger*. He holds a bachelor's degree from the University of Massachusetts at Boston and master's degrees from Harvard University and Boston College.

Deirdre Heatwole, J.D., General Counsel, age 61

Deirdre Heatwole, J.D., was appointed General Counsel at the University of Massachusetts effective November 1, 2009. Since February 7, 2009, she had served as the Interim General Counsel. Previously, she had served as Associate Counsel for the University of Massachusetts, advising the University and its officers and employees and representing them in civil litigation since 1988, and was appointed Deputy General Counsel in 2008. Prior to joining the University, Ms. Heatwole served as a prosecutor in Kings County, Brooklyn, New York and in Middlesex County, Massachusetts, and was in private litigation practice in Boston law firms. Ms. Heatwole received a B.A. degree in Political Science from Boston University in 1971, a Masters in Urban Affairs degree from Boston University in 1978, and a Juris Doctor degree from New York Law School in 1981.

Ken Udas, Ph.D., Chief Executive Officer, UMassOnline, age 47

Ken Udas, Ph.D., was named Chief Executive Officer of UMassOnline in September, 2009. Previous to joining UMassOnline, Dr. Udas was the Executive Director, Penn State World Campus and Online Programs, The Pennsylvania State University which is The Pennsylvania State University's online learning provider, serving adult learners studying in all 50 U.S. states and on all 7 continents. The World Campus is part of Penn State Outreach and provides a wide range of curriculum development, faculty, program, and student support services to more than 10,000 learners in over 65 programs. Dr. Udas received his first degree from University of Massachusetts Dartmouth in 1986 earning a Bachelor of Science in Biology. In 1990 he received his Master of Business Administration in Management, from Salem State College. Dr. Udas earned his Master of Science in Management Information Systems from Texas A&M University, College Station, TX in 1992 and a Doctor of Philosophy in Higher Educational Administration in 1992 also from Texas A&M University.

Robert C. Holub, Ph.D., Chancellor Amherst campus, age 61

Robert C. Holub, Ph.D., became the Chancellor of the Amherst campus in August 2008. Prior to becoming Chancellor, Dr. Holub was the Provost and Vice Chancellor for Academic Affairs at the University of Tennessee's flagship campus in Knoxville, Tennessee. In 2003, Dr. Holub was named Dean of Berkeley's Undergraduate Division of College of Letters and Science at The University of California at Berkeley. Dr. Holub was also a professor at The University of California at Berkeley, where he was the Chair of the German Department from 1991-1997. He holds a B.S. from the University of Pennsylvania, two M.A. degrees and a Ph.D. from the University of Wisconsin.

J. Keith Motley, Ph.D., Chancellor Boston campus, age 55

J. Keith Motley, Ph.D., became the Chancellor of the Boston campus in July 2007. Previously, Dr. Motley held the position of Vice President for Business and Public Affairs since 2005. Dr. Motley served as Interim Chancellor of the Boston campus from August 2004 until June 5, 2005. Prior to becoming Interim Chancellor, Dr. Motley served as the Vice Chancellor for Student Affairs at the Boston campus. Previously, Dr. Motley held a variety of student-service positions at Northeastern University including Dean of Student Services, Associate Dean/Director of the John D. O'Bryant African-American Institute, and Assistant Dean/Director of the Office of Minority Student Affairs. Dr. Motley is a founder of the Roxbury Preparatory Charter School and chair emeritus of the school's board of trustees. He also serves on the board of trustees of Newbury College in Brookline. Dr. Motley holds B.S. and M.Ed. degrees from Northeastern University, and a Ph.D. from Boston College.

Jean F. MacCormack, Ed.D., Chancellor Dartmouth campus, age 64

Jean F. MacCormack, Ed.D., became the Chancellor of the Dartmouth campus in February 2001. Dr. MacCormack previously served as the Interim Chancellor of the Dartmouth campus from September 1999. Dr. MacCormack also previously served as Deputy Chancellor and Vice Chancellor for Administration and Finance on the University's Boston campus. Dr. MacCormack holds a Master's and Doctorate in Education from the University of Massachusetts, Amherst and a Bachelor of Arts from Emmanuel College.

Martin T. Meehan, J.D., Chancellor Lowell campus, age 54

Martin T. Meehan, J.D., became the Chancellor of the Lowell Campus in July 2007. Mr. Meehan previously represented the Fifth Congressional District of Massachusetts in the U.S. House of Representatives since 1993. He has also served as the First Assistant District Attorney for Middlesex County from 1991-1992. Mr. Meehan was also the Director of Public Affairs for the Massachusetts Secretary of the Commonwealth and the Deputy Secretary of State for Securities and Corporations from 1986-1990. Mr. Meehan earned his Bachelor of Science degree in education and political science from the University of Massachusetts Lowell, a Master's degree in public administration from Suffolk University and a Juris Doctor from Suffolk University Law School. He holds honorary degrees from Suffolk University, Green Mountain College in Vermont and Shenkar College of Engineering & Design in Israel.

Michael F. Collins, M.D., Chancellor Worcester campus and Senior Vice President for Health Sciences, age 55

Michael F. Collins, M.D., was appointed Chancellor of the University of Massachusetts Medical School, where he also serves as professor of quantitative health sciences and medicine, on September 26, 2008. Dr. Collins served as interim Chancellor of the University of Massachusetts Medical School from June 2007 to September 2008. In June 2007, Dr. Collins was appointed Senior Vice President for Health Sciences at the University of Massachusetts. Dr. Collins served as Chancellor of the UMass Boston campus from 2005 through 2007. Prior to joining the University of Massachusetts, Dr. Collins served as President and Chief Executive Officer of Caritas Christi Health Care from 1994 to 2004, and from 1994 to 2001, he served as President of St. Elizabeth's Medical Center in Brighton, a university academic medical center affiliated with Tufts University School of Medicine. A board certified physician in internal medicine and a Fellow of the American College of Physicians, Dr. Collins has held a number of faculty and academic leadership positions over the course of his career, first at Texas Tech University Health Sciences Center, where his posts included Assistant Professor of Internal Medicine and Assistant Dean for Patient Care Resources, and at Tufts University, where he served as Clinical Professor of Internal Medicine and Associate Dean of Government and Medical Affairs in the School of Medicine and as a senior fellow, Jonathan M. Tisch College of Citizenship and Public Service. Dr. Collins received a B.A. degree from the College of the Holy Cross and earned an M.D. from Tufts University School of Medicine.

Faculty and Staff

The University had approximately 5,425 faculty members in the fall of 2010, including approximately 3,613 full-time faculty. Of the full-time faculty (excluding Worcester faculty), approximately 58.5 percent were tenured, approximately 24.9 percent were on track for tenure and the remaining approximately 16.7 percent were not on tenure track. In addition, the University had approximately 7,246 professional and 4,936 classified staff members in the fall of 2010, of which approximately 88.8 percent and 84.1 percent were full-time, respectively. The University faculty have received some of the world's most prestigious awards and honors, including the MacArthur Fellowship, the Pulitzer Prize, the National Book Award, and the Nobel Prize. The University faculty also includes National Science Foundation grant winners and Fulbright Scholars. The University student FTE to faculty FTE ratios, excluding continuing education, are 18.6:1, 16:1, 17:1 and 17:1 for the Amherst, Boston, Dartmouth and Lowell campuses, respectively. The Worcester campus ratio is not presented because the delivery of graduate medical education is not comparable to that of campuses offering a traditional range of undergraduate and graduate programs.

ACADEMIC PROGRAMS AND ACCREDITATION

The University offers a broad spectrum of academic programs, granting Bachelor of Arts degrees in over 60 fields, Bachelor of Science degrees in over 50 fields and bachelor degrees in a number of other areas, including fine arts and business administration. Master of Arts degrees are granted in more than 25 fields, Master of Science degrees in over 45 academic fields and a variety of other master's degrees are granted in specialized areas including education, teaching, business administration and public health. In addition to the foregoing, the University grants Doctor of Philosophy degrees in over 50 fields, as well as Doctor of Education, Doctor of Science, Doctor of Engineering and Doctor of Medicine degrees. The academic resources of the University are also accessible to part-time students, to local, national and international businesses and to the general community through the continuing education programs.

Each campus of the University is accredited by the New England Association of Schools and Colleges, Inc. ("NEASC"), the major accrediting body for institutions of higher education in New England. The Medical School at the Worcester campus is a member of the Association of American Medical Colleges and was given full accreditation through the 2011-2012 academic year by the Liaison Committee on Medical Education, the major accrediting body for programs leading to the M.D. degree. In addition to the foregoing, individual schools and academic programs are accredited by the appropriate agencies in their particular fields.

The University is also an institutional member of numerous organizations of higher learning and professional societies, including, among others, the Association of American Colleges, the Association of Public and Land-Grant Universities, the American Council on Education, the American Association of Colleges for Teacher Education, the American Association of Colleges of Nursing, the Council of Colleges of Arts and Sciences and the New England Board of Higher Education.

ENROLLMENT

Except for the Medical School, which admits only Massachusetts residents (as required by Massachusetts Session Laws, Chapter 199, Section 99), admission to the University is open to residents and non-residents of the Commonwealth on a competitive basis. In the fall 2010 semester, Massachusetts residents accounted for approximately 84.5 percent and 55.6 percent of the University's total undergraduate and graduate fall enrollment, respectively.

In the fall of 2010, total full-time equivalent enrollment at the University (including continuing education) was 58,563, representing an increase of approximately 19.1 percent over the five-year period.

Total Full-Time Equivalent Enrollment, Fall 2006-2010

	2006	2007	2008	2009	2010
Undergraduate	39,282	40,805	42,767	44,542	46,648
Graduate	9,883	10,264	10,373	11,198	11,915
Total	49,165	51,069	53,140	55,740	58,563

The following tables show opening fall head count enrollment for each of the five campuses since 2006.

Amherst Campus

	2006	2007	2008	2009	2010
In-state undergraduate	15,820	16,018	16,402	16,838	16,932
Out-of-state undergraduate	4,003	4,096	4,137	4,035	4,441
In-state graduate	2,342	2,357	2,355	2,408	2,419
Out-of-state graduate	3,428	3,402	3,465	3,735	3,777
Total	25,593	25,873	26,359	27,016	27,569

Boston Campus

	2006	2007	2008	2009	2010
In-state undergraduate	8,219	8,890	9,493	10,082	10,467
Out-of-state undergraduate+	1,027	1,118	985	959	1,101
In-state graduate	2,352	2,514	2,666	2,901	2,835
Out-of-state graduate	764	911	973	970	1,051
Total	12,362	13,433	14,117	14,912	15,454

+In 2006, Boston campus undergraduate unknown residency (326) and graduate unknown residency (219) included in out-of-state total.

Dartmouth Campus

	2006	2007	2008	2009	2010
In-state undergraduate	7,245	7,586	7,633	7,636	7,400
Out-of-state undergraduate	381	341	349	346	349
In-state graduate	707	769	825	955	1,201
Out-of-state graduate	423	384	348	365	482
Total	8,756	9,080	9,155	9,302	9,432

Lowell Campus

	2006	2007	2008	2009	2010
In-state undergraduate	7,640	7,715	8,336	9,076	9,704
Out-of-state undergraduate	1,009	1,164	1,370	1,472	1,572
In-state graduate	1,814	1,857	1,793	2,024	2,240
Out-of-state graduate	745	899	972	1,030	1,186
Total	11,208	11,635	12,471	13,602	14,702

Worcester Campus

	2006	2007	2008	2009	2010
Medical School	423	435	445	469	487
Other	597	578	580	622	671
Total++	1,020	1,013	1,025	1,091	1,158

++Does not include the head count of registrants in the various continuing medical education programs offered at the Worcester campus.

Total Headcount Enrollment

	2006	2007	2008	2009	2010
In-state undergraduate	38,924	40,209	41,864	43,632	44,503
Out-of-state undergraduate	6,420	6,719	6,841	6,812	7,463
In-state graduate	7,970	8,223	8,357	9,077	9,530
Out-of-state graduate	5,625	5,883	6,065	6,402	6,819
Total	58,939	61,034	63,127	65,923	68,315

From fall 2009 to fall 2010, total new freshmen enrollees increased by 6.5 percent for the system as a whole, while total new transfer enrollees increased by 5.0 percent for the system as a whole. The number of total new freshmen enrollees reflected an 8.4 percent increase in the size of the entering class at the Amherst campus, a 14.4 percent increase in new freshmen at the Boston campus, a 4.7 percent decrease at the Dartmouth campus, and a 7.4 percent increase at the Lowell campus. The number of total new transfer enrollees reflected a 22.3 percent increase at the Amherst campus, a 5.5 percent decrease at the Boston campus, a 1.3 percent decrease at the Dartmouth campus and a 7.1 percent increase at the Lowell campus.

The University saw an increase in freshmen applications in fall 2010 compared to fall 2009. The increase in total freshmen applications included a 4.8 percent increase at the Amherst campus, an 11.5 percent increase at the Boston campus, a 10.1 percent increase at the Dartmouth campus, and a 23.2 percent increase at the Lowell campus. Transfer applications included a 10.8 percent increase at the Amherst campus, a 4.1 percent increase at the Boston campus, a 4.7 percent increase at the Dartmouth campus, and an 8.1 percent increase at the Lowell campus.

The following tables provide aggregate data for the campuses (except the Worcester campus) on University applications, acceptances and matriculations for first year undergraduates and for transfer students:

First Year Applicants, Acceptances and Matriculants, Fall 2006-2010

	2006	2007	2008	2009	2010
Applications Received	37,627	43,688	46,689	48,564	52,753
Number of Acceptances	26,099	28,098	30,590	32,584	35,665
Percent of Applicants Accepted	69%	64%	65%	67%	68%
Number of Matriculants	7,990	8,226	8,248	8,144	8,672
Percent Matriculated of Those Accepted	31%	29%	27%	25%	24%

Transfer Student Applicants, Acceptances and Matriculants, Fall 2006-2010

	2006	2007	2008	2009	2010
Applications Received	8,258	8,341	8,648	9,333	10,014
Number of Acceptances	6,148	6,190	6,625	6,939	7,220
Percent of Applicants Accepted	74%	74%	77%	74%	72%
Number of Matriculants	3,753	3,891	4,098	4,299	4,516
Percent Matriculated of Those Accepted	61%	63%	62%	62%	63%

The following tables show the latest retention and graduation rates for freshmen entering the University. The level and changes in retention and graduation rates reflect the diversity of the entering students.

One Year Retention Rates - Fall Term (%)

	2006	2007	2008	2009	2010
Range of Campus Averages	70-83	75-84	75-87	73-87	70-89

Six Year Graduation Rates (%)

	2006	2007	2008	2009	2010
Year of Entry	2000	2001	2002	2003	2004
Graduation After: 6 Years - range of campus averages+	36-66	33-67	33-69	39-66	41-69

+The low-end averages of the University data result from the Boston campus, which focuses on the needs of non-traditional students.

The following table shows the average Scholastic Aptitude Test ("SAT") scores for entering University freshmen.

SAT Scores for Incoming Freshmen

Academic Year	2008-2009	2009-2010	2010-2011
Range of Campus Averages	1050-1155	1053-1169	1042-1167

Degrees Awarded

The University awards four levels of degrees: associate, bachelor's, master's and doctoral/professional degrees. Trends in University degrees and certificates awarded for the past five years are shown in the following table.

Trends in Degrees Awarded

Academic Year	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Associate/ Certificate	242	162	147	146	247
Bachelor	8,091	8,191	8,438	8,763	9,363
Master/ CAGS[++]	2,642	2,785	3,097	3,186	3,641
Doctorate/ Professional	488	566	539	535	552

[++]CAGS means Certificate of Advanced Graduate Studies.

TUITION AND FEES

From fiscal year 2005 through fiscal year 2009, the University followed a strategy of limiting the annual increases for mandatory student charges (the combined total of tuition and mandatory fees) to levels below the estimated current inflation rate. The University believed that this "at or below inflation" approach for student charge increases would provide reasonable stability and predictability for students, their families, and institutional planners. In February 2004, the University Trustees approved mandatory tuition and fee increases for fiscal year 2005. The mandatory student fee increases (with the exception of the new Ph.D./MD program rates for non-residents at the Worcester campus) were inflation-based increases of no more than 2.8 percent over the annualized fiscal year 2004 spring semester rates. In February 2005, the University Trustees approved inflation-based increases of approximately 3.2 percent for the fiscal year 2006 mandatory student charges for resident students at the Amherst, Boston, Dartmouth and Lowell campuses (the Worcester campus's only fee increase for fiscal year 2006 was a $32 equipment fee increase for all medical and graduate students). In February 2006, the University Trustees approved the President's recommendation for continuing this program of inflation-based increases in mandatory student charges for fiscal year 2007. The rate increase approved for fiscal year 2007 averaged 3.4 percent over fiscal year 2006 rates for resident undergraduate students. In March 2007, the University Trustees approved increases of approximately 3.4 percent, in mandatory student charges for resident undergraduate students for fiscal year 2008. In March 2008, the University Trustees approved a 3.1 percent increase in mandatory student charges for resident undergraduate students for fiscal year 2009.

The University was able to maintain these limits on its student charge increases because of stable support from the Commonwealth. However, due to the national economic recession and significant declines in projected revenue collections for the Commonwealth, the University's fiscal year 2009 base state appropriation was reduced by approximately $24.6 million in October 2008 and reduced further by approximately $2.8 million in January 2009. In response to these mid-year reductions of the University's fiscal year 2009 state appropriation and in preparation for further reductions of the state appropriation for fiscal year 2010, the University departed from its five-year practice of limiting student charge increases to at or below the rate of inflation. On February 27, 2009, the University Trustees approved a mandatory student charge increase of up to $1,500, which was an average increase of approximately 15.7 percent, for in-state undergraduate students for fiscal year 2010. The approved increase included specific language that authorized rebates of the charge increases based upon the level of federal support provided by The American Recovery and Reinvestment Act of 2009 ("ARRA").

The Commonwealth's budget for fiscal year 2010 approved on June 29, 2009 reduced the University's state appropriation by approximately $52.9 million in comparison to the final fiscal year 2009 state appropriation after the reductions made in October 2008 and January 2009. The fiscal year 2010 state budget also eliminated $10.2 million of line item funding specific to the University. In addition to cost-reduction strategies implemented at the University's campuses and central offices, the University was prepared for this additional reduction because of the $1,500 student charge increase approved for fiscal year 2010. However, in fiscal year 2010, pursuant to an agreement with the Commonwealth's Executive Office of Education, the University received approximately $150.6 million of the federal education stabilization funds available to the Commonwealth from ARRA. The receipt of this federal revenue allowed the University to remain consistent with the Board of Trustee vote on student charges taken on February 27, 2009 to offer a partial rebate of the $1,500 student charge increase in fiscal year 2010. More specifically, the University rebated $1,100 of the approved $1,500 fee increase to in-state undergraduate students in fiscal year 2010.

Due in part to the fact that a rebate is not being offered in fiscal year 2011, the University's Board of Trustees voted on June 9, 2010 to maintain in-state tuition and mandatory fee rates at current levels for the 2010-2011 academic year. The mandatory charges for in-state students approved for fiscal year 2010 remain in place for fiscal year 2011. The Trustees' June 9, 2010 vote did include an approximate 3% increase in the out-of-state mandatory student charges.

The Commonwealth's budget for fiscal year 2011 approved on June 30, 2010 increased the University's state appropriation by approximately $44.2 million in comparison to the fiscal year 2010 state appropriation. In addition to the base state appropriation of approximately $424.0 million, $4.4 million of line item funding specific to the University was restored in the fiscal year 2011 budget. The University received an additional $5.5 million from the Commonwealth to support the fiscal year 2011 cost of collective bargaining agreements. Subsequent to the finalization of the Commonwealth's fiscal year 2011 budget, federal legislation was passed that authorized approximately $200 million for protecting education jobs in the Commonwealth. With the receipt of this funding, the Commonwealth's Executive Office of Education distributed $37.8 million of ARRA funds to the University for fiscal year 2011.

In the first formal filing of the fiscal year 2012 budget process, Governor Patrick submitted a budget in January 2011 that recommended the University's base state appropriation be approximately $418 million for the upcoming fiscal year. While this appears to be a $6.1 million decline from fiscal year 2011, the Governor's budget is actually proposing level funding. This is due to the fact that the Legislature passed a bill that will allow the University's Boston, Dartmouth, Lowell, and Worcester campuses to retain tuition collected from non-resident students beginning in fiscal year 2012. The amount of non-resident tuition estimated to be collected by these four campuses totals $11.6 million in the initial year. Prior to the legislation, the approximately $11.6 million of non-resident tuition would have been returned to the Commonwealth. Therefore, the $418 million base state appropriation proposed for fiscal year 2012 is equal to the $424 million fiscal year 2011 base state appropriation plus a continuation of the $5.5 million of collective bargaining support initially provided in fiscal year 2011 less the $11.6 million of tuition revenue to be retained by the four campuses.

In addition to the level funding of the base state appropriation, Governor Patrick's budget proposal includes $6.4 million of line item funding specific to the University. However, this positive support is offset by the fact that the University does not anticipate receiving any ARRA stimulus funds in fiscal year 2012. If the Governor's budget proposals are maintained throughout the legislative process, the University's total state appropriation prior to fringe benefit support would decline by approximately 8% from $472 million in fiscal year 2011 to $436 million in fiscal year 2012. The Governor's proposal was the initial filing of the annual budget process. On April 15th, the Ways & Means Committee of the House of Representatives released its budget proposal for fiscal year 2012. The University's base state appropriation of $418 million under this proposal is consistent with the funding proposal put forth by Governor Patrick. In a distinct process, the Senate Ways & Means Committee issued a budget proposal on May 18th that was also consistent with Governor Patrick's base state appropriation of $418 million for the University. A conference committee composed of Representatives and Senators is working to develop a compromise budget for approval by the Governor prior to the end of the fiscal year. As a result of the anticipated flat state support, the elimination of the federal stimulus funding, and the expectation that the Commonwealth will not be providing support for the fiscal year 2012 costs of the collective bargaining contracts signed in fiscal year 2011, the University's Board of Trustees voted on June 8, 2011 to increase total tuition and mandatory fees by 7.5% for resident undergraduate students for the 2011-2012 academic year.

For additional information see "UNIVERSITY REVENUES AND BUDGETING – Management of Appropriated Funds" below. The following tables show tuition and mandatory fees for full-time graduate and undergraduate students in effect at the Amherst, Boston, Dartmouth, Lowell and Worcester campuses for fiscal years 2007 through 2011.

AMHERST CAMPUS

Tuition & Mandatory Fees: FY 2007 – 2011

	Actual 2007[1]	Actual 2008[2]	Actual 2009[3]	Actual 2010[4]	Actual 2011[5]
TUITION					
Undergraduate (MA resident)	$1,714	$1,714	$1,714	$1,714	$1,714
Undergraduate (non-resident)	9,937	9,937	9,937	9,937	9,937
Graduate (MA resident)	2,640	2,640	2,640	2,640	2,640
Graduate (non-resident)	9,937	9,937	9,937	9,937	9,937
CURRICULUM & OTHER MANDATORY FEES					
Undergraduate (MA resident)	$7,881	$ 8,207	$ 8,518	$10,018	$10,018
Undergraduate (non-resident)	9,380	10,562	11,792	13,292	13,691
Graduate (MA resident)	7,242	7,455	7,766	8,286	8,286
Graduate (non-resident)	8,969	9,241	10,471	11,491	11,836
TOTAL MANDATORY FEES & TUITION					
Undergraduate (MA resident)	$ 9,595	$ 9,921	$10,232	$11,732	$11,732
Undergraduate (non-resident)	19,317	20,499	21,729	23,229	23,628
Graduate (MA resident)	9,882	10,095	10,406	10,926	10,926
Graduate (non-resident)	18,906	19,178	20,408	21,428	21,773
DORMITORY RESIDENTS ONLY					
Average Room & Board	$6,989	$7,478	$8,114	$8,276	$8,814
MANDATORY FEES, TUITION, ROOM & BOARD					
Undergraduate (MA resident)	$16,584	$17,399	$18,346	$20,008	$20,008
Undergraduate (non-resident)	26,306	27,977	29,843	31,505	32,442
Graduate (MA resident)	16,871	17,573	18,520	19,202	19,740
Graduate (non-resident)	25,895	26,656	28,522	29,704	30,587

[1]Includes an increase in fees approved by the University Trustees on February 15, 2006.
[2]Includes an increase in fees approved by the University Trustees on March 14, 2007.
[3]Includes an increase in fees approved by the University Trustees on March 19, 2008.
[4]Includes an increase in fees approved by the University Trustees on February 27, 2009. The "Actual 2010" fees do not reflect the $1,100 rebate to in-state undergraduate students in fiscal year 2010.
[5]The mandatory fees were unchanged for MA residents while non-resident mandatory fees increased by approximately 3%, as approved by the University Trustees on June 9, 2010.

BOSTON CAMPUS

Tuition & Mandatory Fees: FY 2007 – 2011

	Actual 2007[1]	Actual 2008[2]	Actual 2009[3]	Actual 2010[4]	Actual 2011[5]
TUITION					
Undergraduate (MA resident)	$1,714	$1,714	$1,714	$1,714	$1,714
Undergraduate (non-resident)	9,758	9,758	9,758	9,758	9,758
Graduate (MA resident)	2,590	2,590	2,590	2,590	2,590
Graduate (non-resident)	9,758	9,758	9,758	9,758	9,758
CURRICULUM & OTHER MANDATORY FEES					
Undergraduate (MA resident)	$ 6,832	$ 7,123	$ 7,397	$ 8,897	$8,897
Undergraduate (non-resident)	10,219	10,898	11,539	13,039	13,430
Graduate (MA resident)	7,238	7,572	7,887	9,387	9,387
Graduate (non-resident)	10,231	10,911	11,551	13,051	13,443
TOTAL MANDATORY FEES & TUITION					
Undergraduate (MA resident)	$ 8,546	$ 8,837	$ 9,111	$10,611	$ 10,611
Undergraduate (non-resident)	19,977	20,656	21,297	22,797	23,188
Graduate (MA resident)	9,828	10,162	10,477	11,977	11,977
Graduate (non-resident)	19,989	20,669	21,309	22,809	23,201

[1]Includes an increase in fees approved by the University Trustees on February 15, 2006.
[2]Includes an increase in fees approved by the University Trustees on March 14, 2007.
[3]Includes an increase in fees approved by the University Trustees on March 19, 2008.
[4]Includes an increase in fees approved by the University Trustees on February 27, 2009. The "Actual 2010" fees do not reflect the $1,100 rebate to in-state undergraduate students in fiscal year 2010.
[5]The mandatory fees were unchanged for MA residents while non-resident mandatory fees increased by approximately 3%, as approved by the University Trustees on June 9, 2010.

DARTMOUTH CAMPUS

Tuition & Mandatory Fees: FY 2007 – 2011

	Actual 2007[1]	Actual 2008[2]	Actual 2009[3]	Actual 2010[4]	Actual 2011[5]
TUITION					
Undergraduate (MA resident)	$1,417	$1,417	$1,417	$1,417	$1,417
Undergraduate (non-resident)	8,099	8,099	8,099	8,099	8,099
Graduate (MA resident)	2,071	2,071	2,071	2,071	2,071
Graduate (non-resident)	8,099	8,099	8,099	8,099	8,099
CURRICULUM & OTHER MANDATORY FEES					
Undergraduate (MA resident)	$ 6,892	$ 7,175	$ 7,441	$ 8,941	$8,941
Undergraduate (non-resident)	9,710	10,075	10,462	11,962	12,321
Graduate (MA resident)	7,375	7,658	7,946	9,446	9,446
Graduate (non-resident)	9,710	10,075	10,462	11,962	12,321
TOTAL MANDATORY FEES & TUITION					
Undergraduate (MA resident)	$ 8,309	$ 8,592	$ 8,858	$10,358	$10,358
Undergraduate (non-resident)	17,809	18,174	18,561	20,061	20,420
Graduate (MA resident)	9,446	9,729	10,017	11,517	11,517
Graduate (non-resident)	17,809	18,174	18,561	20,061	20,420
DORMITORY RESIDENTS ONLY					
Average Room & Board	$8,893	$9,163	$9,428	$9,670	$9,883
MANDATORY FEES, TUITION, ROOM & BOARD					
Undergraduate (MA resident)	$17,202	$17,755	$18,286	$20,028	$20,241
Undergraduate (non-resident)	26,702	27,337	27,989	29,731	30,303
Graduate (MA resident)	18,339	18,892	19,445	21,187	21,400
Graduate (non-resident)	26,702	27,337	27,989	29,731	30,303

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[1]Includes an increase in fees approved by the University Trustees on February 15, 2006.
[2]Includes an increase in fees approved by the University Trustees on March 14, 2007.
[3]Includes an increase in fees approved by the University Trustees on March 19, 2008.
[4]Includes an increase in fees approved by the University Trustees on February 27, 2009. The "Actual 2010" fees do not reflect the $1,100 rebate to in-state undergraduate students in fiscal year 2010.
[5]The mandatory fees were unchanged for MA residents while non-resident mandatory fees increased by approximately 3%, as approved by the University Trustees on June 9, 2010.

LOWELL CAMPUS

Tuition & Mandatory Fees: FY 2007 – 2011

	Actual 2007[1]	Actual 2008[2]	Actual 2009[3]	Actual 2010[4]	Actual 2011[5]
TUITION					
Undergraduate (MA resident)	$1,454	$1,454	$1,454	$1,454	$1,454
Undergraduate (non-resident)	8,567	8,567	8,567	8,567	8,567
Graduate (MA resident)+	1,637	1,637	1,637	1,637	1,637
Graduate (non-resident)+	6,425	6,425	6,425	6,425	6,425
CURRICULUM & OTHER MANDATORY FEES					
Undergraduate (MA resident)	$ 6,990	$ 7,277	$ 7,552	$ 9,052	$9,052
Undergraduate (non-resident)	11,147	11,817	12,459	13,959	14,378
Graduate (MA resident)++	6,332	6,603	6,862	8,362	8,362
Graduate (non-resident)++	9,328	10,037	10,805	12,305	12,674
TOTAL MANDATORY FEES & TUITION					
Undergraduate (MA resident)	$ 8,444	$ 8,731	$ 9,006	$10,506	$10,506
Undergraduate (non-resident)	19,714	20,384	21,026	22,526	22,945
Graduate (MA resident)	7,969	8,240	8,499	9,999	9,999
Graduate (non-resident)	15,753	16,462	17,230	18,730	19,099
DORMITORY RESIDENTS ONLY					
Average Room & Board	$6,520	$6,978	$7,519	$8,635	$9,067
MANDATORY FEES, TUITION, ROOM & BOARD					
Undergraduate (MA resident)	$14,964	$15,709	$16,525	$19,141	$19,573
Undergraduate (non-resident)	26,234	27,362	28,545	31,161	30,012
Graduate (MA resident)	14,489	15,218	16,018	18,634	19,066
Graduate (non-resident)	22,273	23,440	24,749	27,365	28,166

[1]Includes an increase in fees approved by the University Trustees on February 15, 2006.
[2]Includes an increase in fees approved by the University Trustees on March 14, 2007.
[3]Includes an increase in fees approved by the University Trustees on March 19, 2008.
[4]Includes an increase in fees approved by the University Trustees on February 27, 2009. The “Actual 2010” fees do not reflect the $1,100 rebate to in-state undergraduate students in fiscal year 2010.
[5]The mandatory fees were unchanged for MA residents while non-resident mandatory fees increased by approximately 3%, as approved by the University Trustees on June 9, 2010.
+Fiscal year 2007, 2008, 2009, 2010 and 2011 graduate tuition charges at UMass Lowell are on a 9-credit load basis.
++Fiscal year 2007, 2008, 2009, 2010 and 2011 graduate fee charges at UMass Lowell are on a 9-credit load basis.

WORCESTER CAMPUS

Tuition & Mandatory Fees: FY 2007 – 2011

	Actual 2007[1]	Actual 2008[2]	Actual 2009[3]	Actual 2010[4]	Actual 2011[5]
TUITION					
Medical School	$8,352	$8,352	$8,352	$8,352	$8,352
Graduate (MA resident)	2,640	2,640	2,640	2,640	2,640
Graduate (non-resident)	9,856	9,856	9,856	9,856	9,856
CURRICULUM & OTHER MANDATORY FEES					
Medical School	$ 5,710	$ 5,735	$ 5,886	$ 7,386	$7,386
Graduate School of Nursing	5,710	5,735	5,788	7,288	7,288
Graduate School of Biomedical Sciences	3,942	3,942	3,975	4,010	4,010
Ph.D./MD (MA resident) [+]	20,508	20,508	20,541	22,041	22,041
Ph.D./MD Years 1-2 (non-resident) [+]	35,508	35,508	35,541	37,041	38,152
Ph.D./MD Years 3 plus (non-resident) [+]	25,652	25,652	25,685	27,185	28,001
TOTAL MANDATORY FEES & TUITION					
Medical School	$14,062	$14,087	$14,238	$15,738	$15,738
Graduate School of Nursing (MA resident)	8,350	8,375	8,428	9,928	9,928
Graduate School of Biomedical Sciences (MA resident)	6,582	6,582	6,615	6,650	6,650
Graduate School of Nursing (non-resident)	15,566	15,591	15,644	17,144	17,144
Graduate School of Biomedical Sciences (non-resident)	13,798	13,798	13,831	13,866	13,866
Ph.D./MD (MA resident)	23,148	23,148	23,181	24,681	24,681
Ph.D./MD Years 1-2 (non-resident)	45,364	45,364	45,397	46,897	48,008
Ph.D./MD Years 3 plus (non-resident)	35,508	35,508	35,541	37,041	37,857

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[1]Includes an increase in fees approved by the University Trustees on February 15, 2006.
[2]Includes an increase in fees approved by the University Trustees on March 14, 2007.
[3]Includes an increase in fees approved by the University Trustees on March 19, 2008.
[4]Includes an increase in fees approved by the University Trustees on February 27, 2009.
[5]The mandatory fees were unchanged for MA residents while non-resident mandatory fees increased by approximately 3%, as approved by the University Trustees on June 9, 2010.
[+]The University Trustees established and approved three separate fees for the Ph.D./MD program on February 4, 2004 for fiscal year 2005: "MA resident", "Years 1-2 (non-resident)" and "Years 3 plus (non-resident)".

Student Financial Aid

Eligible University students receive financial aid packages primarily awarded from the federal government, with varying combinations of grants and scholarships, loans, and part-time employment. Grants and scholarships represent financial aid that does not require repayment by the student. The primary federal grants and scholarships awarded to eligible University students were Federal Pell Grants of approximately \$56,759,676 and Federal Supplemental Education Opportunity Grants of approximately \$3,974,673 for the year ended June 30, 2010. New loans processed by the University for eligible students under federal student loan programs and federally guaranteed loan programs totaled approximately \$310,601,285 for the year ended June 30, 2010. Eligible University students also received approximately \$4,458,292 through the Federal Work-Study Program for the year ended June 30, 2010.

UNIVERSITY REVENUES AND BUDGETING

In general, the University receives revenues from three major sources: Commonwealth appropriations, student fees and self-supporting activities for which fees are charged to cover the cost of providing the service, and federal and state contracts. In fiscal year 2010, Commonwealth appropriations (net of tuition) provided approximately 16 percent of all operating and non-operating revenues of the University (not including University Related Organizations), tuition and fees accounted for approximately 20 percent of all operating and non-operating revenues, and other non-appropriated funds provided the remaining 64 percent.

The University's internal accounting is maintained on a budgetary basis. Additionally, the University prepares annual financial statements in accordance with generally accepted accounting principles on an accrual basis. The financial statements of the University as of June 30, 2010 and 2009 and for each of the fiscal years then ended have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report which references the reports of other auditors. The combined audited financial statements of the University should be read in their entirety, including the footnotes and the Management Discussion and Analysis attached thereto.

Current and Future Capital Plans

The University Trustees have reviewed and approved a five-year approximately \$4.49 billion capital plan for fiscal years 2011-2015, including projects already in process with prior approval of the University Trustees as well as new projects recommended by the University Trustees' Committee on Administration and Finance. The University generally has funded its capital plans through a combination of funds received from University operations, bonds issued by the Authority, bonds issued by the Massachusetts Health and Educational Financing Authority ("MHEFA"), Commonwealth appropriations, and private fund raising.

The University must follow certain procedures for state capital spending as defined by the Commonwealth's Executive Office for Administration and Finance ("EOAF"). Such spending may be financed through the issuance of Commonwealth general or special obligation bonds or other designated revenue, including transfers from budgeted funds. The Commonwealth's Division of Capital Asset Management and Maintenance ("DCAMM") manages a five-year capital-spending limit, which is assigned by the Commonwealth's Secretary of Administration and Finance. The University works closely with DCAMM to ensure that the priorities of the University are included in the five-year capital plan for state funding.

Some of the major projects in the 2011-2015 capital plan and their estimated total project cost include (a) at the Amherst campus, the study of options for expanding student-housing including the construction of up to 1,500 beds at an anticipated cost of approximately \$190,000,000, the repair and renovation of residential buildings for approximately \$22,500,000, the construction of a new 144,000 square foot laboratory science building for approximately \$156,500,000, the planning and construction of an Academic Classroom Building for approximately \$85,000,000, the renovation of the Morrill Science Center Complex for approximately \$51,300,000, repairs to DuBois Library interior for approximately \$13,000,000, the construction of a Life Sciences Research Facility for approximately \$95,000,000, installation of housing sprinkler systems for approximately \$32,000,000, infrastructure improvements to the North Campus for approximately \$10,000,000, renovations to the Marks Meadow School property for approximately \$10,000,000, Lederle Graduate Research Center Complex repairs and renovations for approximately \$41,250,000, repairs to Machmer Hall for approximately \$12,600,000, new construction of a police facility for approximately \$12,500,000, renovations of the Worcester Dining Commons for approximately

$20,000,000, renovations of the Goessmann Laboratory for approximately $15,000,000, the replacement of the Southwest Concourse for approximately $14,000,000, and facility demolitions for approximately $10,900,000; (b) at the Boston campus, the construction of an Integrated Science Complex for approximately $152,000,000, stabilization of the campus substructure and related deferred maintenance projects for approximately $33,075,000, construction of a 1,200 vehicle parking garage for $35,000,000, the construction of two new academic buildings for a combined total of approximately $200,000,000, phase 1 of the campus utility systems relocation for approximately $62,125,000, phase 2 of the campus utility systems relocation for approximately $26,250,000, the relocation and reconfiguration of University Drive North and University Drive West for approximately $16,000,000, utility plant system expansion and upgrades for approximately $2,500,000, the construction of a new primary electrical switchgear structure for approximately $3,000,000, the construction of 3 new classrooms in the Healy Library for approximately $1,000,000, the construction of a new Trigeneration Facility for approximately $25,000,000, instructional equipment upgrades and replacements for approximately $15,000,000, the construction of the Center for Personalized Cancer Therapy for approximately $10,000,000, the construction of a 1,000-bed Living and Learning Center for $88,000,000, fire protection improvements in the Healey Library for approximately $7,000,000, and renovation and modernization work to existing campus buildings for approximately $75,000,000; (c) at the Dartmouth campus, the construction of a Biomanufacturing Building for approximately $26,000,000, classroom and laboratory upgrades and learning space improvements for approximately $11,440,000, extensive renovation and modernization to the Carney Library for approximately $44,000,000, a comprehensive energy/water conservation project for approximately $40,000,000, repairing and reroofing the four oldest residence halls for approximately $76,900,000, basic infrastructure repairs for approximately $61,702,000, new construction of an Administrative Services Center for approximately $12,690,000, the acquisition of the Advanced Technology Manufacturing Center for approximately $11,400,000, Phase II construction at the Charlton College of Business for approximately $15,000,000, the construction of a SMAST/Marine Fisheries Building for approximately $48,000,000, the expansion of the Fitness Center for approximately $5,000,000, the construction of a Campus Entrance Building for approximately $45,000,000, the construction of a new academic building for approximately $55,000,000, a new addition to the campus center for approximately $16,400,000, and the construction/rehabilitation of a multipurpose field house for approximately $20,800,000; (d) at the Lowell campus, the construction of a South Campus Academic Building for approximately $40,000,000, the construction of The Emerging Technology Innovation Center for approximately $70,000,000, building rehabilitation of Wannalancit Mills for approximately $15,500,000, the addition of 400-500 residential beds with associated services, plus additional academic and administrative space for a combined total of approximately $70,000,000, comprehensive renovation of Ball Hall for $45,500,000, property acquisitions totaling approximately $20,000,000, renewal of Coburn Hall for approximately $24,000,000, the construction of 800 additional residential beds for approximately $90,000,000, the renovation of the North campus Science and Engineering space for approximately $90,000,000, the reconfiguration of McGauvran Hall for approximately $10,500,000, the construction of a South Campus parking garage for approximately $20,000,000, campus-wide modernization of academic buildings for approximately $54,000,000, capital renewal, deferred maintenance and compliance projects for a combined total of approximately $98,000,000, and renovations to modernize the North Campus Quad area for approximately $31,300,000; and (e) at the Worcester campus, construction of the Sherman Center for approximately $330,000,000, expansion of the existing Power Plant for approximately $50,000,000, construction of the Advanced Education and Clinical Practice Center for approximately $120,000,000, construction of a new parking garage for approximately $40,000,000, HVAC upgrades and replacements for approximately $30,100,000, land acquisition for approximately $75,000,000, deferred maintenance projects for approximately $20,000,000, departmental equipment purchases for approximately $10,000,000, and construction of the new Mattapan Vaccine Production Warehouse for approximately $35,000,000.

The University is committed to continuing to move forward with its five-year capital plan for fiscal years 2011-2015. With two substantial bond issuances completed in fiscal year 2010 and fiscal year 2011, the Authority currently has approximately $1.2 billion available to support capital projects over the next few years. In addition, the Executive Office for Administration and Finance has published a capital plan that dedicates approximately $503 million of Commonwealth general obligation bonds for University projects during the FY11-15 time period. The University will also receive additional state support for capital activity through economic stimulus programs created in 2006, the Life Sciences Bond Bill passed in 2008, and the Commonwealth's annual deferred maintenance program. The University continues to reassess its capital priorities and implementation schedule in order to get the most impact out of any capital dollars spent.

Beginning in the late 1990s, the University enhanced its program to address deferred maintenance needs at its campuses. As a result, the University has made investments to repair and renovate facilities at the University's campuses from a combination of University sources, including bonds issued by the Authority and bonds issued by MHEFA, and direct Commonwealth support. Addressing deferred maintenance remains a priority within the University's capital plan. The University's 2011-2015 capital plan includes approximately $895,000,000 of deferred maintenance projects.

Budget Process

The University's fiscal year, like that of the Commonwealth, is from July 1 through June 30. A key source of University revenues is the annual state appropriation determined in the Commonwealth's annual budget process. This process begins approximately one year in advance of each fiscal year. The University prepares its consolidated state budget request and forwards it to the Governor and the House and Senate Committees on Ways and Means. A copy of the University's request is also forwarded to the DHE, which incorporates the University's request in whole or in part into its state budget request for the entire public higher education system. The Governor makes funding recommendations to the Legislature. The Legislature in turn appropriates funds to the University Trustees, who distribute the funds to the five campuses.

The Commonwealth budget process, however, is only one of several ongoing budgetary and review processes that culminate in production and presentation to the University Trustees of the overall annual University operating budget. For purposes of the operating budget, the University's revenues are divided into three separate components: General Operations, Sales and Services, and Restricted Funds. Annual budgeted revenues and expenditures not related to Commonwealth appropriations are reviewed and approved by the University Trustees prior to the beginning of each fiscal year.

General Operations

Revenues from general operations are derived from a variety of sources and may be expended on activities furthering the general education, research, and public service mission of the University, including teaching and related student support services, research, public service, institutional support, and general maintenance activities. Funding sources for this category include state appropriations, general student fees, interest income, unrestricted giving and administrative overhead.

Sales and Services (Designated Funds)

Revenues generated from certain sales and/or services are presented in the budget separately from general operations and by law may be used to support only the operations of those services. An example of a designated fund is a trust fund established to receive revenues from a parking garage. By law, this revenue may be used only for expenses relating to parking and transportation. Other examples in this category are: auxiliary enterprises such as dining halls, dormitories, and bookstores; student fee-based activities (other than the general student fee), such as continuing education and international programs; and educational activities such as counseling services.

Restricted Funds

In addition to the two foregoing categories of revenue, the University receives revenue from non-campus sources, which, like the designated funds, are limited in their uses. These funds include: state and federal student financial aid funds; state, federal and private grants and contracts; restricted endowment and scholarship funds; and land grant funds for the Amherst campus. Generally, these funds are available for debt service, except to the extent they are earmarked or restricted as to use by the grantor or donor.

Management of Appropriated Funds

All Commonwealth appropriated funds are managed through the Massachusetts Management Accounting and Reporting System ("MMARS"). MMARS is a complete financial management system specifically designed to support the financial functions performed by the Commonwealth for all appropriations. The State Comptroller exercises oversight over MMARS. Approximately 16 percent of the University's operating and non-operating revenues are currently monitored through MMARS.

Unless otherwise permitted by the Massachusetts Legislature, the University is required to remit tuition collected by it to the Commonwealth. Therefore, the University collects student tuition on behalf of the Commonwealth and remits it to the Commonwealth's General Fund. There is no direct connection between the amount of tuition revenues collected by the University and the amount of state funds appropriated in any given year. Beginning in fiscal year 2004, the Amherst campus was permitted by the Commonwealth to retain tuition for non-resident students. In fiscal years 2006, 2007, 2008, 2009 and 2010 the Amherst campus retained approximately $27,800,000, $31,100,000, $32,700,000, $32,300,000 and $31,500,000 respectively, of tuition.

The Commonwealth's fiscal year 2011 budget included a section which extended the ability to retain tuition for non-resident students to the Boston, Dartmouth, Lowell, and Worcester campuses. The ability of these four campuses to retain non-resident tuition will begin in fiscal year 2012. For budgeting purposes, it is estimated that the retained non-resident tuition for these four campuses will total $11.6 million. To accommodate this change, the University anticipates that its fiscal year 2012 state appropriation will be reduced by $11.6 million.

The following details the Commonwealth appropriations received by the University for fiscal years ended June 30 (in thousands of dollars):

	2006	2007	2008	2009	2010
Gross Commonwealth Appropriations	$450,324	$474,909	$485,199	$467,030	$369,408
Plus: Fringe Benefits*	123,949	151,106	178,236	120,264	108,634
Less: Tuition Remitted*	(47,524)	(46,599)	(46,164)	(47,107)	(49,084)
Net Commonwealth Appropriations	$526,749	$579,416	$617,271	$540,187	$428,958

*The Commonwealth pays the fringe benefit cost for University employees paid from Commonwealth appropriations. Therefore, such fringe benefit support is added to the "State Appropriations" financial statement line item as presented in the above table. The University pays the Commonwealth for the fringe benefit cost of the employees paid from funding sources other than Commonwealth appropriations. The University includes tuition collected in the line item in its financial statements captioned "Tuition and Fees" under "Combined Statements of Revenue, Expenses, and Changes in Net Assets" and removes the equal amount from the "State Appropriations" line item through the netting process presented in the above table.

In fiscal year 2009, the net state appropriation decreased by $77.1 million from fiscal year 2008 amounts. As described in detail below, this decrease is primarily due to mid-year reductions, and the associated reduction in state fringe support, implemented through the Commonwealth's Executive Office in response to declining state revenue collections.

The fiscal year 2009 budget initially passed by the Massachusetts Legislature and signed by Governor Deval Patrick in July 2008 increased the University's base state appropriation by $8.3 million, 1.7% over the fiscal year 2008 appropriations including the collective bargaining funds received. However, deteriorating economic circumstances resulted in state revenues falling below the estimates used to develop the Commonwealth's fiscal year 2009 budget. Therefore, Governor Patrick utilized his executive "9C" authority to implement targeted spending reductions in October and January of fiscal year 2009. The University's base state appropriation was reduced by $24.6 million in October 2008 and $2.8 million in January 2009. As a result, the University's fiscal year 2009 base state appropriation declined by approximately 5.6% in comparison to fiscal year 2008.

The fiscal year 2010 budget finalized on June 29, 2009 decreased the University's base state appropriation to $379.9 million. The fiscal year 2010 budget also removed line item funding specific to University projects effectively reducing the state appropriation by an additional $10.2 million.

The fiscal year 2011 budget approved by the Legislature and signed by the Governor on June 30, 2010 included a base state appropriation of approximately $424.1 million for the University; an increase in the base state appropriation of approximately $44.2 million in comparison to fiscal year 2010. In addition, $4.4 million of line item funding specific to the University that was not funded in fiscal year 2010 was restored for fiscal year 2011. The University received an additional $5.5 million from the Commonwealth to support the fiscal year 2011 cost of collective bargaining agreements. Subsequent to the finalization of the Commonwealth's fiscal year 2011 budget, federal legislation was passed that authorized approximately $200 million for protecting education jobs in the Commonwealth. With the receipt of this funding, the Commonwealth's Executive Office of Education distributed $37.8 million of ARRA funds to the University for fiscal year 2011.

In the first formal filing of the fiscal year 2012 budget process, Governor Patrick submitted a budget in January 2011 that recommended the University's base state appropriation be approximately $418 million for the upcoming fiscal year. While this appears to be a $6.1 million decline from fiscal year 2011, the Governor's budget is actually proposing level funding. This is due to the fact that the Legislature passed a bill that will allow the University's Boston, Dartmouth, Lowell, and Worcester campuses to retain tuition collected from non-resident students beginning in fiscal year 2012. The amount of non-resident tuition estimated to be collected by these four campuses totals $11.6 million in the initial year. Prior to the legislation, the approximately $11.6 million of non-resident tuition would have been returned to the Commonwealth. Therefore, the $418 million base state appropriation proposed for fiscal year 2012 is equal to the $424 million fiscal year 2011 base state appropriation plus a continuation of the $5.5 million of collective bargaining support initially provided in fiscal year 2011 less the $11.6 million of tuition revenue to be retained by the four campuses.

In addition to the level funding of the base state appropriation, Governor Patrick's budget proposal includes approximately $6.4 million of line item funding specific to the University. However, this positive support is offset by the fact that the University does not anticipate receiving any ARRA stimulus funds in fiscal year 2012. If the Governor's budget proposals are maintained throughout the legislative process, the University's total state appropriation prior to fringe benefit support would decline by approximately 8% from $472 million in fiscal year 2011 to $436 million in fiscal year 2012. On April 15th, the Ways & Means Committee of the House of Representatives released its budget proposal for fiscal year 2012. The University's base state appropriation of $418 million under this proposal is consistent with the funding proposal put forth by Governor Patrick. In a distinct process, the Senate Ways & Means Committee issued a budget proposal on May 18th that was also consistent with Governor Patrick's base state appropriation of $418 million for the University. A conference committee composed of Representatives and Senators will work to develop a compromise budget for approval by the Governor prior to the end of the fiscal year.

In August 2008, the Massachusetts Legislature passed a higher education bond bill that was filed by Governor Patrick. The Higher Education Improvement Act authorized $2.2 billion for capital improvement spending over the next ten years at community colleges, state colleges, and the University. More than $1 billion of these funds are directed to University projects exclusively. Although the financial challenges faced by the Commonwealth have slowed down the pace of this funding, the capital investment plan released in September 2009 by the Commonwealth's Executive Office for Administration and Finance maintains the commitment to fund $1 billion of capital activity at the University over the next 10 years. In addition, a major state effort to assist the Commonwealth in increasing its competitive position in the life sciences was signed into law by the Governor on June 16, 2008. The $1 billion Life Sciences Industry Investment Act authorized $500 million of capital funding over ten years. It is anticipated that some portion of this funding, possibly as much as $242 million, will be used to support facility improvements at the University including a major research complex at the Medical School in Worcester, a major research facility at the Amherst Campus, and significant capital investments in collaborative facilities and programs involving the Boston, Dartmouth, and Lowell campuses. In addition to capital funding, the life sciences initiative provides a number of opportunities for the University to participate in the planning and program implementation of this important economic development effort.

The Higher Education Improvement Act and the Life Sciences Industry Investment Act are statutory authorizations necessary to allow the Commonwealth to spend state general obligation bond proceeds on University projects. EOAF and DCAMM are the state agencies that develop the state's capital plan, file bond bills, approve projects that will receive state funding, and allocate funds to approved projects. DCAMM is responsible for designing and constructing public facilities and improvements. Accordingly, DCAMM has recognized the importance and scale of the authorized higher education investment program and has reorganized itself in anticipation of increased activity at the Commonwealth's colleges and the University.

Management of Non-Appropriated Funds

All non-appropriated funds are managed and grouped for budgetary purposes into several trust funds. Non-appropriated funds include, for example, student fees, gifts, grants, contracts, and sponsored programs. The University Trustees establish and collect certain student fees and charges, including charges for room and board. Non-appropriated funds are retained by the University. Approximately 84 percent of the University's operating and non-operating revenues for fiscal year 2010 were non-appropriated.

University trust funds are financial accounts that are established by the University Trustees under authority granted by the legislature in connection with self-supporting operations, such as student services, parking, and certain research and public service activities. Revenues received from these self-supporting activities are expended by law for the purpose for which the fund was established. The University Trustees exercise oversight and control over these funds through official policy guidelines, annual budget review and approval and periodic internal audits of certain accounts. Beginning with fiscal year 1992, the University Trustees have required that external audits of the accounts and fund groups be performed by certified public accountants on a combined basis.

The University's financial operations consist of two major expense categories: Educational and General, and Auxiliary Enterprises. The Educational and General expense budget includes research, academic programs, public service programs, student services programs, academic and institutional support programs, physical plant operations and financial aid. These activities are funded from student fees (not tuition), Commonwealth appropriations, the federal government and certain unrestricted grants and contracts. Auxiliary enterprises are a set of self-sufficient services ancillary to the general educational mission of the University. These include such items as dining and residence halls, student health services, and parking facilities. The Auxiliary Enterprises budget is a revenue-based trust fund. No assurance can be given that future trust fund revenues will continue to be sufficient to support self-amortizing projects or other Auxiliary Enterprises.

Economic Downturn and Beyond

The University responded to fiscal year 2009 mid-year rescissions and the significant decline in state appropriations for fiscal year 2010 with necessary and strategic cutbacks, reducing its expenses while protecting its fundamental commitment to educating its students. Cost cutting measures included reductions in force, office consolidations, hiring and salary freezes, furloughs, and travel restrictions. Emphasis was placed on reducing discretionary spending and achieving cost savings by implementing programs targeting energy savings.

The University also continues to benefit from the increased demand for its products. The University's growing reputation, combined with difficult economic conditions in the Commonwealth, has resulted in continued growth in student enrollment, and the associated revenue growth from student charges, at all of the University's campuses. The University's operations were also supported through the Commonwealth's distribution of ARRA funding totaling $150.6 million in fiscal year 2010 and $37.8 million in fiscal year 2011.

As described previously in "TUITION AND FEES" herein, the University also increased the mandatory student charge by up to $1,500 for in-state undergraduate students starting in fiscal year 2010. However, due to the receipt of the ARRA education stabilization funds, the University followed through on the Board of Trustee vote to rebate a portion of the $1,500 increase in mandatory student charges approved in February 2009. For fiscal year 2010, the University processed a $1,100 rebate to in-state undergraduate students. For fiscal year 2011, the University's Board of Trustees voted to maintain in-state tuition and mandatory fee rates at levels approved for fiscal year 2010.

The University also benefits from having diverse revenue streams. Grant and contract revenues have grown consistently over the years and, in part, because of the significant increases in federal research dollars included in ARRA, the University anticipates continued strong revenue in this area. As of January 2011, the University has already received approximately 289 ARRA funded grants and contracts totaling over $124 million. Modest increases and room and board rates also will generate additional revenues for auxiliary operations. All of these revenue sources contribute to the University's fiscal position. For fiscal year 2010, UMassOnline achieved an approximate 20.1% increase in revenue and an approximate 14.4% increase in enrollment. Compared to the previous year, revenues increased from approximately $46.8 million to approximately $56.2 million.

The University also continues to focus on improving its competitive position. To meet increased student demand, boost academic credentials, and improve campus infrastructure, the University acquired several strategic properties in fiscal year 2010. On February 2, 2010, the Commonwealth's first and only public law program was established at the University of Massachusetts Dartmouth by the Massachusetts Board of Higher Education. This was made possible by an approximate $23 million donation of assets from the Southern New England School of Law. Enrollment in the Law School for academic year 2010-2011 has exceeded initial projections. Also in February, the Commonwealth's Legislature approved making the Tsongas Arena part of the University's Lowell Campus. The acquisition of the facility provides the Lowell Campus with a top-notch venue for entertainment, sports and other events. On May 19, 2010, the University's Boston Campus finalized the purchase of the former site of the Bayside Exposition Center, which is located less than one mile from the main campus. This acquisition adds 20 acres of waterfront property to the campus and includes 1,500 parking spaces. Most recently, the University's Lowell Campus purchased the former Saint Joseph's Hospital in Lowell on January 25, 2011. The property consists of six buildings totaling 300,000 square feet located within walking distance of University's North, South, and East campuses in Lowell. To be known as University Crossing, the property will offer an important connection point and will provide much needed space for the growing university.

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB") using the economic resources measurement focus and the accrual basis of accounting. These statements are reported on a combined basis, and all intra-University transactions are eliminated. In accordance with GASB Statement No. 20, the University follows all applicable GASB pronouncements. In addition, the University applies all applicable Financial Accounting Standards Board ("FASB") pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected not to apply FASB pronouncements issued after November 30, 1989.

Operating revenues consist of tuition and fees, grants and contracts, sales and services of educational activities (including royalties from licensing agreements) and auxiliary enterprise revenues. Operating expenses include salaries, wages, fringe benefits, utilities, subcontracts on grants and contracts, supplies and services, and depreciation and amortization. All other revenues and expenses of the University are reported as non-operating revenues and expenses including state general appropriations, non-capital gifts, short term investment income, endowment income used in operations, interest expense, and capital additions and deductions. Capital items represent all other changes in long term plant and endowment net assets. Revenues are recognized when earned and expenses are recognized when incurred with the exception of revenue earned on certain public service activities. Restricted grant revenue is recognized only when all eligibility requirements have been met, that is to the extent grant revenues are expended or in the case of fixed price contracts, when the contract terms are met or completed. Contributions, including unconditional promises to give (pledges) for non-endowment or non-capital purposes, are recognized as revenues in the period received. Promises of additions to non-expendable endowments are not recognized until cash or other assets are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. The University applies restricted net assets first when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, and disclosures of contingencies at the date of the financial statements and revenues and expenditures recognized during the reporting period. Significant estimates include the accrual for employee compensated absences, the accrual for workers' compensation liability, the allowance for doubtful accounts, valuation of certain investments and depreciation expense. Actual results could differ from those estimates.

The University reports its financial statements as a "business-type activity" ("BTA") under GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities* (GASB 35). BTAs are defined as those that are financed in whole or in part by fees charged to external parties for goods or services.

In order to ensure observance of limitations and restrictions placed on the use of available resources, the accounts of the University are maintained internally in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are maintained in separate funds in accordance with the activities or objectives specified. GASB 35 requires that external financial statements to be reported on a consolidated basis and establishes standards for external financial reporting by public colleges and universities that resources be classified into the following net asset categories:

- **Invested in capital assets, net of related debt:** Capital assets, at historical cost, or fair market value on date of gift, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- **Restricted Nonexpendable:** Net assets subject to externally imposed stipulations that they be maintained permanently by the University.

- **Restricted Expendable:** Net assets whose use by the University is subject to externally imposed stipulations. Such assets include restricted grants and contracts, the accumulated net gains/losses on true endowment funds, as well as restricted funds loaned to students, restricted gifts and endowment income, and other similar restricted funds.

- **Unrestricted:** Net assets that are not subject to externally imposed stipulations. Substantially all unrestricted net assets are designated to support academic, research, auxiliary enterprises or unrestricted funds functioning as endowments, or are committed to capital construction projects.

Revenues are reported net of discounts and allowances. As a result, student financial aid expenditures are reported as an allowance against tuition and fees revenue while stipends and other payments made directly to students are recorded as scholarship and fellowship expenditures on the statement of revenues, expenses, and other changes to net assets, and included in supplies and services on the statement of cash flows. Discounts and allowances for tuition and fees and auxiliary enterprises are calculated using the Alternate Method.

For more detailed information, including the Statement of Cash Flows, see the University's financial statements included as Appendix C to this Official Statement.

Summary of Operations

Combined and Condensed Statement of Net Assets
As of June 30 (in thousands of dollars)

	2006	2007	2008	2009	2010
ASSETS	**University**	**University**	**University**	**University**	**University**
Current Assets	$504,691	$475,147	$513,725	$461,594	$557,573
Noncurrent Assets					
Investment in Plant Net of Accumulated Depreciation	1,499,607	1,719,316	1,919,915	2,068,485	2,324,392
All Other Noncurrent Assets	900,789	964,875	1,119,528	1,047,339	1,473,432
Total Assets	**$2,905,087**	**$3,159,338**	**$3,553,168**	**$3,577,418**	**$4,355,397**
LIABILITIES					
Current Liabilities	$508,972	$472,682	$515,354	$514,719	$502,566
Noncurrent Liabilities	1,046,337	1,122,339	1,366,768	1,321,394	1,883,678
Total Liabilities	**$1,555,309**	**$1,595,021**	**$1,882,122**	**$1,836,113**	**$2,386,244**
NET ASSETS					
Invested in Capital Assets Net of Related Debt	$804,053	$884,138	$1,027,045	$1,069,881	$1,133,264
Restricted					
Nonexpendable	16,136	16,264	16,605	16,699	16,899
Expendable	146,903	212,302	161,732	156,649	218,517
Unrestricted	382,686	451,613	465,664	498,076	600,473
Total Net Assets	**$1,349,778**	**$1,564,317**	**$1,671,046**	**$1,741,305**	**$1,969,153**

Combined Statement of Revenues, Expenses, and Changes in Net Assets
For The Years Ended June 30 (in thousands of dollars)

REVENUES	**2006**	**2007**	**2008**	**2009**	**2010**
Operating Revenues	**University**	**University**	**University**	**University**	**University**
Tuition and Fees (net of scholarship allowances of $181,760 at June 30, 2010, $126,779 at June 30, 2009, $113,738 at June 30, 2008, $105,414 at June 30, 2007, and $88,628 at June 30, 2006)	$401,636	$429,528	$458,439	$489,230	$539,306
Federal Grants and Contracts	300,685	297,647	318,288	324,100	393,862
State Grants and Contracts	66,172	66,775	72,034	77,115	64,328
Local Grants and Contracts	3,746	2,815	2,507	2,149	1,880
Private Grants and Contracts	82,234	92,653	99,342	104,399	104,368
Sales & Service, Educational	17,780	17,150	20,657	20,965	17,530
Auxiliary Enterprises	196,957	205,312	231,306	246,069	252,610
Other Operating Revenues					
Sales & Service, Independent Operations	78,899	99,344	65,588	94,908	50,442
Sales & Service, Public Service Activities	333,997	381,214	363,041	542,955	593,761
Other	44,142	59,570	57,618	66,920	74,231
Total Operating Revenues	**$1,526,248**	**$1,652,008**	**$1,688,820**	**$1,968,810**	**$2,092,318**

Derived from the Annual Audited Financial Report for Fiscal Years 2006-2010. The University's financial statements include prior year comparative information. Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications have no effect on total net assets.

(continued)
Combined Statements of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30 (in thousands of dollars) (continued)

EXPENSES	**2006**	**2007**	**2008**	**2009**	**2010**
Operating Expenses	**University**	**University**	**University**	**University**	**University**
Educational and General					
Instruction	$499,403	$526,781	$548,850	$540,479	$552,528
Research	316,667	320,889	342,109	358,659	404,260
Public Service	76,867	75,058	68,807	67,989	66,597
Academic Support	112,021	120,240	130,293	125,604	123,901
Student Services	79,229	87,085	91,157	87,207	88,787
Institutional Support	153,071	156,014	174,358	163,659	166,070
Operation and Maintenance of Plant	157,683	166,082	187,520	191,761	192,271
Depreciation and Amortization	121,567	141,360	127,519	140,392	155,746
Scholarships and Fellowships	26,590	25,714	28,111	29,845	35,103
Auxiliary Enterprises	149,986	162,134	182,379	193,568	200,458
Other Expenditures					
Independent Operations	46,546	66,870	49,562	56,057	58,437
Public Service Activities	316,854	330,331	307,827	491,433	535,665
Total Operating Expenses	**$2,056,484**	**$2,178,558**	**$2,238,492**	**$2,446,653**	**$2,579,823**
Operating Loss	**($530,236)**	**($526,550)**	**($549,672)**	**($477,843)**	**($487,505)**
NONOPERATING REVENUES/(EXPENSES)					
Federal Appropriations	$7,044	$5,777	$7,099	$5,574	$5,922
State Appropriations	526,749	579,416	617,271	540,187	428,958
State Appropriations – Federal Stimulus Funds					150,639
Gifts	25,646	18,621	20,654	22,918	28,603
Investment Income	42,981	87,106	12,294	(9,284)	65,863
Endowment Income	5,903	7,031	11,036	10,319	5,583
Interest on Indebtedness	(39,331)	(36,737)	(45,846)	(55,252)	(49,113)
Other Nonoperating Income	8,967	9,639	11,484	8,167	3,868
Net Nonoperating Revenues	**$577,959**	**$670,853**	**$633,992**	**$522,629**	**$640,323**
Income/(Loss) Before Other Revenues, Expenses, Gains and Losses	**$47,723**	**$144,303**	**$84,320**	**$44,786**	**$152,818**
Capital Appropriations	$27,147	$73,590	$21,170	$27,483	$28,635
Capital Grants and Contracts		4,000	1,500	5,182	18,981
University Related Organization Transactions	593				
Capital Contribution					29,810
Disposal of Plant Facilities	(11,276)	(6,964)	(10,462)	(8,553)	(12,125)
Other Additions/Deductions	(5,938)	(390)	(10,458)	1,361	9,729
Total Other Revenues, Expenses, Gains, and Losses	**$10,526**	**$70,236**	**$1,750**	**$25,473**	**$75,030**
Total Increase in Net Assets	**$58,249**	**$214,539**	**$86,070**	**$70,259**	**$227,848**
NET ASSETS					
Net Assets at Beginning of Year	$1,291,529	$1,349,778	$1,584,976	$1,671,046	$1,741,305
Net Assets at End of Year	**$1,349,778**	**$1,564,317**	**$1,671,046**	**$1,741,305**	**$1,969,153**

Derived from the Annual Audited Financial Report for Fiscal Years 2006-2010. The University's financial statements include prior year comparative information. Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications have no effect on total net assets.

SUMMARY OF FINANCIAL RESULTS, FISCAL YEARS 2008 THROUGH 2010

The following is a summary of the financial results for fiscal years 2008 through 2010. For information about fiscal year 2010, see "TUITION AND FEES", "UNIVERSITY REVENUES AND BUDGETING – Management of Appropriated Funds" and "UNIVERSITY REVENUES AND BUDGETING – Fiscal Year 2010 and Beyond" herein.

Fiscal Year 2010

Financial Highlights

The University's net assets (not including University Related Organizations) increased approximately $227.8 million from $1.74 billion in fiscal year 2009 to $1.97 billion in fiscal year 2010.The major components of the increase in fiscal year 2010 relate to investments in infrastructure and positive operating margins due primarily to greater student fee revenues associated with increased enrollment, cost reductions, strong market performance for the University's investments, a large increase in federally-funded research, and one-time federal stabilization funds.

The University expended approximately $192.3 million on plant operations and maintenance activities during fiscal year 2010.

Summary of Assets and Liabilities

At June 30, 2010, the University's total assets (not including University Related Organizations) were approximately $4.36 billion, an increase of approximately $778.0 million over the approximately $3.58 billion in assets recorded in fiscal year 2009.The increase can be attributed to increases in cash and securities held by Trustees of $339.8 million largely due to a bond issue completed in October 2009. In addition, there were increases in both short and long-term investments and investment in plant assets. The University's largest asset continues to be its net investment in its physical plant of $2.32 billion at June 30, 2010 ($2.07 billion in fiscal year 2009). Other significant assets include current and noncurrent investments and cash and securities held by the University Trustees.

University liabilities (not including University Related Organizations) totaled approximately $2.39 billion at June 30, 2010, an increase of approximately $550.1 million compared to the approximately $1.84 billion in liabilities in fiscal year 2009.

The University's current assets of approximately $557.6 million were above the current liabilities of approximately $502.6 million, as the current ratio was 1.11 dollars in assets to every one-dollar in liabilities. In fiscal year 2009, the current ratio was 0.90 (approximately $461.6 million in current assets and $514.7 million in current liabilities).

The University's unrestricted and restricted expendable net assets totaled approximately $819.0 million, which represents approximately 31.7 percent of total operating expenditures of approximately $2.58 billion during fiscal year 2010.

In fiscal year 2010, the University's unrestricted net assets (referred to as Expendable Fund Balance under the Former Financial Reporting Model) totaled approximately $600.5 million. Substantially all unrestricted net assets are designated to support academic, research, auxiliary enterprises or unrestricted funds functioning as endowments, or are committed to capital construction projects.

Summary of Operating Revenues and Operating Expenditures

The University's total operating revenues for fiscal year 2010 were approximately $2.09 billion. This represents an increase of approximately $123.5 million over the approximately $1.97 billion in operating revenues in fiscal year 2009. The most significant sources of revenue for the University are tuition and fees, grants and contracts, auxiliary services, and public service activities at the Worcester Medical School campus. Tuition and fees, grants and contracts, auxiliary services and all other operating revenue (which includes the above referenced public service activities) represent 26 percent, 27 percent, 12 percent and 35 percent, respectively, of total operating revenues.

In fiscal year 2010, University operating expenditures, including depreciation and amortization of approximately $155.7 million, totaled approximately $2.58 billion. Of this total, approximately $1.15 billion or 45 percent was used to support the academic core activities of the University, including approximately $404.3 million in research.

State Appropriations

State appropriations represent approximately 16 percent of all operating and non-operating revenues. The level of state support is a key factor influencing the University's overall financial condition. Although the state appropriation is unrestricted revenue, nearly 100% of the state appropriation supports payroll and benefits for University employees.

In fiscal year 2010, the net state appropriation decreased approximately $111.2 million over fiscal year 2009 amounts. In order to make up for these reductions, Governor Patrick allocated to the University $150.6 million of American Recovery and Reinvestment Act (federal stimulus) funds in fiscal year 2010.

Fiscal Year 2009

Financial Highlights

The University's net assets (not including University Related Organizations) increased approximately $70.3 million from approximately $1.67 billion in fiscal year 2008 to approximately $1.74 billion in fiscal year 2009. The major components of this increase relate to positive operating margins due primarily to increased student fee revenues associated with increased enrollment, strong growth in operating revenue generated by the Medical School, and growth in auxiliary revenue. This growth in revenue was significant enough to offset an approximate $77.1 million decrease in net state appropriations from fiscal year 2008 to fiscal year 2009.

The University expended approximately $192.0 million on plant operations and maintenance activities during fiscal year 2009.

Summary of Assets and Liabilities

At June 30, 2009, the University's total assets (not including University Related Organizations) were approximately $3.58 billion, an increase of approximately $24.3 million over the approximately $3.55 billion in assets recorded for fiscal year 2008. The University's largest asset continues to be its net investment in its physical plant of approximately $2.07 billion at June 30, 2009 (approximately $1.92 billion in fiscal year 2008). Other significant University assets include current and noncurrent investments and cash and securities held by the University Trustees.

University liabilities (not including University Related Organizations) totaled approximately $1.84 billion at June 30, 2009, a decrease of approximately $46.0 million compared to the approximately $1.88 billion in liabilities in fiscal year 2008.

The University's current assets of approximately $461.6 million were below the current liabilities of approximately $514.7 million, as the current ratio was 0.90 dollars in assets to every one-dollar in liabilities. In fiscal year 2008, the current ratio was 1.00 (approximately $513.7 million in current assets and $515.4 million in current liabilities).

The University's unrestricted and restricted expendable net assets totaled approximately $654.7 million, which represents approximately 26.8 percent of total operating expenditures of approximately $2.45 billion during fiscal year 2009.

In fiscal year 2009, the University's unrestricted net assets (referred to as Expendable Fund Balance under the Former Financial Reporting Model) totaled approximately $498.1million. Substantially all unrestricted net assets are designated to support academic, research, auxiliary enterprises or unrestricted funds functioning as endowments, or are committed to capital construction projects.

Summary of Operating Revenues and Operating Expenditures

The University's total operating revenues for fiscal year 2009 were approximately $1.97 billion. This represents an increase of approximately $280 million over the approximately $1.69 billion in operating revenues in fiscal year 2008. The most significant sources of revenue for the University are tuition and fees, grants and contracts, auxiliary services, and public service activities at the Worcester Medical School campus. Tuition and fees, grants and contracts, auxiliary services and all other operating revenue (which includes the above referenced public service activities) represent 25 percent, 26 percent, 12 percent and 37 percent, respectively, of total operating revenues.

In fiscal year 2009, University operating expenditures, including depreciation and amortization of approximately $140.4 million, totaled approximately $2.45 billion. Of this total, approximately $1.09 billion or 45 percent was used to support the academic core activities of the University, including approximately $358.7 million in research.

State Appropriations

State appropriations represent approximately 22 percent of all operating and non-operating revenues. The level of state support is a key factor influencing the University's overall financial condition. Although the state appropriation is unrestricted revenue, nearly 100% of the state appropriation supports payroll and benefits for University employees.

In fiscal year 2009, the net state appropriation decreased approximately $77.1 million over fiscal year 2008 amounts. This decrease is primarily due to mid-year reductions, and the associated reduction in state fringe benefit support, implemented through the Commonwealth's Executive Office in response to declining state revenue collections.

Fiscal Year 2008

Financial Highlights

The University's net assets (not including University Related Organizations) increased approximately $106.7 million from approximately $1.56 billion in fiscal year 2007 to approximately $1.67 billion in fiscal year 2008. The major components of this increase relate to positive operating margins due primarily to increased student fee revenues as a result of increased enrollment and fees along with significant physical plant improvements.

The University expended approximately $188.0 million on plant operations and maintenance activities during fiscal year 2008.

Summary of Assets and Liabilities

At June 30, 2008, the University's total assets (not including University Related Organizations) were approximately $3.55 billion, an increase of approximately $394.0 million over the approximately $3.2 billion in assets recorded for fiscal year 2007. The University's largest asset continues to be its net investment in its physical plant of approximately $1.92 billion at June 30, 2008 (approximately $1.72 billion in fiscal year 2007). Other significant University assets include current and noncurrent investments and cash and securities held by the University Trustees.

University liabilities (not including University Related Organizations) totaled approximately $1.9 billion at June 30, 2008, an increase of approximately $287.1 million over fiscal year 2007.

The University's current assets of approximately $513.7 million were very close to current liabilities of approximately $515.4 million, resulting in a current ratio of 1.00. In fiscal year 2007 the current ratio was 1.01 (approximately $475.1 million in current assets and $472.7 million in current liabilities).

The University's unrestricted and restricted expendable net assets totaled approximately $627.4 million, which represents approximately 28 percent of total operating expenditures of approximately $2.24 billion during fiscal year 2008.

In fiscal year 2008, the University's unrestricted net assets (referred to as Expendable Fund Balance under the Former Financial Reporting Model) totaled approximately $465.7 million. Substantially all unrestricted net assets are designated to support academic, research, auxiliary enterprises or unrestricted funds functioning as endowments, or are committed to capital construction projects.

Summary of Operating Revenues and Operating Expenditures

The University's total operating revenues for fiscal year 2008 were approximately $1.69 billion compared to approximately $1.65 billion in operating revenues in fiscal year 2007. The most significant sources of revenue for the University are tuition and fees, grants and contracts, auxiliary services and public service activities at the Worcester Medical School campus. Tuition and fees, grants and contracts, auxiliary services and all other operating revenue (which includes the above referenced public service activities) represent 27 percent, 29 percent, 14 percent and 30 percent, respectively, of total operating revenues.

In fiscal year 2008, University operating expenditures, including depreciation and amortization of approximately $127.5 million, totaled approximately $2.24 billion. Of this total, approximately $1.1 billion or 49 percent was used to support the academic core activities of the University, including approximately $342.1 million in research.

State Appropriations

State appropriations represent approximately 27 percent of all operating and non-operating revenues. The level of state support is a key factor influencing the University's overall financial condition. Although the state appropriation is unrestricted revenue, nearly 100% of the state appropriation supports payroll and benefits for University employees.

In fiscal year 2008, the net state appropriation increased approximately $37.9 million over fiscal year 2007 amounts. This increase is attributed to increased state fringe benefit support as well as an increase for general operations.

Endowment and Fundraising

The combined University and Foundation endowment (excluding the University of Massachusetts Dartmouth Foundation, Inc.) has increased to approximately $459.8 million at June 30, 2010, from approximately $372.6 million at June 30, 2009. The University raised approximately $131 million in cash, pledges, gifts-in-kind, and private research grants in fiscal year 2010. The number of endowed chairs has grown from four in 1995 to approximately 61 in 2010, enhancing the University's academic reputation.

The Foundation's total investment return for fiscal year 2010, including realized and unrealized activity was a net gain of approximately $66.3 million. The Foundation utilizes the pooled investment concept whereby all invested funds are included in one investment pool, except for investments of certain funds that are otherwise restricted. Additions, redemptions and transfers to pooled investment funds are assigned a number of shares based upon their market value at the date of receipt or withdrawal. The actual spending rate for Foundation endowment funds was one and a half percent for fiscal year 2010, which represents less than one percent of the University's total operating and non-operating revenues.

As of June 30, 2010, the market value of the University and Foundation endowment was approximately $460 million, which represents an increase of approximately $87 million compared to the June 30, 2009 value.

The following details the University and Foundation endowment assets (excluding the University of Massachusetts Dartmouth Foundation, Inc. endowments) at June 30 (in thousands):

University and Foundation Endowment Assets*

2006	2007	2008	2009	2010
$260,961	$371,599	$390,875	$372,642	$459,801

*The above presentation of total University and Foundation Endowment Assets has been changed to no longer include current funds.

INDEBTEDNESS OF THE UNIVERSITY

The University is obligated, under various contractual arrangements, to make payments on indebtedness issued on its behalf.

The Authority

As of June 30, 2010, the Authority had outstanding bonds of approximately $1.456 billion for which the University is contractually obligated to provide for the payment of debt service or act as the Authority's agent to collect rates, rents, fees and other charges. Approximately $1.426 billion principal amount of the Authority's bonds are payable from, in addition to other moneys, all funds of the University permitted by law to be applied thereto. With respect to these bonds, the University has contracted with the Authority annually to set aside moneys from its unrestricted net assets to cover debt service and other expenses not otherwise paid.

Certain of the revenues reported on the University's audited financial statements are pledged to secure its contractual obligations to the Authority. Such revenues include: (i) mandatory fees on graduate and undergraduate students (with certain exceptions) at the Amherst campus of the University, which amounted to approximately $3,017,000 in the 12-months ended June 30, 2010; (ii) amounts paid on account of the engineering building on the Amherst campus from monies in the research trust fund at the Amherst campus, which amounted to approximately$623,000 in the 12-months ended June 30, 2010; (iii) parking fees assessed for users of the Worcester parking facilities financed by the Authority, which amounted to approximately $4,165,000 in the 12-months ended June 30, 2010; and (iv) revenues of a research building, a student union, a health center and dormitory, dining facility projects, and residence halls at the Lowell and Dartmouth campuses, which aggregated approximately $56,199,000 for the 12-months ended June 30, 2010.

2003-1 Bonds

On August 7, 2003, the Authority issued its $137,970,000 Project Revenue Bonds, Senior Series 2003-1 Bonds. The projects to be financed by these bonds consisted primarily of the construction of parking garages at the Boston and Lowell campuses, the renovation of a building for the Charlton College of Business and the improvements of the athletic fields at the Dartmouth campus, and the construction of an integrated science facility and swing space/art building along with many other improvements and renovations at the Amherst campus.

2004-1, 2004-A and 2004-2 Bonds

On May 25, 2004, the Authority issued its $183,965,000 Project and Refunding Revenue Bonds, Senior Series 2004-1 (the "2004-1 Bonds"), $96,025,000 Facilities Revenue Bonds, Senior Series 2004-A (the "2004-A Bonds"), and $25,875,000 Taxable Refunding Revenue Bonds, Senior Series 2004-2 (the "Taxable 2004-2 Bonds"). The projects to be financed by the 2004-1 Bonds consisted primarily of the construction of new residence halls and the renovation and equipping of the Health Center at the Amherst campus, the renovation and construction of an addition to a research facility and the construction of a new building for the Charlton College of Business at the Dartmouth campus, completion of the parking garage at the Lowell campus and a number of renovations at the Boston campus. The 2004-A Bonds were used to finance the construction of new residence halls at the Dartmouth campus.

2005-1 Bonds

In conjunction with the issuance of the 2004-1 Bonds, the 2004-A Bonds and the Taxable 2004-2 Bonds, the Authority issued its $25,595,000 Refunding Revenue Bonds, Senior Series 2005-1 (the "2005-1 Delayed Delivery Bonds") on February 3, 2005. The proceeds of the 2005-1 Delayed Delivery Bonds were used to refund the Taxable 2004-2 Bonds.

2005-2 Bonds

On August 3, 2005, the Authority issued its $212,550,000 Refunding Revenue Bonds, Senior Series 2005-2, which refunded a portion of several series of the Authority's outstanding bonds.

2006-1 and 2006-2 Bonds

On April 20, 2006, the Authority issued its $243,830,000 Project and Refunding Revenue Bonds, Senior Series 2006-1 (the "2006-1 Bonds"), and its $21,240,000 Taxable Refunding Revenue Bonds, Senior Series 2006-2 (the "2006-2 Bonds"). The 2006-1 Bonds were issued to refund certain outstanding bonds of the Authority and to finance the construction of a science and technology research room, assessment of the present network infrastructure and the repair, renovation and equipping of various facilities all at the Lowell campus of the University, and other projects which meet certain conditions set forth in the Series Resolution (collectively, the "2006-1 Projects"). The 2006-2 Bonds were issued to refund certain outstanding bonds of the Authority. The 2006-1 Bonds were variable rate demand obligations insured by Ambac Assurance Corporation ("Ambac"), subject to optional and mandatory tender for purchase under certain circumstances. The 2006-1 Bonds were redeemed on June 10, 2008 from the proceeds of the $138,635,000 Refunding Revenue Bonds, Senior Series 2008-3 (the "2008-3 Bonds"), and its $104,000,000 Refunding Revenue Bonds, Senior Series 2008-4 (the "2008-4 Bonds") (described below).

2008-1 and 2008-A Bonds

On April 24, 2008, the Authority issued its $232,545,000 Project Revenue Bonds Senior Series 2008-1 (the "2008-1 Bonds"), and its $26,580,000 Facilities Revenue Bonds Senior Series 2008-A (the "2008-A Bonds"). The 2008-1 Bonds were issued to finance the construction, renovation, and repair of various projects at the Amherst and Lowell campuses. A list of these projects can be found in the Series Resolution (collectively, the "2008-1 Projects"). The 2008-A Bonds were issued to finance the Research Building Extension and the Cedar Dell Hall renovation at the Dartmouth campus as well as the East Dormitory at the Lowell campus. The 2008-1 Bonds are variable rate demand obligations, supported by a letter of credit issued by Lloyds TSB Bank plc through April 23, 2013. In connection with the issuance of the 2008-1 Bonds, the Authority entered into an interest rate swap agreement with UBS AG in a notional amount equal to the principal amount of the 2008-1 Bonds, pursuant to which the Authority pays to UBS AG an amount equal to 3.388% per annum of the notional amount and receives from UBS AG the floating rate based on 70% of one-month LIBOR. The swap agreement is intended to hedge against the variable rate exposure on the 2008-1 Bonds, with the amounts paid to the Authority from UBS AG offsetting the variable rate payments to the holders of the 2008-1 Bonds. The 2008-A Bonds are variable rate demand obligations, guaranteed by the Commonwealth of Massachusetts, supported by a standby purchase agreement from Bank of America, N.A. through April 23, 2013. In connection with the issuance of the 2008-A Bonds, the Authority entered into an interest rate swap agreement with Lehman Brothers Special Financing Inc. ("Lehman"), in a notional amount equal to the principal amount of the 2008-A Bonds, pursuant to which the Authority pays to Lehman an amount equal to 3.378% per annum of the notional amount and receives from Lehman the floating rate based on 70% of one-month LIBOR. The swap agreement is intended to hedge against the variable rate exposure on the 2008-A Bonds, with the amounts paid to the Authority from Lehman offsetting the variable rate payments to the holders of the 2008-A Bonds. On November 18, 2008, the Authority's swap agreement with Lehman was terminated by the Authority as a result of the bankruptcy filing of Lehman Brothers Holdings, Inc. Simultaneously with such termination the Authority entered into a new swap agreement on substantially the same terms with Deutsche Bank AG.

2008-3 and 2008-4 Bonds

On June 10, 2008, the Authority issued its 2008-3 Bonds and its 2008-4 Bonds. As described above, the proceeds from the 2008-3 and the 2008-4 Bonds were used to redeem the 2006-1 Bonds. In connection with the issuance of the 2006-1 Bonds, the Authority entered into an interest rate swap agreement with Citibank, N.A. ("Citi") in a notional amount equal to the principal amount of the 2006-1 Bonds, pursuant to which the Authority pays to Citi an amount equal to 3.482% per annum of the notional amount and receives from Citi the product of (a) the sum of 60% of one-month LIBOR plus 0.18%, times (b) the notional amount. The swap agreement was originally intended to hedge against the variable rate exposure on the 2006-1 Bonds, with the amounts paid to the Authority from Citi offsetting the variable rate payments to the holders of the 2006-1 Bonds. The swap agreement remained in place following the issuance of the 2008-3 and 2008-4 Bonds and was intended to hedge against the variable rate exposure on $240,820,000 principal amount of such bonds and is intended to hedge such amount of 2011-1 Bonds and 2011-2 Bonds described herein. The $1,815,000 balance of the 2008-3 Bonds remained unhedged. The 2008-3 and 2008-4 Bonds were initially secured by a Bank of America, N.A. letter of credit and standby bond purchase agreement supporting the 2008-3 Bonds and the 2008-4 Bonds, respectively, which expires June 10, 2011. The Authority expects to refund the 2008-3 Bonds with its Refunding Revenue Bonds, Senior Series 2011-1 on June 9, 2011, and to refund the 2008-4 Bonds with its Refunding Revenue Bonds, Senior Series 2011-2 on June 9, 2011.

2008-2 Bonds

On June 30, 2008, the Authority issued its $120,560,000 Project Revenue Bonds Senior Series 2008-2 (the "2008-2 Bonds"). The projects to be financed by these bonds are expected to consist of the construction, renovation and repair of certain University facilities and buildings at its Worcester and Amherst campuses.

2009-1, 2009-2 and 2009-3 Bonds

On October 27, 2009 the Authority issued its $247,810,000 Project Revenue Bonds, Senior Series 2009-1 (the "2009-1 Bonds"), its $271,855,000 Project Revenue Bonds, Senior Series 2009-2 (Federally Taxable-Build America Bonds – Direct Pay to Issuer) (the "2009-2 Bonds"), and its $28,570,000 Project Revenue Bonds, Senior Series 2009-3 (Federally Taxable) (the "2009-3 Bonds").

The 2009-1 Bonds were issued to finance projects which meet certain conditions set forth in the 2009-1 Series Resolution (collectively, the "2009-1 Projects"), including (i) construction and equipping of a data center by the Worcester City Campus Corporation on the Worcester campus of the University, (ii) construction of the Edward M. Kennedy Institute for the United States Senate on the Boston campus, (iii) a portion of the costs of construction of the Albert Sherman Center on the Worcester campus, (iv) a portion of the costs of construction of The Emerging Technology Innovation Center, purchase, acquisition and development of an Inn and Conference Center, acquisition and renovation of an athletic and civic facility, and certain renovation and maintenance projects on the Lowell campus, (v) a portion of the costs of certain renovation and maintenance projects on the Boston campus, and (vi) a portion of the costs of certain renovation and maintenance projects on the Amherst campus. The proceeds of the 2009-1 Bonds are being used to finance the costs of the 2009-1 Projects, to fund capitalized interest on a portion of the 2009-1 Bonds and to pay costs of issuing the 2009-1 Bonds.

The 2009-2 Bonds were issued to finance projects which meet certain conditions set forth in the 2009-2 Series Resolution (collectively, the "2009-2 Projects"), including portions of the projects described in clauses (iii) through (vi) above as part of the 2009-1 Projects. The proceeds of the Series 2009-2 Bonds are being used to finance the costs of the 2009-2 Projects, to fund capitalized interest on a portion of the 2009-2 Bonds and to pay costs of issuing the 2009-2 Bonds.

The 2009-3 Bonds were issued to finance the acquisition and renovation of a laboratory facility on the Worcester campus of the University (the "Biotech IV Property") or such other projects that meet the conditions set forth in the 2009-3 Series Resolution (collectively, the "2009-3 Projects"). The proceeds of the 2009-3 Bonds are being used to finance the costs of the 2009-3 Projects, to fund capitalized interest on the 2009-3 Bonds and to pay costs of issuing the 2009-3 Bonds.

2010-1, 2010-2 and 2010-3 Bonds

On October 21, 2010, the Authority issued its $118,985,000 Project Revenue Bonds, Senior Series 2010-1 (the "2010-1 Bonds"), its $430,320,000 Project Revenue Bonds, Senior Series 2010-2 (Federally Taxable – Build America Bonds – Direct Pay to Issuer)(the "2010-2 Bonds"), and its $3,005,000 Project Revenue Bonds, Senior Series 2010-3 (Federally Taxable)(the "2010-3 Bonds").

The 2010-1 Bonds were issued to finance projects which meet certain conditions set forth in the 2010-1 Series Resolution (collectively, the "2010-1 Projects"), including a new student residence hall on the Amherst campus, a new academic building and the relocation of University Drive North and University Drive West on the Boston campus, property acquisitions and the construction of the South campus parking garage on the Lowell campus, and the construction of a Biomanufacturing facility, the construction of the SMAST/Marine Fisheries facility, and the acquisition of the Advanced Technology Manufacturing facility on the Dartmouth campus. The proceeds of the 2010-1 Bonds are being used to finance the costs of the 2010-1 Projects, to fund capitalized interest on a portion of the 2010-1 Bonds, and to pay costs of issuing the 2010-1 Bonds.

The 2010-2 Bonds were issued to finance projects which meet certain conditions set forth in the 2010-2 Series Resolution (collectively, the "2010-2 Projects"), including portions of the 2010-1 Projects. The proceeds of the 2010-2 Bonds are being used to finance the costs of the 2010-2 Projects, to fund capitalized interest on a portion of the 2010-2 Bonds, and to pay costs of issuing the 2010-2 Bonds.

The 2010-3 Bonds were issued to finance operating expenses at the University of Massachusetts School of Law on the Dartmouth campus. The proceeds of the 2010-3 Bonds are being used to finance the costs of the 2010-3 Projects and to pay costs of issuing the 2010-3 Bonds.

2011-1 and 2011-2 Bonds

The 2011-1 Bonds are being issued in the principal amount and for the purposes and are payable from the sources described in the forepart of the Official Statement for the 2011-1 Bonds. See "APPLICATION OF PROCEEDS OF THE BONDS AND OTHER AVAILABLE FUNDS," and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," in the forepart of the Official Statement for the 2011-1 Bonds.

The 2011-2 Bonds are being issued in the principal amount and for the purposes and are payable from the sources described in the forepart of the Official Statement for the 2011-2 Bonds. See "APPLICATION OF PROCEEDS OF THE BONDS AND OTHER AVAILABLE FUNDS," and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," in the forepart of the Official Statement for the 2011-2 Bonds.

Massachusetts Health and Educational Facilities Authority

Effective October 1, 2010, MHEFA was merged into the Massachusetts Development Finance Agency, a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts ("MassDevelopment"). As of such date, MHEFA has dissolved and all of its rights, powers and duties, and properties will be exercised and performed by MassDevelopment and any and all obligations and liabilities of MHEFA have become obligations and liabilities of MassDevelopment.

University of Massachusetts Series A

In March 2000, MHEFA issued its $40,000,000 Variable Rate Demand Revenue Bonds, University of Massachusetts Issue, Series A for the purpose of loaning the proceeds to the University to create a pool of funds from which the University finances and refinances the acquisition and telecommunications, electronic, computer, office, research, equipment and administrative systems and related renovation costs at the various University campuses on a revolving basis throughout the life of the pool. On March 27, 2009, the Bonds were subject to mandatory purchase as a result of being converted from bearing interest at a weekly rate to a long-term rate, and only $20,000,000 was remarketed. The initial long-term rate of 0.85% ended on March 31, 2010. The Bonds were remarketed on April 1, 2010 and now bear interest at the long-term rate of 2.20%. The new long-term rate period will end on March 31, 2013 and the Bonds will be subject to mandatory tender for purchase on April 1, 2013.The

Bonds are not supported by any insurance policy, liquidity facility or other credit enhancement. The Bonds are a general obligation of the University payable from all funds of the University permitted to be applied thereto. The University's unrestricted net assets, previously referred to as the expendable fund balance, secure the obligations of the University with respect to the Bonds. The University is required to certify annually that there are sufficient funds in the unrestricted net assets to cover the debt service on the Bonds.

University of Massachusetts Series D

In January 2007, MHEFA issued its $10,435,000 Revenue Bonds, University of Massachusetts Issue, Series D (the "Series D Bonds") for the purpose of partially refunding the University of Massachusetts Issue, Series B (the "Series B Bonds") (defined below). The Series D Bonds are a general obligation of the University payable from all funds of the University permitted to be applied thereto. The University's unrestricted net assets, previously referred to as the expendable fund balance sheet, secure the obligations of the University with respect to the Series D Bonds. The University is required to certify annually that there are sufficient funds in the unrestricted net assets to cover the debt service on the Series D Bonds.

University of Massachusetts Series C

In June 2002, MHEFA issued its $35,000,000 Revenue Bonds, University of Massachusetts Issue, Series C (the "Series C Bonds") for the purpose of financing a portion of the construction and related costs of a new campus center on the Boston campus. DCAMM managed the project and the Commonwealth provided funding for the project in addition to the Series C Bonds. The campus center opened in April 2004. The Series C Bonds are a general obligation of the University payable from all funds of the University permitted to be applied thereto. The University's unrestricted net assets, previously referred to as the expendable fund balance, secure the obligations of the University with respect to the Series C Bonds. The University is required to certify annually that there are sufficient funds in the unrestricted net assets to cover the debt service on the Series C Bonds.

University of Massachusetts Series B

In June 2001, MHEFA issued its $11,970,000 Revenue Bonds, University of Massachusetts Issue, Series B (the "Series B Bonds") for the purpose of constructing and equipping a new student center on the Lowell campus. The facility opened in September 2002. DCAMM managed the project and the Commonwealth provided funding for the project in addition to the Series B Bonds. The Series B Bonds are a general obligation of the University payable from all funds of the University permitted to be applied thereto. The University's unrestricted net assets, previously referred to as the expendable fund balance, secure the obligations of the University with respect to the Series B Bonds. The University is required to certify annually that there are sufficient funds in the unrestricted net assets to cover the debt service on the Series B Bonds. As described above, a portion of the Series B Bonds (the "Series B Refunded Bonds") were advance refunded by the Series D Bonds in January 2007. Pursuant to and as specified in the Refunding Trust Agreement, dated as September 12, 2006, by and between MHEFA and Flagship Bank and Trust Company (now Institutional Trust People's United Bank), (the "Refunded Bond Trustee"), there are held by the Refunded Bond Trustee, Government or Equivalent Obligations which will mature and bear interest payable in such amounts and at such times as will be sufficient, together with any uninvested moneys, to pay when due the principal, interest and redemption premium, as applicable, on the Series B Refunded Bonds on and until their respective maturity or redemption dates.

WCCC Series F

In January 2007, MHEFA issued its $101,745,000 Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series F (the "WCCC Series F Bonds") for the purpose of refunding the outstanding amount of the WCCC Series C Bonds (defined below). See "Defeasance of WCCC Series C" below for additional information. The proceeds will also finance and/or refinance the construction and equipping of a four-story, 180,000 square-foot building containing wet research and development laboratories, vivarium and office space and a structured parking facility to be located on the parcel of land in the city of Boston, Massachusetts, known as Lot 3A on the West Campus of the former Boston State Hospital. WCCC entered into a sublease with the University that requires the University to make semi-annual rental payments sufficient to pay, among other things, debt service on the WCCC Series F Bonds. The University's rental payments to WCCC are payable from any funds legally available for application thereto other than moneys appropriated by Massachusetts legislature. The obligations of WCCC to make payments under the Series F Loan and Trust Agreement (including, without limitation, payments to MHEFA, the Paying Agent and the Trustee) shall be a special obligation of WCCC, payable only from Project Revenues.

WCCC Series E

In January 2007, MHEFA issued its $118,750,000 Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series E (the "WCCC Series E Bonds") for the purpose of partially refunding the WCCC Series B Bonds (defined below). The proceeds will also finance and/or refinance the construction of a seven-story, approximately 260,000 square-foot advanced education and clinical practice center to be located at the Institution's facility at 55 Lake Avenue in Worcester, Massachusetts. The obligations of WCCC to make payments under the Series E Loan and Trust Agreement (including, without limitation, payments to MHEFA, the Paying Agent and Trustee) shall be absolute and unconditional, shall be binding and enforceable in all circumstances whatsoever, shall not be subject to abatement, offset, diminution, setoff, recoupment or counterclaim and shall be a general obligation of WCCC to which the full faith and credit of WCCC is pledged. The University is obligated under certain financing agreements with MHEFA to make payments from any funds of the University permitted to be applied thereto of amounts due on the WCCC Series E Bonds otherwise unpaid by WCCC. The University's unrestricted net assets, previously referred to as the expendable fund balance, secure the obligations of the University with respect to the Series E Bonds. The University is required to certify annually that there are sufficient funds in the unrestricted net assets to cover the debt service on the Series E Bonds. The University is required to certify annually that there are sufficient funds in the unrestricted net assets to cover the debt service not otherwise paid on the WCCC E Bonds.

WCCC Series D

In April 2005, MHEFA issued its $99,325,000 Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series D (the "WCCC Series D Bonds") for the purpose of refunding the outstanding amount of the WCCC Series A Bonds (defined below). The University is obligated under certain financing agreements with MHEFA to make payments from any funds of the University permitted to be applied thereto of amounts due on the WCCC Series D Bonds otherwise unpaid by WCCC. The trust agreement securing the WCCC Series D Bonds provides that the trustee may declare all of the WCCC Series D Bonds due and payable prior to maturity, at par plus accrued interest, upon the occurrence of an event of default under such trust agreement. However, the University's obligation under the aforesaid financing agreements to make payments on account of the WCCC Series D Bonds is not subject to acceleration. The University's unrestricted net assets, previously referred to as the expendable fund balance, secure the obligations of the University with respect to the WCCC Series D Bonds. The University is required to certify annually that there are sufficient funds in the unrestricted net assets to cover the debt service not otherwise paid on the WCCC Series D Bonds. See "Defeasance of WCCC Series A" below for additional information.

Defeasance of WCCC Series C

In April 2002, MHEFA issued its $70,000,000 Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series C (the "WCCC Series C Bonds") for the purpose of constructing and equipping an approximately 75,000-square foot aseptic filling and manufacturing facility to be located on the former Boston State Hospital site in Mattapan. The WCCC Series C Bonds were advance refunded and legally defeased with the issuance of the above-described WCCC Series F Bonds. Pursuant to and as specified in the Refunding Trust Agreement, dated as September 12, 2006, by and between MHEFA and Flagship Bank and Trust Company (now Institutional Trust People's United Bank), (the "Refunded Bond Trustee"), there are held by the Refunded Bond Trustee, Government or Equivalent Obligations which will mature and bear interest payable in such amounts and at such times as will be sufficient, together with any uninvested moneys, to pay when due the principal, interest and redemption premium, as applicable, on the WCCC Series C Refunded Bonds on and until their respective maturity or redemption dates.

WCCC Series B

In June 2001, MHEFA issued its $52,020,000 Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series B (the "WCCC Series B Bonds"). Concurrently with the issuance of the WCCC Series B Bonds, the Foundation transferred ownership of its medical research facility ("Biotech II") to WCCC. In exchange for Biotech II, WCCC assumed from the Foundation the remaining debt of $17.8 million, net (the "Foundation Bonds"), and acquired the related debt service funds associated with Biotech II. WCCC deposited approximately $17 million of the proceeds of the WCCC Series B Bonds in an irrevocable trust fund, which was used to provide for the payment of interest and principal on the Foundation Bonds through their redemption date of July 1, 2002. The remaining approximately $35 million of the WCCC Series B Bonds financed the construction of a parking garage and the acquisition and installation of equipment at the Worcester campus. The University is obligated under certain financing agreements with MHEFA to make payments from any funds of the University permitted to be applied thereto of amounts due on the WCCC Series B Bonds otherwise unpaid by WCCC. The University's unrestricted net assets, previously referred to as the expendable fund balance, secure the obligations of the University with respect to the WCCC Series B Bonds. The University is required to certify annually that there are sufficient funds in the unrestricted net assets to cover the debt service not otherwise paid on the WCCC Series B Bonds. As described above, a portion of the WCCC Series B Bonds (the "WCCC Series B Refunded Bonds") were advance refunded by the WCCC Series E Bonds in January 2007. Pursuant to and as specified in the Refunding Trust Agreement, dated as September 12, 2006, by and between MHEFA and Flagship Bank and Trust Company (now Institutional Trust People's United Bank), (the "Refunded Bond Trustee"), there are held by the Refunded Bond Trustee, Government or Equivalent Obligations which will mature and bear interest payable in such amounts and at such times as will be sufficient, together with any uninvested moneys, to pay when due the principal, interest and redemption premium, as applicable, on the WCCC Series B Refunded Bonds on and until their respective maturity or redemption dates.

Defeasance of WCCC Series A

In March 2000, MHEFA issued its $100,000,000 Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series A (the "WCCC Series A Bonds") for the purpose of financing the site development, construction and equipping of an approximately 362,000 gross square foot research facility located on the University's Medical School campus in Worcester. The WCCC Series A Bonds were advance refunded and legally defeased with the issuance of the above-described WCCC Series D Bonds. Pursuant to and as specified in the Refunding Trust Agreement, dated as of March 8, 2005, by and between MHEFA and J.P. Morgan Trust Company, National Association (now the Bank of New York Mellon Trust Company, N.A.) (the "Refunded Bond Trustee"), there are held by the Refunded Bond Trustee, Government Obligations which will mature and bear interest payable in such amounts and at such times as will be sufficient, together with any uninvested moneys, to pay when due the principal, interest and redemption premium, as applicable, on the WCCC Series A Refunded Bonds on and until their respective maturity or redemption dates.

Interest Rate Swap Agreements

As mentioned above, the Authority has entered into three separate interest rate swap agreements (the "Swaps") with respect to its 2008-1 Bonds, 2008-3 Bonds, 2008-4 Bonds and 2008-A Bonds. The Swaps are subject to periodic "mark-to-market" valuations and may have a negative impact on the financial statements of the University. In addition, the counterparty to each Swap may be able to terminate its respective Swap upon certain events of default under such Swap, in which case the University could be required to make a material termination payment to the counterparty. In addition, the University may be exposed to basis risk (imperfect correlation between interest rates), and the amounts received from the counterparty under each Swap may be less than the University's total interest cost on indebtedness that corresponds to the notional amount of such Swap.

Unrestricted Net Assets
(Referred to as Expendable Fund Balance Under the Former Financial Reporting Model)

As of June 30, 2010, the outstanding principal amount of Authority and MHEFA debt secured by the University's unrestricted net assets was approximately $1.1 billion. The chart below details the University's unrestricted net assets (not including University Related Organizations) in fiscal years 2006-2010.

Fiscal Year	2006	2007	2008	2009	2010
Unrestricted Net Assets	$382,686,000	$451,613,000	$465,664,000	$498,076,000	$600,473,000

Derived from the Annual Audited Financial Report for Fiscal Years 2006-2010. The University's financial statements include prior year comparative information. Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications have no effect on total net assets.

Additional Indebtedness

Under the terms of the trust agreements and financing agreements securing the above-referenced indebtedness issued by the Authority, the University may, without limit, issue additional indebtedness or request the Authority or MHEFA to issue additional indebtedness on behalf of the University so long as such indebtedness is payable from all funds of the University permitted by law to be applied thereto. With certain exceptions described below, the University may not pledge, or permit to exist any lien on, any of its funds or revenues. The University may request the Authority to issue additional indebtedness on behalf of the University that is not payable from all funds of the University permitted by law to be applied thereto, provided (i) the additional indebtedness is secured by (a) pledged revenues derived from the project or projects being financed, (b) new or increased student fees whether imposed by the University or the Authority, (c) existing pledged revenues, or (d) any combination of the foregoing, and (ii) the maximum annual debt service on all revenue indebtedness then outstanding, including the proposed additional indebtedness, does not exceed 10% of the amount shown in the then most recent audited financial statements of the University as total available revenues. Indebtedness of the University may not be subject to acceleration.

Capitalized Leases

The University is also obligated under certain capital lease agreements, primarily relating to telecommunications, software and co-generation systems, for future minimum capital lease payments having a present value of approximately $23,139,000 at June 30, 2010.

INSURANCE

The University, as an agency of the Commonwealth, is self-insured for property loss exposure, subject to appropriation from the state legislature. However, properties owned by the Authority located on a campus of the University, such as the Mullins Center, dining commons, and most dormitories, are insured by the Authority. In addition, certain properties owned by other University Related Organizations and leased to the University are insured by the related organization. The University and its employees are protected against tort claims through sovereign immunity under Chapter 258 of the Massachusetts General Laws. The University maintains certain liability insurance policies, including Commercial General Liability, leased Automotive Liability, Directors and Officers and Comprehensive Crime policies. Employees of the University are covered for Worker's Compensation protection under Chapter 152 of the Massachusetts General Laws.

TECHNOLOGICAL INITIATIVES

The University has completed the final phase of its complex, multi-year project to replace its legacy mainframe-based Student and Administration and Finance systems with "PeopleSoft" application systems. The campuses and the President's Office have undertaken a variety of planning and organizing activities designed to establish project structures, roles and responsibilities, and collaborative plans and processes for the University. In July 2004, the University added the Asset Management system to its Human Resources/Payroll ("HR") application (the HR application was implemented in March 2002) and to its financial system (the new financial system was implemented July 2002). The University completed the implementation of the final phase of the Student Administration suite for Boston, Dartmouth and Lowell campuses in March 2006. In addition, the University will continue to secure these assets by staying as current as fiscally feasible with vendor releases, i.e., upgrades that will enable additional functionality and incorporate major changes in functionality and technology. As such, the University initiated in May 2005 and completed in January 2007 the upgrade of its financial systems to the latest release and concurrently implements the PeopleSoft e-procurement product suite as well as the new Grants

Management product suite. These systems are expected to continue to enhance business functions by further consolidating processing, streamlining operations, and increasing utilization through new features and self-service offerings. A major focus in fiscal years 2006, 2007, 2008 and 2009 has been upgrading the Human Resource (completed May 2009) and Student Administration applications (completed December 2009) and consolidating the University's Advancement applications to one common platform (targeted for the third quarter of calendar year 2011), as well as increasing the reporting services and capabilities of the University's systems to better support operational and management planning efforts through a significant Business Intelligence initiative.

Beginning in calendar 2010 the University will be starting the next cycle of ERP software upgrades beginning with the Financial applications, expected to be upgraded to the most current Oracle version in late calendar year 2011. This upgrade will be followed by the Human Resource and then Student Administration upgrade.

In 2011, UMassOnline will be engaged in two primary technology initiatives of immediate and long-term implication to our organization and our internal and external constituents. These two projects are a Learning Platform Review (LPR) and the development and completion of a Needs Identification Framework for Technology Innovation (NIFTI). To briefly explain each, the vendor of UMassOnline's current Learning Management System (LMS) has announced it will suspend support for this solution in January 2013. As a result, UMassOnline is leading the description, selection, migration and implementation plan for its next generation LMS. The NIFTI initiative, the first of its kind at UMassOnline, is designed to identify needs, assess requirements, measure value, undertake development, manage implementation, administer operations and mitigate the risk of technology innovation and adoption. This is a critical project because the scope of technology services and products being offered by UMassOnline and across all institutions of higher education is rapidly extending beyond the traditional tools and technologies delivered through Learning or Course Management Systems. As such, these solutions will require a variety of critical support services that ensure reliable access.

Other related technology initiatives underway include a Blackboard Collaborate (Wimba) Upgrade and an upgrade of our cross-platform streaming media server. Technologies and operational methodologies under investigation include: e-Portfolios; Identity Management solutions; Internal Help Desk Ticketing Systems; the Learning Activity Management System (LAMS); LMS Data Access and Analytics; Open Educational Resources (OER); Service Level Agreements (SLA); Transaction Monitoring; Task Management Request, Assignments & Fulfillment solutions; and, a UMass Library Media Server Connector.

At the midway point of fiscal year 2011, the University continued with efforts to implement new hardware and software solutions to meet growing demands on its infrastructure and to address issues of obsolescence. These efforts included further expansion of existing storage, continued retirement and virtualization of the server environment. HR business functionality enhancements have been implemented over the past year, along with continued deployment of Business Intelligence capabilities across the enterprise. The University also began a documented imaging project that will improve departmental efficiencies and reduce the use of paper and associated long term physical storage needs. Additionally a software upgrade of the financial system has begun with a targeted completion of fall 2011.

The University also continued with the multiyear shift in the underlying application/web server and database architectures that will improve performance, availability and the disaster recovery profile of core applications for the University completing a move into a new enterprise primary data center in February. This involved migration of its network and server infrastructure from its legacy data center location in Worcester to the University's enterprise data center in Shrewsbury.

During fiscal year 2010, the University began the implementation of an enterprise-wide collaboration platform to support ongoing project and operation activities across the five campus university system that continues into fiscal year 2011.

The University continues its involvement in the partnership between government, regional, academic and industry leaders to construct an approximately $95 million Massachusetts Green High Performance Computing Center (MGHPCC) in Holyoke, Massachusetts. The cutting-edge, research-oriented facility will rely on hydroelectric power and is intended to encourage economic development in the region and serve as a vehicle for collaboration between key participants while establishing Massachusetts as a global leader in the application and development of next generation computing technologies. In addition to the University, academic participants include MIT, Boston, Harvard and Northeastern Universities and key business participants include Cisco Systems and EMC Corporation.

LITIGATION

The University is a defendant in various lawsuits; however, University management is of the opinion that the ultimate outcome of all such litigation will not have any material effect on the financial position or financial results of the University.

EMPLOYEE RELATIONS

The University employs approximately 17,607 full and part-time faculty, professional and clerical support staff, of which approximately 9,769 are covered by collective bargaining units (not including graduate employees and undergraduate resident assistants). Of those covered, approximately 3,047 are faculty, approximately 2,534 are professional staff, approximately 3,776 are clerical and maintenance support staff, and approximately 170 are police officers. In total, the University has 38 collective bargaining units (including three post-doctoral employee units, three graduate employee units and one undergraduate resident assistants unit). The University has executed collective bargaining agreements that cover the period from July 2009 through June 2012 with most of its employee unions. The maintenance/physical plant unit (AFSCME) at the Amherst campus has not settled. Employees covered by University collective bargaining units cannot strike under Massachusetts law. The Commonwealth appropriates supplemental funds to support collective bargaining wage increases and other economic benefits for state funded employees.

University employees are covered by a contributory Massachusetts retirement system set up by Chapter 32 of the Massachusetts General Laws. The state retirement plan provides retirement benefits based upon age at retirement, years and months of service, and the average of the highest three consecutive years of base salary. Employees can also participate in various optional supplemental retirement programs, such as the University of Massachusetts 403(b) and the Commonwealth of Massachusetts 457(b) programs.

Employees generally are eligible to participate in various fringe benefit plans such as the dependent care assistance program and the health, dental, life and disability insurance plans

UNIVERSITY OF MASSACHUSETTS

By: /s/ David J. Gray
Senior Vice President for
Administration, Finance and
Technology, and University
Treasurer

APPENDIX B

FINANCIAL STATEMENTS OF THE AUTHORITY

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UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY
(A COMPONENT UNIT OF
THE UNIVERSITY OF MASSACHUSETTS)

FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

WITH

INDEPENDENT AUDITORS' REPORT

UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY
(A COMPONENT UNIT OF THE UNIVERSITY OF MASSACHUSETTS)

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PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
125 High Street
Boston MA 02110
Telephone (617) 530 5000
Facsimile (617) 530 5001

INDEPENDENT AUDITORS' REPORT

To the Members
University of Massachusetts Building Authority
Boston, Massachusetts

In our opinion, the accompanying statement of net assets and the statement of revenues, expenses and changes in net assets, and of cash flows present fairly, in all material respects, the financial position of the University of Massachusetts Building Authority (the "Authority") at June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The financial statements of the Authority as of June 30, 2009 and for the year then ended were audited by other auditors whose report dated November 27, 2009 expressed an unqualified opinion on those statements.

Management's discussion and analysis presented on pages 2 through 9 is not a required part of the basic financial statements of the Authority, but is supplementary information required by accounting principles generally accepted in the United Statement of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

PricewaterhouseCoopers LLP

December 16, 2010

This section of the annual financial statements of the University of Massachusetts Building Authority (the Authority) presents a discussion and analysis of the Authority's financial activity for the fiscal years ended June 30, 2010 and 2009. This discussion has been prepared by management and should be read in conjunction with and is qualified in its entirety by the Authority's financial statements and related note disclosures.

Introduction

The Authority is an independent body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts (the Commonwealth), which was created by Chapter 773 of the Acts of 1960 of the Commonwealth, as amended (the Enabling Act). The Authority was created with the general purposes of providing dormitories, dining commons and other buildings and structures for use by the University of Massachusetts (the University), its students, staff and their dependents and other entities associated with the University as specified in the Enabling Act, as requested by authority of the Trustees of the University (the Trustees).

The Authority is empowered to acquire, construct, remove, demolish, add to, alter, enlarge, reconstruct, remodel and do other work upon any building or structure and to provide and install furnishings, furniture, machinery, equipment, approaches, driveways, walkways, parking areas, planting, landscaping and other facilities therein. The Enabling Act authorizes the Authority to acquire property from the Commonwealth or others (but the Authority has no eminent domain power), to rent or lease as lessor or lessee any portion of a project, to operate projects, to employ experts and other persons, to enter into contracts, to borrow money to finance and refinance projects it undertakes, and to issue and sell its revenue bonds and notes therefore which are payable solely from its revenues. The Authority's assets and projects are located on all five campuses of the University. The 11 members of the Authority are appointed by the Governor. Five of the members must be Trustees. Two of the other members must be graduates of the University. Non-trustee members serve terms of approximately six years. Trustee members serve as long as they are Trustees. Members whose terms expire continue as members until they are reappointed or replaced.

Financial Highlights

- Net assets of the Authority continued to grow, reaching $332,555,210 in fiscal 2010 and $260,220,833 in fiscal 2009

- In October of 2009 the Authority closed on its largest financing to date, issuing over $548,000,000 in bonds and raising over $512,000,000 for projects across all five University campuses. The Authority also became the first issuer in the Commonwealth to issue Build America Bonds which pay a taxable interest rate to the bondholder while the issuer receives a direct subsidy from the Federal Government.

Continued –

Financial Highlights (Continued)

- In fiscal 2009 the Authority completed and turned over to the University 7 construction projects with total costs exceeding $270 million on the Amherst and Dartmouth campuses. The projects included the Central Heating Plant, the Skinner School of Nursing, the Integrated Science Building and the Lincoln Campus Center Hotel Project.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Authority's financial statements comprise two primary components: 1) the financial statements and 2) the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The Financial Statements

The financial statements are designed to provide readers with a broad overview of the Authority's finances and are comprised of three basic statements.

The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of revenues, expenses and changes in net assets* presents information that shows how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., the payments to vendors after year end for services prior to year end).

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) and disbursements (e.g., cash paid to vendors for services). The Governmental Accounting Standards Board (GASB) Statements 34 and 35 require this method to be used.

The financial statements can be found on pages 10 to 14 of this report.

The Authority reports its activity as a business-type activity using the economic resources measurement focus and the full accrual basis of accounting. The Authority is a blended component unit of the University. Therefore, the results of the Authority's operations, its net assets and cash flows are also summarized in the University's financial statements.

Continued –

Overview of the Financial Statements (Continued)

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes provide information regarding the accounting policies the Authority has adopted as well as additional details of certain amounts contained in the financial statements.

The notes to the financial statements can be found on pages 15 to 43 of this report.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets exceeded liabilities by $332,555,210 at the close of the most recent fiscal year.

A portion of the Authority's net assets reflects its investment in capital assets (e.g. buildings, equipment and furnishings) less any related debt used to acquire those assets that is still outstanding for the most recent fiscal year. The Authority uses these capital assets to provide services to students, faculty and administration; consequently, these assets are *not* available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The Authority's primary sources of funds needed to repay the debt are receipts related to the Authority's financial contracts with the University.

University of Massachusetts Building Authority's Net Assets

	June 30, 2010	June 30, 2009	June 30, 2008
Current assets	$ 29,169,123	$ 20,618,641	$ 12,628,373
Non-current assets	1,857,281,654	1,223,947,404	1,219,528,402
Total assets	1,886,450,777	1,244,566,045	1,232,156,775
Current liabilities	116,361,168	123,922,701	115,383,426
Non-current liabilities	1,437,534,399	860,422,511	899,577,835
Total liabilities	1,553,895,567	984,345,212	1,014,961,261
Net Assets:			
Invested in capital assets, net of related debt	210,636,210	189,991,829	148,475,368
Restricted	105,033,517	52,978,126	59,791,130
Unrestricted	16,885,483	17,250,878	8,929,016
Total net assets	$ 332,555,210	$ 260,220,833	$ 217,195,514

Continued -

Financial Analysis (Continued)

Restricted net assets primarily relate to assets restricted to capital projects and debt service. The capital project restricted net assets are funds provided, primarily, by debt financing for the completion of University projects. The debt service restricted net assets are funds provided, primarily, as additional collateral to the bond holders (e.g. debt service reserve funds).

Current assets increased in fiscal 2010 as the Authority recorded several large receivables at year end. The largest increases related to grant funding for the Authority's Life Sciences project in Worcester and the amounts due for interest subsidy on the Authority's Build America Bonds from the Federal Government.

Non-current assets increased dramatically due to the inflow of cash and investments generated by the October 2009 bond issues. Additionally, the continued work on existing projects and acquisitions of new properties during the year increased the Authority's capital assets, net of depreciation, to almost $1 billion. In fiscal 2010 the Authority implemented GASB 53 related to its outstanding interest rate swaps. Accordingly, the Authority recorded a deferred outflow at year end equal to the negative marked-to-market value of its swaps.

Current liabilities decreased during the year as the Authority used the proceeds from the new bond issues to substantially reduce the amounts outstanding under its line of credit with Bank of America.

Non-current liabilities almost doubled during the year due to the new bond issues and the swap valuation liability as required by GASB 53.

During fiscal 2010 and 2009 the Authority was involved in several large construction projects for the University. As funds were spent on the projects, the nature of the net asset related to these funds changed from restricted to invested in capital assets. This is shown in the substantial increase in that category of net assets in those years. Restricted net assets increased in fiscal 2010 due to the restricted funds created by the new bond issues. Restricted net assets decreased in fiscal 2009 and 2008 as the Authority spent down a state appropriation of $54,000,000 received in fiscal 2007 and due to conversion of restricted assets into capital assets as discussed above. Unrestricted net assets increased in fiscal 2009 as the Authority replenished unrestricted funds used when the debt service on its variable rate bonds spiked in fiscal 2008.

Continued -

Financial Analysis (Continued)

University of Massachusetts Building Authority's Changes in Net Assets

	For the year ended June 30, 2010	For the year ended June 30, 2009	For the year Ended June 30, 2008
Operating revenues:			
Income from contracts and other income	$ 93,339,019	$ 89,024,827	$ 55,443,852
Grants from the Mass. Life Sciences Cnt.	13,242,807	-	-
Grants from the Commonwealth of Mass.	273,012	-	-
Grants from HUD and other revenues	86,084	75,684	75,684
Total operating revenues	106,940,922	89,100,511	55,519,536
Operating expenses:			
Facilities operating costs	4,278,649	5,846,641	5,642,677
Facility remediation costs	604,749	-	-
Depreciation and amortization	35,332,115	26,470,580	18,762,549
Insurance	989,112	916,233	839,974
Professional fees	667,042	467,654	405,609
Office, administration and other	39,847	40,057	90,845
Total operating expenses	41,911,514	33,711,165	25,741,654
Net operating income	65,029,408	55,389,346	29,777,882
Non-operating revenues (expenses)			
State appropriations	-	7,517,250	-
Interest income	10,487,104	13,625,269	9,690,829
Interest subsidy – US Government	4,201,652	-	-
Realized and unrealized gains on investments	(3,436,366)	750,013	306,570
Interest expense, net	(39,329,819)	(38,442,282)	(26,527,260)
U.S. Treasury rebate expense	(8,592)	(25,222)	(25,222)
Total non-operating expenses	(28,086,021)	(16,574,972)	(16,555,083)

Continued -

Financial Analysis (Continued)

University of Massachusetts Building Authority's Changes in Net Assets (Continued)

	For the year Ended June 30, 2010	For the year Ended June 30, 2009	For the year Ended June 30, 2008
Capital contribution – University of Mass.	$ 7,390,990	$ 4,210,945	$ 4,000,000
Capital contribution – City of Lowell	28,000,000	-	-
Total capital contribution	35,390,990	4,210,945	4,000,000
Change in net assets	72,334,377	43,025,319	17,222,799
Net assets at the beginning of the year	260,220,833	217,195,514	199,972,715
Net assets at the end of the year	$332,555,210	$260,220,833	$217,195,514

Income from contracts is primarily related to contracts the Authority has with the University. The amounts fluctuate based on the debt service requirements on Authority bonds in any particular year. Due to the new bond issues in fiscal 2008 and fiscal 2010, the revenue amount has increased over the period.

During fiscal 2010 the Authority began receiving payments under a $90,000,000 funding agreement with the Massachusetts Life Sciences Center for the Authority's Sherman Center on the Worcester campus. The amount of this grant recorded as revenue in 2010 was $13,242,807. In fiscal 2010 the Authority received a commitment from the Commonwealth of Massachusetts of $273,012 as reimbursement for costs of a project that was transferred from the Authority to the Commonwealth.

Facility operating costs primarily reflect the operating costs of the UMass Club, certain operating costs of the Authority, rental expenses and certain expenses paid by the Authority out of reserves for maintenance of Authority owned buildings. The Authority recorded remediation expenses related to certain costs in renovating the Inn and Conference Center at the Lowell campus. In fiscal 2010 and fiscal 2009 depreciation increased as more assets were placed into service during the years.

The Authority received two state appropriations in fiscal 2009. The first, for $6,117,250, was designated for the construction of a nano-bio manufacturing facility on the Lowell campus. The second, for $1,400,000 was designated for maintenance of the power plant at the Worcester campus.

Continued -

Financial Analysis (Continued)

Interest income dropped in fiscal 2010 due to the ultra low interest rates earned on the invested proceeds. In fiscal 2010 the Authority recorded revenue associated with the interest rate subsidy provided by the United States Government related to the Authority's issuance of bond under the Build America Bond program. Under that program the Government provides a direct 35% subsidy of the interest rate paid to bondholders. The interest paid to bondholders is based on the taxable rather than the tax-exempt debt market and the interest received by the bondholders is fully taxable to them.

The Authority saw a substantial reduction in the market values of its investments during fiscal 2010. This was primarily driven by the investments related to the new bond issues. Those investments were generally bought at significant premiums due to the low interest rate environment. As these investments get closer to their maturity date the market value moves toward the par amount generating market losses.

Both interest income and interest expense increased in fiscal 2009 due to the bonds issued at the end of fiscal 2008.

The Capital contribution – University of Massachusetts represent certain grants and gifts received by the University for Authority projects that were transferred to the Authority. Capital contribution – City of Lowell recognizes the appraised value of the Tsongas Arena which was purchased by the Authority for one dollar.

Capital Assets and Debts of the Authority

The Authority's investment in capital assets as of June 30, 2010 amounts to $999,555,421 net of accumulated depreciation. This investment in capital assets includes buildings (including improvements), furnishings and equipment. Net capital assets increased during the year by $185,505,007 or 23% in fiscal 2010. This increase was due to capital improvements and construction in progress outpacing depreciation expenses as follows:

- Buildings and improvements increased by $136,444,320, net of accumulated depreciation, in fiscal 2010 as the Authority made acquisitions and placed new buildings in service at the Amherst, Boston, Lowell and Worcester campuses.

- Construction in progress increased $28,290,089 in fiscal 2010 as the costs of new construction was in excess of the value of the projects the Authority placed in service during the year.

- Furnishings and equipment increased by $530,598 in fiscal 2010.

Continued -

Capital Assets and Debts of the Authority (Continued)

The Authority's investment in capital assets as of June 30, 2009 amounts to $814,050,414 net of accumulated depreciation. This investment in capital assets includes buildings (including improvements), furnishings and equipment. Capital assets increased during the year by $111,648,674 or 16% in fiscal 2009. This increase was due to capital improvements and construction in progress outpacing depreciation expenses as follows:

- Buildings and improvements increased by $300,111,891, net of accumulated depreciation, in fiscal 2009 as the Authority placed new buildings in service at the Amherst and Dartmouth campuses.

- Construction in progress decreased by $192,636,283 in fiscal 2009 as long-term projects were placed into service.

- Furnishings and equipment increased by $4,173,066 in fiscal 2009.

The Authority carries debt in the form of bond obligations and a revolving line-of-credit. These debts totaled $1,456,459,152 and $955,028,219 at June 30, 2010 and 2009, respectively. The increase in the amounts outstanding for fiscal 2010 relates to three new bond obligations issued by the Authority during the year. These new issues generated $512,000,000 in project funds covering projects on all five campuses of the University. Additionally, the Authority records a liability to the U.S. Treasury related to rebate of interest earned on bond proceeds in excess of the allowable or arbitrage yield. The liability at June 30, 2010 and 2009 was $551,798 and $543,207, respectively.

The University of Massachusetts Club

During fiscal 2006 the Authority opened the University of Massachusetts Club (the Club). The Club is a private club open to membership for alumni, faculty, staff and friends of the University and is located on the 33rd floor of 225 Franklin Street in downtown Boston, Massachusetts. The club is managed by UMass Club Management, LLC, a wholly owned subsidiary of ClubCorp USA, a nationally known business club management company. More information can be found on the Club's web site, www.umassclub.com.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in them. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, University of Massachusetts Building Authority, 333 South Street, 4th Floor, Shrewsbury, Massachusetts, 01545. Additional information on the Authority can be found on its web site, www.umassba.net.

UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY
(A COMPONENT UNIT OF THE UNIVERSITY OF MASSACHUSETTS)

Statements of Net Assets
June 30, 2010 and 2009

Assets	2010	2009
Current assets		
Cash and cash equivalents (Notes 2 and 3)	$ 14,671,794	$ 15,051,356
Investments, (Notes 2 and 3)	3,266,078	3,257,543
Accounts receivable, net of allowance of $57,300 and $30,900, respectively	197,715	233,819
Accounts receivable – Massachusetts Life Sciences Center	3,247,465	-
Accounts receivable – United States Government	1,033,193	-
Accounts receivable – University of Massachusetts	776,456	-
Accounts receivable – Commonwealth of Massachusetts	273,012	-
Interest receivable	2,715,543	1,066,414
Prepaid expenses and other current assets	2,987,867	1,009,509
Total current assets	29,169,123	20,618,641
Non-current assets		
Restricted		
Cash and cash equivalents (Notes 2 and 3)	346,609,416	309,393,594
Investments, (Notes 2 and 3)	431,752,159	88,620,353
Capital assets, net of accumulated depreciation (Note 4)	999,555,421	814,050,414
Bond issuance costs, net of amortization of $626,700 and $535,600, respectively	15,121,827	11,710,605
Deferred outflow of resources (Note 5)	64,033,736	-
Other assets	209,095	172,438
	1,857,281,654	1,223,947,404
Total assets	**1,886,450,777**	**1,244,566,045**
Liabilities		
Current liabilities		
Accounts payable	17,015,650	15,899,924
Retainage payable to contractors	2,284,801	3,934,753
Bonds payable, current portion (Note 5)	44,585,000	38,085,000
Accelerated variable rate debt, current portion (Note 5)	38,524,500	40,241,000
Due to Bank of America (Note 6)	400,787	16,822,915
Accrued bond interest payable	11,442,538	6,702,598
Other liabilities	2,107,892	2,236,511
Total current liabilities	116,361,168	123,922,701
Non-current liabilities		
Bonds payable, net of current portion, unamortized bond premium and deferred amount from refundings (Note 5)	1,372,948,865	859,879,304
Derivative instrument – interest rate swap	64,033,736	-
U.S. Treasury rebate payable	551,798	543,207
	1,437,534,399	860,422,511
Total liabilities	**1,553,895,567**	**984,345,212**

Continued -

UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY
(A COMPONENT UNIT OF THE UNIVERSITY OF MASSACHUSETTS)

Statements of Net Assets (Continued)
June 30, 2010 and 2009

	2010	2009
Net Assets (Note 7)		
Invested in capital assets, net of related debt	$ 210,636,210	$ 189,991,829
Restricted for:		
Capital projects	106,612,471	51,836,393
Debt service	(1,578,954)	1,141,733
Unrestricted	16,885,483	17,250,878
Total net assets	$ 332,555,210	$ 260,220,833

See notes to financial statements.

UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY
(A COMPONENT UNIT OF THE UNIVERSITY OF MASSACHUSETTS)

Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2010 and 2009

	2010	2009
Operating revenues		
Income from contracts for financial assistance, management and services	$ 93,339,019	$ 88,786,562
Grant income – Massachusetts Life Sciences Center	13,242,807	-
Grant income – Commonwealth of Massachusetts	273,012	-
HUD grant and other income	86,084	313,949
Total operating revenues	**106,940,922**	**89,100,511**
Operating expenses		
Facility operating costs	4,278,649	5,846,641
Facility remediation costs	604,749	-
Depreciation and amortization	35,332,115	26,470,580
Insurance	989,112	916,233
Professional fees	667,042	437,654
Office, administration and miscellaneous	39,847	40,057
Total operating expenses	**41,911,514**	**33,711,165**
Net operating income	**65,029,408**	**55,389,346**
Non-operating revenues and expenses		
State appropriations (Note 9)	-	7,517,250
Interest income	10,487,104	13,625,269
Interest subsidy – United States Government (Note 5)	4,201,652	-
Realized and unrealized gains (losses) on investments	(3,436,366)	750,013
Interest expense	(39,329,819)	(38,442,282)
U.S. Treasury rebate	(8,592)	(25,222)
Net non-operating expenses	**(28,086,021)**	**(16,574,972)**
Capital contribution – University of Massachusetts (Note 8)	7,390,990	4,210,945
Capital contribution – City of Lowell (Note 16)	28,000,000	-
Total capital contribution	35,390,990	4,210,945
Change in net assets	**72,334,377**	**43,025,319**
Net assets at beginning of year	260,220,833	217,195,514
Net assets at end of year	**$332,555,210**	**$260,220,833**

See notes to financial statements

UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY
(A COMPONENT UNIT OF THE UNIVERSITY OF MASSACHUSETTS)

Statements of Cash Flows
For the Years Ended June 30, 2010 and 2009

	2010	**2009**
Cash flows from operating activities		
Cash received from contracts for financial assistance, management and services and other income	$ 93,209,847	$ 89,024,827
Massachusetts Life Sciences Center grant received	9,995,342	-
HUD grant received	75,684	75,684
Payments to vendors and suppliers	(6,609,075)	(5,343,500)
Payments of salaries and benefits	(1,501,717)	(1,873,341)
Net cash provided by operating activities	**95,170,081**	**81,883,670**
Cash flows from noncapital financing activities		
State appropriations	**-**	**7,517,250**
Cash flows from capital and related financing activities		
Capital asset expenditures	(193,181,221)	(146,909,326)
Repayment of line of credit obligations	(22,938,672)	(2,587,210)
Repayment of bond obligations	(41,485,000)	(37,490,000)
Bond issuance expenses paid	(579,720)	(112,839)
Proceeds from interest subsidy – United States Government	3,168,459	-
Proceeds from capital contribution	6,614,534	4,210,945
Proceeds from line of credit obligation	6,516,544	19,289,904
Proceeds from bond obligations	558,940,478	-
Interest paid on bond obligations	(37,650,490)	(38,976,676)
Net cash provided by (used for) capital and related financing activities	**279,404,912**	**(202,575,202)**
Cash flows from investing activities		
Purchase of investments	(523,280,128)	(124,015,482)
Proceeds from sale of investments	176,704,689	273,452,228
Interest earned from investments	8,836,706	13,868,758
Net cash (used for) provided by investing activities	**(337,738,733)**	**163,305,504**
Net increase in cash and cash equivalents	**36,836,260**	**50,131,222**
Cash and cash equivalents – beginning of year	324,444,950	274,313,728
Cash and cash equivalents – end of year	**$361,281,210**	**$324,444,950**

Continued –

See notes to financial statements

UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY
(A COMPONENT UNIT OF THE UNIVERSITY OF MASSACHUSETTS)

Statements of Cash Flows (Continued)
For the Years Ended June 30, 2010 and 2009

	2010	**2009**
Reconciliation of operating income to net cash provided by operating activities:		
Net operating income	$ 65,029,408	$ 55,389,346
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	35,329,527	26,470,580
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Prepaid expenses and other current assets	(1,978,358)	(802,919)
Accounts receivable, net	36,104	885,662
Accounts receivable – Mass. Life Sciences Center	(3,247,465)	-
Accounts receivable – Commonwealth of Massachusetts	(273,012)	-
Other assets	(36,657)	(65,150)
Increase (decrease) in:		
Accounts payable – non-construction related	439,153	(647,158)
Other liabilities	(128,619)	653,309
Net cash provided by operating activities	$ 95,170,081	$ 81,883,670

Supplemental disclosure of cash flow information:		
Non-cash capital and related financing activities:		
Capital assets acquired and included in accounts payable	$18,986,213	$19,003,134
Bond issuance costs paid	3,458,194	-

1. Operations of the Authority

The University of Massachusetts Building Authority (the Authority or UMBA) is a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts (the Commonwealth) and was created by Chapter 773 of the Acts of 1960 of the Commonwealth, as amended (the Enabling Act). The purposes of the Authority are to provide dormitories, dining commons and other buildings and structures for use by the University of Massachusetts (the University), its students, staff and their dependents and other entities associated with the University as requested by authority of the Trustees of the University (the Trustees).

The Authority's financial statements are included by the University in its financial statements as a blended component unit.

The Enabling Act provides that the Authority shall have eleven members, five of whom shall also be trustees of the University. Members of the Authority are appointed by the Governor of the Commonwealth. Non-trustee members serve terms of approximately six years while trustee members serve until they are no longer trustees of the University. Members whose terms have expired continue to be members until reappointed or replaced.

The major functions of the Authority include the issuance of bonds to finance projects requested by the Trustees; the planning and construction or renovations related to those projects; the setting and collection of fees, rents, rates and other charges related to such projects; debt service administration; and maintenance and repair of its projects. In conjunction with its financings, the Authority has entered into contracts with the Commonwealth, acting by and through the Trustees, with respect to its projects that provide for payments for debt service and other costs of the financings as well as the operating costs of the Authority and its projects.

As stated in the Enabling Act, the Authority may sell bonds and notes, in either a public or private sale, at a price and with such terms as it may determine are in the best interest of the Authority, provided that the bonds of each issue mature no later than fifty years from their date and the sale and terms thereof have been approved by the Treasurer and Receiver-General and the Secretary of Administration and Finance of the Commonwealth or their designees.

The Authority is an agency of the Commonwealth and is exempt from Federal income tax under Section 115(a) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

2. Summary of Significant Accounting Policies

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Basis of Accounting

The Authority's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of when the related cash flow takes place.

The Authority distinguishes operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses result primarily from providing, operating and maintaining Authority facilities for use by the University. The principal sources of operating revenues are income from contracts for financial assistance, management and services and various grants. Grants and similar items are recognized when all eligibility requirements imposed by the grantor have been met. Operating expenses include facility operating costs, depreciation of capital assets, professional fees and other administrative costs. All revenues and expenses not categorized as operating revenues and expenses are reported as non-operating, and these relate primarily to interest and other investment income and interest expense.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority applies all applicable GASB pronouncements, as well as all Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Restricted Assets

Certain proceeds of the Authority's bonds as well as certain resources set aside for their repayment are classified as restricted assets on the statement of net assets because their use is limited by applicable bond trust agreements.

Continued –

2. Summary of Significant Accounting Policies (Continued)

Restricted Assets (Continued)

The following sets forth the cash and cash equivalent and investment balances in the above restricted funds as of June 30, 2010 and 2009:

	2010	2009
Cash and cash equivalents		
Capital projects fund	$342,933,838	$306,917,648
Debt service fund	3,675,578	2,475,946
	$346,609,416	$309,393,594
Investments		
Capital projects fund	$426,434,103	$ 83,302,297
Debt service fund	5,318,056	5,318,056
	$431,752,159	$ 88,620,353

Capital Assets and Depreciation

Buildings and equipment are stated at historical cost or fair value if contributed. Construction in progress is included as a capital asset. Construction in progress is stated at cost, which includes direct construction costs and other expenditures related to construction including capitalized interest, if any. All construction costs related to projects which are not yet completed are charged to construction in progress until such time as the projects are completed and placed in operation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets from the date the property is placed in operation. The useful lives applicable to the Authority are as follows:

Buildings	20 to 50 years
Building and leasehold improvements	3 to 20 years
Equipment	4 to 10 years
Furnishings	3 to 10 years

Capitalized Interest

The Authority capitalizes interest costs incurred during the construction period of qualifying property assets. The amount of interest costs capitalized on qualifying assets acquired with proceeds of tax-exempt borrowings consists of all interest costs of the borrowing less any interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowings from the date of the borrowing until the assets are ready for their intended use. Interest capitalized during the years ended June 30, 2010 and 2009 totaled approximately $19,301,100 and $5,496,500, respectively, net of interest income of $9,850,900 and $11,022,600, respectively.

Continued –

2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash balances maintained in checking accounts, overnight repurchase agreements and amounts held by the University in the University's cash pool on behalf of the Authority.

Contracts with the University

The Authority has entered into various contracts with the Commonwealth, acting by and through the Trustees, related to the management of certain Authority projects and the payment to the Authority of certain fees and operating costs. The Authority fixes fees, rents, rates and other charges for the use of its projects in amounts sufficient to provide for the debt service and other payments related to the Authority's obligations and for the Authority's operating expenses. These contracts generally call for the Trustees to bill and collect all revenue derived from the projects and remit to the Authority or to the trustee under the Authority's trust agreements (the Bond Trustee) funds sufficient to cover debt service on its bonds and its costs of operations and financial obligations with respect to the projects.

Investments

Investments in marketable securities are stated at fair value.

Investments in repurchase agreements are non-participating interest earning investment contracts and are recorded at cost. These repurchase agreements are secured by cash or investments with a fair market value between 100% and 105% of the repurchase price, depending on the type of asset used as security and the specific repurchase agreement. These repurchase agreements can be redeemed at any time for the repurchase price provided the redemption proceeds are used for a purpose permitted by the respective repurchase agreement.

Realized and unrealized gains (losses) on investments include the net changes in the fair value of investments.

Net Assets

Net assets are reported in three categories:

Invested in capital assets, net of related debt – This category consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted net assets – This category consists of net assets whose use is restricted either through external restrictions imposed by creditors, grantors, contributors and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

Continued –

2. Summary of Significant Accounting Policies (Continued)

Net Assets (Continued)

Unrestricted net assets – This category consists of net assets which do not meet the definition of the two preceding categories.

Grants and Capital Contributions

Grants for capital asset acquisition, facility development and long-term planning studies are reported in the statements of revenues, expenses and change in net assets after non-operating revenues and expenses as capital contributions.

Risk Management

Significant losses are covered by commercial insurance for all major programs. There have been no significant reductions in insurance coverage, and settlement amounts have not exceeded insurance coverage, for the current year or the two prior years.

Reclassifications

Certain amounts from fiscal 2009 have been reclassified for consistent presentation.

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.

3. Cash Deposits and Investments

Cash Deposits – Custodial Credit Risk

The Authority holds a majority of its cash and cash equivalents in high quality money market mutual funds that invest in securities that are permitted investments under the Authority's Enabling Act or in money market mutual funds that have been specifically permitted by state legislation. The Authority's cash and cash equivalents consist of the following as of June 30, 2010 and 2009:

	2010	2009
Fully insured bank accounts	$ 24,246	$ 92,451
Permitted money market accounts (MMA)	361,256,964	324,352,499
	$361,281,210	$324,444,950

Continued –

3. Cash Deposits and Investments (Continued)

Custodial credit risk is the risk that, in the event of a bank failure, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2010 and 2009, the Authority's cash deposits of $24,246 and $92,451, respectively, were not subject to custodial credit risk as they were fully insured. For purposes of disclosure under GASB Statement No. 40, Deposit and Investment Risk Disclosures, money market accounts investing in debt securities are considered investments and therefore, are included in the investment disclosures that follow.

Investments

As of June 30, 2010, the Authority's investments consisted of the following:

		Investment Maturities (in Years)			
Investment type	Fair value	Less than 1	1 to 5	6 to 10	More than 10
Debt Securities					
US Agencies	$429,700,181	$199,678,424	$230,021,757	$ -	$ -
Repurchase Agreements	5,318,056	-	-	-	5,318,056
MMA	361,256,964	361,256,964	-	-	-
	$796,275,201	$560,935,388	$230,021,757	$ -	$5,318,056

As of June 30, 2009, the Authority's investments consisted of the following:

		Investment Maturities (in Years)			
Investment type	Fair value	Less than 1	1 to 5	6 to 10	More than 10
Debt Securities					
US Agencies	$ 86,559,840	$ 42,849,494	$40,452,803	$3,257,543	$ -
Repurchase Agreements	5,318,056	-	-	-	5,318,056
MMA	324,352,499	324,352,499	-	-	-
	$416,230,395	$367,201,993	$40,452,803	$3,257,543	$5,318,056

Because money market funds are highly liquid, they are presented as investments with maturities of less than one year.

Continued –

3. Cash Deposits and Investments (Continued)

Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Generally, the Authority holds its investments until maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The risk is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The Enabling Act specifies the permitted investments of the Authority. They include direct obligations of or obligations which are unconditionally guaranteed by the United States of America (Treasuries), obligations of an agency or organization created pursuant to an act of Congress of the United States as an agency or instrumentality thereof (Agencies), time deposits or certificates of deposits fully secured by Treasuries or Agencies, and Treasuries and Agencies subject to repurchase agreements. Other legislation allows the Authority to invest in the Massachusetts Municipal Depository Trust (MMDT), a money market account sponsored by the Treasurer of the Commonwealth and managed by Fidelity Investments. Additionally, the Authority's Bond Trustee invests some of the Authority's funds in money market accounts that are permitted and are collateralized by Treasuries.

No credit risk disclosures are required under GASB 40 related to the Authority's investment in Treasuries. The Authority's investments in Agencies are rated at the highest level by Standard & Poor's Rating Services and Moody's Investors Service, Inc. The Authority's investments in repurchase agreements are fully collateralized by Treasuries and Agencies but are not themselves rated. The MMDT is unrated.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Authority's Enabling Act does not contain legal or policy requirements that would limit the exposure to custodial credit risk except that interest-bearing time deposits or certificates of deposit of banking institutions or trust companies must be continuously and fully secured by Treasuries or Agencies.

Continued –

3. Cash Deposits and Investments (Continued)

Custodial Credit Risk (Continued)

Custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to indirect investment in securities through the use of mutual funds or government investment pools (such as MMDT). Direct investments in marketable securities are held by the Authority's Bond Trustee as the Authority's agent. In accordance with the Authority's repurchase agreements, collateral for the agreements is held in segregated accounts with market values between 100% and 105% of the repurchase price, depending on the type of asset used as security and the specific repurchase agreement.

Concentrations of Credit Risk

The Authority places no limit on the amount it may invest in any one issuer. As of June 30, 2010 the Authority had 13.5% of its investments with the Federal Home Loan Mortgage Corporation, 15.4% of its investments with the Federal Home Loan Bank and 25.4% of its investments with the Federal National Mortgage Association. As of June 30, 2009 there were no investments in any one issuer greater than 10% of its total investments.

4. Changes in Capital Assets

A summary of changes in capital assets follows:

	Balance June 30, 2008	Additions/ Transfers	Balance June 30, 2009	Additions/ Transfers	Balance June 30, 2010
Land	$ -	$ -	$ -	$ 20,240,000	$ 20,240,000
Buildings	532,120,474	275,073,466	807,193,940	93,163,807	900,357,747
Building improvements	135,372,976	48,248,828	183,621,804	74,105,211	257,727,015
Equipment and furnishings	19,028,117	6,897,594	25,925,711	4,408,735	30,334,446
Construction in progress	254,289,690	(192,636,283)	61,653,407	28,290,089	89,943,496
	940,811,257	137,583,605	1,078,394,862	220,207,842	1,298,602,704
Less: accumulated depreciation	238,409,517	25,934,931	264,344,448	34,702,835	299,047,283
	$702,401,740	$ 111,648,674	$ 814,050,414	$185,505,007	$999,555,421

The Authority has outstanding purchase commitments with contractors for the construction of certain facilities as of June 30, 2010 and 2009 of approximately $324,916,479 and $341,577,000, respectively.

5. Bonds Payable

The following is a summary of bond transactions of the Authority for the years ended June 30, 2010 and 2009:

	Bonds payable	Unamortized original issue premiums	Unamortized deferred amount from refundings	Total
Beginning balance – July 1, 2008	$ 999,060,000	$ 22,343,194	$ (43,477,845)	$ 977,925,349
Decreases	37,490,000	2,929,332	699,287	39,720,045
Ending balance – June 30, 2009	$ 961,570,000	$ 19,413,862	$(42,778,558)	938,205,304
Less: Due within one year				38,085,000
Less: accelerated debt (see below)				40,241,000
				$ 859,879,304
Beginning balance – July 1, 2009	$ 961,570,000	$ 19,413,862	$(42,778,558)	$ 938,205,304
Increases	548,235,000	14,163,672	-	562,398,672
Decreases	41,485,000	3,790,915	730,304	44,545,611
Ending balance – June 30, 2010	$1,468,320,000	$29,786,619	$(42,048,254)	1,456,058,365
Less: Due within one year				44,585,000
Less: accelerated debt (see below)				38,524,500
				$1,372,948,865

Aggregate annual maturities of principal and interest on long-term debt as of June 30, 2010 are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	$ 44,585,000	$ 62,490,745	$ 107,075,745
2012	53,440,000	60,606,906	114,046,906
2013	54,410,000	58,356,595	112,766,595
2014	56,025,000	56,038,916	112,063,916
2015	54,945,000	53,577,201	108,522,201
2016-2020	295,090,000	228,417,373	523,507,373
2021-2025	301,860,000	160,921,049	462,781,049
2026-2030	288,455,000	101,853,973	390,308,973
2031-2035	202,530,000	51,077,027	253,607,027
2036-2039	116,980,000	13,273,543	130,253,543
	$1,468,320,000	$846,613,328	$2,314,933,328

Continued –

5. Bonds Payable (Continued)

Project Revenue Bonds, Senior Series 2000-1

In fiscal year 2001 UMBA issued its Series 2000-1 bonds. The bonds were issued in the amount of \$24,145,000 and the proceeds were to be used for various construction and renovation projects for the University. As of June 30, 2010 and 2009 the bonds payable amount was \$1,155,000 and \$2,250,000, respectively. The bonds are payable annually on November 1 through 2010. The bonds carry an interest rate of 4.625%. In fiscal year 2004 \$8,185,000 of these bonds were advance refunded by the Series 2004-1 bonds (described below). In fiscal year 2006 \$7,000,000 of these bonds were advance refunded by the Series 2005-2 bonds (described below). The bonds are guaranteed by the Commonwealth (see Note 10).

Project Revenue Bonds, Senior Series 2000-2

In fiscal year 2001 UMBA issued its Series 2000-2 bonds. The bonds were issued in the amount of \$132,155,000 and the proceeds were to be used for various construction and renovation projects for the University. As of June 30, 2010 and 2009 the bonds payable amount was \$5,680,000 and \$11,090,000, respectively. The bonds are payable annually on November 1 through 2010. The bonds carry interest rates that range from 4.60% to 5.50%. In fiscal year 2006 \$78,155,000 of these bonds were advance refunded by the Series 2005-2 bonds (described below). Principal and interest payments on the bonds have been insured by Ambac Assurance Corporation (AMBAC).

Facilities Revenue Bonds, Senior Series 2000-A

In fiscal year 2001 UMBA issued its Series 2000-A bonds. The bonds were issued in the amount of \$46,980,000 and the proceeds were to be used for various construction and renovation projects for the University. As of June 30, 2010 and 2009 the bonds payable amount was \$3,215,000 and \$4,715,000, respectively. The bonds are payable annually on November 1 through 2011. The bonds carry interest rates that range from 4.625% to 4.75% and are callable beginning November 1, 2010 at par. In fiscal year 2006 \$34,520,000 of these bonds were advance refunded by the Series 2005-2 bonds (described below). The bonds are guaranteed by the Commonwealth (see Note 10).

Project Revenue Bonds, Senior Series 2003-1

In fiscal year 2004 UMBA issued its Series 2003-1 bonds. The bonds were issued in the amount of \$137,970,000 and the proceeds were to be used for various construction and renovation projects for the University. As of June 30, 2010 and 2009 the bonds payable amount was \$28,205,000 and \$33,180,000, respectively. The bonds are payable annually on November 1 through 2014. The bonds carry interest rates that range from 3.375% to 5.25% and are callable beginning November 1, 2013 at par. The Authority was paid a premium of \$5,274,910 for these bonds. In fiscal year 2006 \$36,105,000 and \$49,965,000 of these bonds were advance refunded by the Series 2005-2 bonds and the Series 2006-1 bonds (described below), respectively. The principal and interest payments on the bonds have been insured by AMBAC.

Continued –

5. Bonds Payable (Continued)

Project and Refunding Revenue Bonds, Senior Series 2004-1

In fiscal year 2004 UMBA issued its Series 2004-1 bonds. The bonds were issued in the amount of \$183,965,000 and the proceeds were to be used for various construction and renovation projects for the University and to advance refund the SMUBA Refunding Revenue Bonds, 1986 Series B, the ULBA Facilities Bonds, Fourth Series B, the ULBA Fifth Series A bonds (partial refunding), the UMBA Project Revenue Bonds, Series 1995-A and the Series 2000-1 bonds (partial refunding). As of June 30, 2010 and 2009 the bonds payable amount was \$45,960,000 and \$51,725,000, respectively. The bonds are payable annually on November 1 through 2016. The bonds carry interest rates that range from 3.75% to 5.375% and are callable beginning November 1, 2014 at par. The Authority was paid a premium of \$5,077,137 for the bonds. In fiscal year 2006 \$24,545,000 and \$91,665,000 of these bonds were advance refunded by the Series 2005-2 bonds and the Series 2006-1 bonds (described below), respectively. The principal and interest payments on the bonds have been insured by AMBAC.

Facilities Revenue Bonds, Senior Series 2004-A

In fiscal year 2004 UMBA issued its Series 2004-A bonds. The bonds were issued in the amount of \$96,025,000 and the proceeds were to be used for various construction projects for the University. As of June 30, 2010 and 2009 the bonds payable amount was \$12,630,000 and \$14,455,000, respectively. The bonds are payable annually on November 1 through 2015. The bonds carry interest rates that range from 3.75% to 4.50% and are callable beginning November 1, 2014 at par. The Authority was paid a premium of \$119,872 for the bonds. In fiscal year 2006 \$16,130,000 and \$61,955,000 of these bonds were advance refunded by the Series 2005-2 bonds and the Series 2006-1 bonds (described below), respectively. The bonds are guaranteed by the Commonwealth (see Note 10). Additionally, the principal and interest payments on the bonds have been insured by MBIA.

Refunding Revenue Bonds, Senior Series 2005-1

In fiscal year 2005 UMBA issued its Series 2005-1 bonds. The bonds were issued in the amount of \$25,595,000 and the proceeds were used to refund the UMBA Taxable Refunding Revenue Bonds, Senior Series 2004-2. As of June 30, 2010 and 2009 the bonds payable amount was \$14,945,000 and \$17,035,000, respectively. The bonds are payable annually on May 1 through 2016. The bonds carry an interest rate of 5.00% and are callable beginning May 1, 2015 at par. The Authority was paid a premium of \$505,125 for the bonds. The principal and interest payments on the bonds have been insured by AMBAC.

Continued –

5. Bonds Payable (Continued)

Refunding Revenue Bonds, Senior Series 2005-2

In fiscal year 2006 UMBA issued its Series 2005-2 bonds. The bonds were issued in the amount of $212,550,000 and the proceeds were used to advance refund the ULBA Fifth Series A bonds and partially refund the Series 2000-1 bonds, the Series 2000-2 bonds, the Series 2000-A bonds, the Series 2003-1 bonds, the Series 2004-1 bonds and the Series 2004-A bonds. As of June 30, 2010 and 2009 the bonds payable amount was $200,040,000 and $202,165,000, respectively. The bonds are payable annually on November 1 through 2025. The bonds carry interest rates that range from 4.00% to 5.25% and are callable beginning November 1, 2015 at par. The Authority was paid a premium of $20,341,561 for the bonds. The principal and interest payments on the bonds have been insured by AMBAC.

Project and Refunding Revenue Bonds, Senior Series 2006-1

In fiscal year 2006 UMBA issued its Series 2006-1 bonds. The bonds were issued in the amount of $243,830,000 and the proceeds were to be used for various construction and renovation projects for the University at its Lowell campus and to partially advance refund the Series 2003-1 bonds, the Series 2004-1 bonds and the Series 2004-A bonds. In June 2008 the Authority used the proceeds of its Series 2008-3 and 2008-4 bonds (described below) to currently refund the Series 2006-1 Bonds.

At the time of the bond closing the Authority entered into an interest rate swap agreement with Citigroup, N.A., as swap counterparty for the term of the bond issue. The agreement calls for the Authority to pay a fixed rate of 3.482% and receive a floating rate based on a percentage of London Interbank Offered Rate (LIBOR), plus a spread (see below). The interest rate swap remains in place with an allocable portion going to the 2008-3 and 2008-4 bonds, respectively (see below).

Taxable Refunding Revenue Bonds, Senior Series 2006-2

In fiscal year 2006 UMBA issued its Series 2006-2 bonds. The bonds were issued in the amount of $21,240,000 and the proceeds were used to advance refund the UMBA Refunding Revenue Bonds, Series 1995-B. As of June 30, 2010 and 2009 the bonds payable amount was $10,825,000 and $13,640,000, respectively. The bonds are payable annually on May 1 through 2014. The bonds carry interest rates that range from 5.36% to 5.49% and are not callable. The principal and interest payments on the bonds have been insured by AMBAC.

Continued –

5. Bonds Payable (Continued)

Project Revenue Bonds, Senior Series 2008-1

In fiscal year 2008 UMBA issued its Series 2008-1 bonds. The bonds were issued in the amount of $232,545,000 and the proceeds were to be used for various construction and renovation projects for the University at the Amherst and Lowell campuses. As of June 30, 2010 and 2009 the bonds payable amount was $221,475,000 and $227,120,000, respectively. The bonds are payable annually on May 1 through 2038. The bonds carry a variable interest rate and are callable at any time at par. The bonds are supported with an irrevocable direct pay letter of credit (the Lloyds LOC) issued by Lloyds TSB Bank plc (Lloyds). The Lloyds LOC, upon presentation of required documentation, will pay the Bond Trustee the amount necessary to pay the principal and accrued interest on the bonds. The Lloyds LOC expires in 2013 and may be extended at the option of Lloyds. Under the terms of the Lloyds LOC, the Authority is required to pay Lloyds in quarterly installments a facility fee in the amount of 26.5 basis points (or higher, under certain circumstances) of the commitment amount. Fees accrued by the Authority in connection with the Lloyds LOC totaled $600,700 and $613,300 for the years ended June 30, 2010 and 2009, respectively. In December 2007 the Authority entered into an interest rate swap agreement with UBS AG, as swap counterparty, beginning May 1, 2008 and extending for the term of the bond issue. The agreement calls for the Authority to pay a fixed rate of 3.388% and receive a floating rate based on a percentage of LIBOR (see below).

Facilities Revenue Bonds, Senior Series 2008-A

In fiscal year 2008 UMBA issued its Series 2008-A bonds. The bonds were issued in the amount of $26,580,000 and the proceeds were to be used for various construction and renovation projects for the University at the Dartmouth and Lowell campuses. As of June 30, 2010 and 2009 the bonds payable amount was $25,215,000 and $25,910,000, respectively. The bonds are payable annually on May 1 through 2038. The bonds carry a variable interest rate and are callable at any time at par. The bonds are guaranteed by the Commonwealth (see Note 10). The Authority also entered into a standby bond purchase agreement with Bank of America, N.A. (BofA) which requires BofA to purchase bonds tendered and not remarketed in an amount not to exceed the principal on the bonds plus accrued interest up to 184 days at an annual interest rate not to exceed 12 percent. Under this agreement, the Authority is required to pay BofA in quarterly installments a facility fee in the amount of 12 basis points of the initial commitment. The initial commitment under the agreement was set at $28 million but is subject to adjustment from time to time in accordance with the provisions of the agreement. The agreement expires in 2013 and may be extended at the option of the BofA. Fees accrued by the Authority in connection with the standby bond purchase agreement totaled $31,000 and $37,600 for the years ended June 30, 2010 and 2009, respectively.

Continued –

5. Bonds Payable (Continued)

Facilities Revenue Bonds, Senior Series 2008-A (Continued)

In December 2007 the Authority entered into an interest rate swap agreement with Lehman Brothers Special Financing Inc. (LBSF), as swap counterparty, beginning May 1, 2008 and extending for the term of the bond issue. The agreement calls for the Authority to pay a fixed rate of 3.378% and receive a floating rate based on a percentage of LIBOR (see below). In November 2008 the Authority replaced LBSF with Deutsche Bank AG (DBAG) as swap counterparty due to the bankruptcy of the LBSF holding company, Lehman Brothers Holdings, Inc. The swap agreement with DBAG is under the same terms as the original agreement with LBSF.

Project Revenue Bonds, Senior Series 2008-2

In fiscal year 2008 UMBA issued its Series 2008-2 bonds. The bonds were issued in the amount of $120,560,000 and the proceeds were to be used for various construction and renovation projects for the University's Amherst and Worcester campuses. As of June 30, 2010 and 2009 the bonds payable amount was $115,370,000 and $117,550,000, respectively. The bonds are payable annually on May 1 through 2038. The bonds carry interest rates that range from 4% to 5% and are callable beginning May 1, 2018 at par. The Authority was paid a premium of $668,100 for these bonds. Some of the principal and interest payments on the bonds have been insured by Financial Security Assurance Inc. (FSA).

Refunding Revenue Bonds, Senior Series 2008-3

In fiscal year 2008 UMBA issued its Series 2008-3 bonds. The bonds were issued in the amount of $138,635,000 and the proceeds were used to currently refund a portion of the 2006-1 bonds. As of June 30, 2010 and 2009 the bonds payable amount was $136,275,000 and $137,475,000, respectively. The bonds are payable annually on November 1 through 2034. The bonds carry a variable interest rate and are callable at any time at par. The bonds are supported with an irrevocable direct pay letter of credit (the BofA LOC) issued by Bank of America NA (BofA). The BofA LOC, upon presentation of required documentation, will pay the Bond Trustee the amount necessary to pay the principal and accrued interest on the bonds. The BofA LOC expires in 2011 and may be extended at the option of BofA. Under the terms of the BofA LOC, the Authority is required to pay BofA in quarterly installments a facility fee in the amount of 55 basis points (or higher, under certain circumstances) of the commitment amount. Fees accrued by the Authority in connection with the BofA LOC totaled $814,100 and $816,000 for the years ended June 30, 2010 and 2009, respectively. The original interest rate swap with Citigroup from the 2006-1 bonds remains in place, with an allocable portion assigned to the 2008-3 bonds.

Continued –

5. Bonds Payable (Continued)

Refunding Revenue Bonds, Senior Series 2008-4

In fiscal year 2008 UMBA issued its Series 2008-4 bonds. The bonds were issued in the amount of $104,000,000 and the proceeds were used to currently refund a portion of the 2006-1 bonds. As of June 30, 2010 and 2009 the bonds payable amount was $102,495,000 and $103,260,000, respectively. The bonds are payable annually on November 1 through 2034. The bonds carry a variable interest rate and are callable at any time at par. The bonds are guaranteed by the Commonwealth (see Note 10). The Authority also entered into a standby bond purchase agreement with Bank of America, N.A. (BofA) which requires BofA to purchase bonds tendered and not remarketed in an amount not to exceed the principal on the bonds plus accrued interest up to 184 days at an annual interest rate not to exceed 12%. Under this agreement, the Authority is required to pay BofA in quarterly installments a facility fee in the amount of 35 basis points of the initial commitment. The initial commitment under the agreement was set at $110,000,000 but is subject to adjustment from time to time in accordance with the provisions of the agreement. The agreement expires in 2011 and may be extended at the option of the BofA. Fees accrued by the Authority in connection with the standby bond purchase agreement totaled $386,700 and $389,500 for the years ended June 30, 2010 and 2009, respectively. The original interest rate swap with Citigroup from the 2006-1 bonds remains in place, with an allocable portion assigned to the 2008-4 bonds.

Project Revenue Bonds, Senior Series 2009-1

In fiscal year 2010 UMBA issued its Series 2009-1 bonds. The bonds were issued in the amount of $247,810,000 and the proceeds were to be used for various construction and renovation projects for all of the University's and for the construction of the Edward M. Kennedy Institute for the United Sates Senate. As of June 30, 2010 the bonds payable amount was $ 244,410,000. The bonds are payable annually on May 1 through 2039. The bonds carry interest rates that range from 2% to 5% and are callable beginning May 1, 2019 at par. The Authority was paid a premium of $14,163,700 for these bonds.

Project Revenue Bonds, Senior Series 2009-2 (Federally Taxable-Build America Bonds- Direct Pay to Issuer)

In fiscal year 2010 UMBA issued its Series 2009-2 Build America Bonds (the BAB bonds). The bonds were issued in the amount of $271,855,000 and the proceeds were to be used for various construction and renovation projects for the University's Amherst, Boston, Lowell and Worcester campuses. As of June 30, 2010 the bonds payable amount was $271,855,000. The bonds are payable annually on May 1 beginning in 2024 through 2039. The bonds carry interest rates that range from 6.423% to 6.573% and are callable beginning May 1, 2018 at par.

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5. Bonds Payable (Continued)

Project Revenue Bonds, Senior Series 2009-2 (Federally Taxable-Build America Bonds- Direct Pay to Issuer) (Continued)

Interest on the BAB bonds are taxable to the bondholder but treated as tax-exempt by the issuer. The United States Government provides an interest subsidy equal to 35% of the interest amount payable to the bondholders or to the issuer at the election of the issuer. The Authority has elected to receive the subsidy directly and will file required forms with the Internal Revenue Service, prior to the interest payment due date, so that the subsidy is paid directly to the bond trustee for further payment to the bondholders.

Project Revenue Bonds, Senior Series 2009-3 (Federally Taxable)

In fiscal year 2010 UMBA issued its Series 2009-3 bonds. The bonds were issued in the amount of $28,570,000 and the proceeds were to be used for various construction and renovation projects for the University's Worcester campus. The interest on the bonds is taxable to the bondholders. As of June 30, 2010 the bonds were fully outstanding. The bonds are payable annually on May 1 beginning in 2012 through 2039. The bonds carry interest rates that range from 5.823% to 6.173% and are callable at any time at the Make-Whole Redemption Price which equals the greater of the outstanding principal balance or the present value of the scheduled future principal and interest payments, which payments are discounted at the Treasury Rate plus 25 basis points.

Accelerated variable rate debt

The UMBA Series 2008-1, Series 2008-A, Series 2008-3 and Series 2008-4 bondholders have the option to put the bonds back to the Authority. Such bonds would be subject to the remarketing efforts by the Authority's remarketing agents. To the extent that such remarketing efforts were unsuccessful the bonds would be purchased by the various liquidity providers under the terms of the liquidity agreements. The bonds have been classified in the accompanying statements of net assets in accordance with the repayment provisions of those agreements. The scheduled repayment of the principal of these bonds would be as follows: $47,689,500 in fiscal 2011, $97,092,000 in fiscal 2012, 2013, 2014 and fiscal 2015, and $49,402,000 in fiscal 2016. The amounts reflected in the accompanying statement of net assets represent the difference in the current portion due bondholders under the bond documents and the amount outlined above.

Continued –

5. Bonds Payable (Continued)

Bond Refundings

In fiscal year 2008, the Authority currently refunded the UMBA Project and Refunding Revenue Bonds, Senior Series 2006-1 bonds. The variable rate bonds were called on an interest payment date and immediately retired.

In fiscal year 2006, the Authority refunded the ULBA Fifth Series A bonds and the UMBA Refunding Revenue Bonds, Series 1995-B and partially refunded the following bond issues: the Series 2000-1 bonds, the Series 2000-2 bonds, the Series 2000-A bonds, the Series 2003-1 Bonds, the Series 2004-1 Bonds and the Series 2004-A bonds. Accordingly, the Authority deposited into trust accounts funds sufficient to provide for all future debt service payments on the refunded bonds. Assets held in the trust accounts had an aggregate market value of approximately $439,999,700 and $445,332,200 as of June 30, 2010 and 2009, respectively. The unpaid principal amount of the refunded bonds totaled approximately $410,135,000 and $412,710,000 as of June 30, 2010 and 2009, respectively.

In fiscal year 2004, the Authority refunded the following bond issues: the SMUBA Refunding Revenue Bonds, Series 1986-B; the ULBA Facilities Bonds, Fourth Series B; the UMBA Project Revenue Bonds, Series 1995-A; the UMBA Series 2000-1 bonds (partial refunding); the ULBA Fifth Series A bonds (partial refunding) and the SMUBA Refunding Revenue Bonds 1995 Series A. Accordingly, the Authority deposited into trust accounts funds sufficient to provide for all future debt service payments on the refunded bonds. Assets held in the trust accounts had an aggregate market value of approximately $8,213,800 and $8,269,800 as of June 30, 2010 and 2009, respectively. The unpaid principal amount of the refunded bonds totaled $8,185,000 as of June 30, 2010 and 2009.

In fiscal year 1984, the Authority refunded all outstanding bonds issued by the Authority prior to May 1, 1984 and deposited into a trust account funds sufficient to provide for all future debt service payments on the refunded bonds. Assets held in the trusts accounts had an aggregate market value of approximately $1,702,500 and $3,216,500 at June 30, 2010 and 2009, respectively. The outstanding amount of the refunded bonds at June 30, 2010 and 2009 totaled $1,770,000 and $3,415,000, respectively.

Refunded bonds are considered defeased and, accordingly, the liability for the bonds payable and the assets held to repay the debt have not been recorded in the Authority's financial statements.

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5. Bonds Payable (Continued)

Bond Premium, Issuance Expenses and Deferred Amount on Refundings

In connection with the Authority's Series 2003-1, Series 2004-1, Series 2004-A, Series 2005-1, Series 2005-2, Series 2008-2 and Series 2009-1 bond issues, the Authority received premiums at issuance totaling approximately $46,150,400. The Authority will amortize the premiums received on each issue as a reduction in interest expense over the life of the respective bond issue.

In connection with the Authority's Series 2003-1, Series 2004-1, Series 2004-A, Series 2005-1, Series 2005-2, Series 2006-1, Series 2006-2, Series 2008-1, Series 2008-A, Series 2008-2, Series 2008-3, Series 2008-4, Series 2009-1, Series 2009-2 and Series 2009-3 bonds, the Authority incurred certain issuance costs associated with the bond offerings totaling approximately $17,665,600. These issuance costs have been capitalized by the Authority and will be amortized over the life of the applicable bond issues.

In connection with the Authority's bond refundings undertaken in fiscal 2006 as noted above, the Authority recorded a difference between the reacquisition price and the net carrying amount of the old debt of approximately $42,622,000. This difference is being reported as a reduction from bonds payable and will be amortized as an increase in interest expense over the original life of the refunded bonds. The refundings reduced the Authority's debt service payments in future years by approximately $24,240,000 and resulted in an economic gain (the present value of the savings) of approximately $15,235,100.

In connection with the Authority's bond refundings undertaken in fiscal 2004 and 2005 as noted above, the Authority recorded a difference between the reacquisition price and the net carrying amount of the old debt of approximately $2,840,000. This difference is being reported as a reduction from bonds payable and will be amortized as an increase in interest expense over the original life of the refunded bonds. The refundings reduced the Authority's debt service payments in future years by approximately $1,966,000 and resulted in an economic gain (the present value of the savings) of approximately $786,000.

Interest Rate Swaps – Series 2008-1 Swap

In connection with the Authority's Series 2008-1 bonds, the Authority entered into an interest rate swap (the 2008-1 Swap). The intention of the swap is to effectively change the Authority's variable interest rate on the bonds to a synthetic fixed rate of 3.388%.

Terms. The bonds and the related swap agreement mature on May 1, 2038, and the swap's notional amount of $232,545,000 matches the amount of the variable rate bonds. The swap was entered in December 2007 with a start date of May 1, 2008. The notional value of the swap and the principal amount of the associated debt decline over time as the bond principal payments are made to the

Continued –

5. Bonds Payable (Continued)

Interest Rate Swaps – Series 2008-1 Swap (Continued)

bondholders. Under the swap, the Authority pays the counterparty a fixed payment of 3.388% and receives a variable payment computed as 70% of the one-month LIBOR. Conversely, the variable interest rate on the bonds is based on actual weekly remarketing rates which are expected to roughly track the Securities Industry and Financial Markets Association Municipal Swap Index™ (SIFMA) as successor to the Bond Market Association Municipal Swap Index™ (BMA).

Fair value. As of June 30, 2010 and 2009 the 2008-1 Swap had a negative fair market value of approximately $25,674,800 and $25,048,400, respectively. Because the Authority's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Because the 2008-1 Swap was determined to be an effective derivative hedging instrument at June 30, 2010, the fair value has been reported as a deferred outflow.

Credit risk. As of June 30, 2010 and 2009 the Authority was exposed to credit risk in the amount of the 2008-1 Swap's fair value. The swap's counterparty, UBS AG, was rated Aa3, A+ and A+ by Moody's Investors Service, Standard and Poor's and Fitch Ratings, respectively, as of June 30, 2010. To mitigate the potential for credit risk, if the counterparty's credit quality falls below A3/A/A, the fair value of the swap will be fully collateralized by the counterparty with U.S. Government Securities or U. S. Government Agency Securities. Collateral posted by the counterparty will be held by a third-party custodian.

Basis risk. The 2008-1 Swap exposes the Authority to basis risk should the relationship between LIBOR and SIFMA converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate (3.388%) and the synthetic rate as of June 30, 2010 (3.358%) and 2009 (3.468%). If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2010, the SIFMA rate was 0.25%, whereas 70% of the one-month LIBOR was 0.24%. As of June 30, 2009, the SIFMA rate was 0.35%, whereas 70% of the one-month LIBOR was 0.22%.

Continued –

5. Bonds Payable (Continued)

Interest Rate Swaps – Series 2008-1 Swap (Continued)

Termination risk. The Authority or the counterparty may terminate the 2008-1 Swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the Authority if the counterparty's credit quality rating falls below BBB+ as issued by Standard & Poor's Rating Service or Fitch Inc. or if the counterparty fails to have such a rating. If the swap is terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of the termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

Interest Rate Risk. The Authority is exposed to interest rate risk on its 2008-1 Swap since as LIBOR decreases, the Authority's net payment on the swap increases.

Interest Rate Swaps – Series 2008-A Swap

In connection with the Authority's Series 2008-A bonds, the Authority entered into an interest rate swap (the 2008-A Swap). The intention of the swap is to effectively change the Authority's variable interest rate on the bonds to a synthetic fixed rate of 3.378%.

Terms. The bonds and the related swap agreement mature on May 1, 2038, and the swap's notional amount of $26,580,000 matches the amount of the variable rate bonds. The swap was entered in December 2007 with a start date of May 1, 2008. The notional value of the swap and the principal amount of the associated debt decline over time as the bond principal payments are made to the bondholders. Under the swap, the Authority pays the counterparty a fixed payment of 3.378% and receives a variable payment computed as 70% of the one-month LIBOR. Conversely, the variable interest rate on the bonds is based on actual weekly remarketing rates which are expected to roughly track SIFMA.

Fair value. As of June 30, 2010 and 2009 the 2008-A Swap had a negative fair market value of approximately $2,983,300 and $1,852,400, respectively. Because the Authority's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Because the 2008-A Swap was determined to be an effective derivative hedging instrument at June 30, 2010, the fair value has been reported as a deferred outflow.

Continued –

5. Bonds Payable (Continued)

Interest Rate Swaps – Series 2008-A Swap (Continued)

Credit risk. As of June 30, 2010 and 2009 the Authority was exposed to credit risk in the amount of the 2008-A Swap's fair value. The swap's counterparty, DBAG, was rated Aa3, A+ and AA- by Moody's Investors Service, Standard and Poor's and Fitch Ratings, respectively, as of June 30, 2010. To mitigate the potential for credit risk, if the counterparty's credit quality falls below A3/A/A, the fair value of the swap will be fully collateralized by the counterparty with U.S. Government Securities or U. S. Government Agency Securities. Collateral posted by the counterparty will be held by a third-party custodian.

Basis risk. The 2008-A Swap exposes the Authority to basis risk should the relationship between LIBOR and SIFMA converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate (3.378%) and the synthetic rate as of June 30, 2010 (3.348%) and 2009 (3.458%). If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2010, the SIFMA rate was 0.25%, whereas 70% of the one-month LIBOR was 0.24%. As of June 30, 2009, the SIFMA rate was 0.35%, whereas 70% of the one-month LIBOR was 0.22%.

Termination risk. The Authority or the counterparty may terminate the 2008-1 Swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the Authority if the counterparty's credit quality rating falls below BBB+ as issued by Standard & Poor's Rating Service or Baa1 as issued by Moody's Investor's Service or if the counterparty fails to have such a rating. If the swap is terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of the termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

Interest Rate Risk. The Authority is exposed to interest rate risk on its 2008-A Swap since as LIBOR decreases, the Authority's net payment on the swap increases.

Interest Rate Swaps – Series 2006-1 Swap

In connection with the Authority's Series 2006-1 bonds, the Authority entered into an interest rate swap (the 2006-1 Swap). The intention of the swap is to effectively change the Authority's variable interest rate on the bonds to a synthetic fixed rate of 3.482%. In fiscal 2008 the Authority currently refunded the Authority's Series 2006-1 bonds with the Authority's Series 2008-3 and 2008-4 bonds. The interest swap remains outstanding and is matched on a pro-rata basis with the Series 2008-3 and 2008-4 bonds.

Continued –

5. Bonds Payable (Continued)

Interest Rate Swaps – Series 2006-1 Swap (Continued)

Terms. The bonds and the related swap agreement mature on November 1, 2034, and the swap's notional amount of $243,830,000 matches most of the amount of the variable rate bonds. The swap was entered at approximately the same time the bonds were issued (April 2006). The notional value of the swap and the principal amount of the associated debt decline as principal payments are made to the bondholders over time. Under the swap, the Authority pays the counterparty a fixed payment of 3.482% and receives a variable payment computed as 60% of the three-month LIBOR plus 0.18%. Conversely, the variable interest rate on the bonds is based on actual weekly remarketing rates which are expected to roughly track SIFMA.

Fair value. As of June 30, 2010 and 2009 the 2006-1 Swap had a negative fair market value of approximately $35,375,600 and $25,048,400, respectively. The change in fair value of the swap is due to interest rates changes since execution of the swap. If interest rates increase over time from the date of issuance the swap will have a positive fair value while if rates fall the fair value will be negative. Because the Authority's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Because the 2006-1 Swap was determined to be an effective derivative hedging instrument at June 30, 2010, the fair value has been reported as a deferred outflow.

Credit risk. As of June 30, 2010 and 2009 the Authority was exposed to credit risk in the amount of the 2006-1 Swap's fair value. The swap's counterparty, Citibank, N.A., was rated A1, A+ and A+ by Moody's Investors Service, Standard and Poor's and Fitch Ratings, respectively, as of June 30, 2010. To mitigate the potential for credit risk, if the counterparty's credit quality falls below A2/A, the fair value of the swap will be fully collateralized by the counterparty with U.S. Government Securities or U. S. Government Agency Securities. Collateral posted by the counterparty will be held by a third-party custodian.

Continued –

5. Bonds Payable (Continued)

Interest Rate Swaps – Series 2006-1 Swap (Continued)
Basis risk. The 2006-1 Swap exposes the Authority to basis risk should the relationship between LIBOR and SIFMA converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate (3.482%) and the synthetic rate as of June 30, 2010 (3.202%) and 2009 (3.192%). If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2010, the SIFMA rate was 0.25%, whereas 60% of the three-month LIBOR plus 0.18% was 0.50%. As of June 30, 2009, the SIFMA rate was 0.35%, whereas 60% of the three-month LIBOR plus 0.18% was 0.54%.

Termination risk. The Authority or the counterparty may terminate the 2006-1 Swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the Authority if the counterparty's credit quality rating falls below Baa1 as issued by Moody's Investor Service or BBB+ as issued by Standard & Poor's or if the counterparty fails to have such a rating. If the swap is terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of the termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

Interest Rate Swap (Consolidated)
Swap payments and associated debt. Using rates as of June 30, 2010, the debt service requirements of the variable-rate debt and net swap payments, *assuming current interest rates remain the same* for their term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

	Variable-Rate Bonds			
Fiscal Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2011	$ 8,980,000	$ 1,038,150	$ 14,813,028	$ 24,831,178
2012	9,325,000	1,020,435	14,552,419	24,897,854
2013	9,680,000	997,802	14,221,462	24,899,264
2014	10,050,000	978,573	13,938,660	24,967,233
2015	10,430,000	957,186	13,624,758	25,011,944
2016-2020	59,175,000	4,432,564	62,940,655	126,548,219
2021-2025	155,675,000	3,289,245	46,685,759	205,650,004
2026-2030	148,230,000	1,628,243	23,265,385	173,123,628
2031-2035	70,085,000	373,236	5,348,788	75,807,024
2036-2038	2,385,000	10,146	151,671	2,546,817
Total	$484,015,000	$14,725,580	$209,542,585	$708,283,165

6. Due to Bank of America

The Authority maintains a Revolving Line of Credit (the Line) with Bank of America, N.A (the Bank). The Line matures on the anniversary of the date of the agreement and can be extended or renewed at the option of the Bank. At the time of each draw on the Line the Authority must elect to have the interest on the draw calculated based on (a) a percentage of the one-month, two-month or three-month LIBOR rate (LIBOR Rate) plus a fixed rate or (b) the higher of 75% Federal Funds Rate plus 0.5% or 75% the Bank's "prime rate" (Base Rate). Interest is due at the end of the one, two or three month period under a LIBOR Rate draw, the first business day of the calendar quarter for Base Rate draws or the Line's maturity date, whichever comes first. During the term of the Line the Authority can elect to have the interest charges incorporated into a subsequent draw.

In November 2008 the Authority renewed the Line for an additional 12 months. At the time of the renewal the Line was increased to $35,000,000 from $30,000,000, the percentage of the various LIBOR rates was set at 77% with an additional rate of 0% and a fee was added equal to 0.08% of any unborrowed portion of the Line paid quarterly in arrears. In November 2009 the line was renewed again until January 2011 and decreased back to $30,000,000, the unborrowed fee was increased to 0.25% and the interest rate set at 65% of LIBOR plus 0.85%.

In 2010 and 2009 the Authority paid $46,900 and $14,800, respectively, related to charges for the Line.

At the time the Line was closed the Authority entered into a contract with the University that obligates the University to make payments to the Authority sufficient to cover the costs of the Line. The Authority expects to pay all principal and interest charges related to the Line by issuing long-term bonds at the appropriate time.

As of June 30, 2010 and 2009 the Authority had $400,800 and $16,822,900, respectively, outstanding under the Line. The interest terms on the draws made under the Line in fiscal 2010 were one-month LIBOR and the interest rates ranged from 0.187% to 1.078%. The interest terms on the draws made under the Line in fiscal 2009 were one-month LIBOR and the interest rates ranged from 0.024% to 3.306%.

7. Net Assets

At June 30, 2010 and 2009, the net asset category "Invested in capital assets, net of related debt" is comprised of the following components:

	2010	2009
Cost of capital assets acquired	$1, 298,602,704	$1,078,394,862
Less: Accumulated depreciation	299,047,283	264,344,448
Less: Outstanding debt related to capital assets	788,919,211	624,058,585
	$ 210,636,210	$ 189,991,829

The remaining outstanding debt is netted against the related proceeds which have not been expended in the computation of net assets restricted for capital projects.

8. Grants from the University of Massachusetts

During fiscal 2010 the Authority received grants from the University of Massachusetts in the amount of $7,390,990 to partially fund projects including the Edward M. Kennedy Institute for the United States Senate at the Boston campus and various projects at the Amherst campus. The Authority expended funds in 2010 for these purposes.

During fiscal 2009 the Authority received grants from the University of Massachusetts in the amount of $4,210,945 to be used for construction costs related to the Authority's Integrated Science Building project on the Amherst campus. The Authority expended the funds in 2009 for this purpose.

As per the Authority's policy, these grants are shown on the Statements of Revenues, Expenses and Changes in Net Assets as a capital contribution.

9. State Appropriations

During fiscal 2009 the Authority received two appropriations from the Commonwealth totaling $7,517,250. The first, for $6,117,250 and originally authorized in November 2006, represented funds designated for the construction of facilities to promote nano-manufacturing and bio-manufacturing at the Lowell campus. The second, for $1,400,000 and authorized in 2008, represented funds designated for capital improvement needs for public higher education.

10. Guaranty of the Commonwealth of Massachusetts

Section 10 of the Enabling Act authorizes the Commonwealth, acting by and through the Trustees, to enter into contracts with the Authority for state financial assistance in the form of a guaranty by the Commonwealth of the payment of the principal and interest as they become due and payable up to a maximum of $200,000,000 principal amount of outstanding bonds and notes of the Authority. The full faith and credit of the Commonwealth are pledged for the payment of the guaranty. As is generally the case with other full faith and credit obligations of the Commonwealth, funds with which to honor such guaranty are to be provided by appropriation.

11. Contingencies

The Authority is contesting certain tax liens and fees from government bodies. In the opinion of management the ultimate liability, if any, from these lawsuits and contested liens and fees would not have a material effect on the financial position of the Authority. In 2009 the Authority removed the recorded liability for these items which resulted in additional other income to the Authority of $238,300.

12. Lease Obligations

The Authority has executed long-term leases with the Commonwealth, acting by and through the Trustees, covering the land on which facilities owned by the Authority are located on the University's campuses. These leases call for nominal annual payments to the Commonwealth. Certain of these leases renew automatically for subsequent five or ten year periods unless the Authority notifies the University that it does not wish to renew. Other leases require the Authority to notify the University of its desire to renew. As of June 30, 2010 all leases with the Commonwealth were in good standing and any leases requiring action by the Authority during the year to facilitate their renewals were properly renewed.

As provided in the Enabling Act, each of the above-referenced leases also terminates when the Authority no longer has any bonds outstanding, at which time all Authority property becomes the property of the Commonwealth.

The Authority entered into a sublease agreement, as lessee, dated December 14, 2004 with SSB Realty, LLC, as lessor (the Lessor), for space at 225 Franklin Street, Boston, Massachusetts to be used primarily by the University, the Authority, The University of Massachusetts Foundation, Inc. and The University of Massachusetts Club. The agreement requires the Authority to pay a base rent plus a proportionate share of any increase over the base year of the Lessor's costs and taxes. The lease began April 1, 2005 and ends December 15, 2015 and includes an initial three month period of no rental payments. In July 2007 SSB Realty, LLC notified the Authority that the lease with the Authority had been assigned to Equity Office Management, LLC (Equity) and that Equity had assumed all rights under the lease.

Continued –

12. Lease Obligations (Continued)

For the year ended June 30, 2010 and 2009, lease operating costs were approximately $1,623,500 and $1,604,400, respectively, which are included in facility operating costs in the accompanying statement of revenues, expenses and changes in net assets.

Approximate future payments (excluding Lessor's costs and taxes) under the agreements are as follows:

Year Ending June 30,	
2011	$ 1,654,000
2012	1,654,000
2013	1,654,000
2014	1,654,000
2015	1,654,000
2016	758,000
	$9,028,000

13. The University of Massachusetts Club

In August 2005 the Authority executed a contract with UMass Club Management, LLC (the Manager), a wholly owned subsidiary of ClubCorp USA, Inc., to provide management services for the University of Massachusetts Club (the Club), a private social club for alumni and friends of the University. The Club, located on the 33rd floor of 225 Franklin Street in Boston Massachusetts, was opened on October 31, 2005.

Under the terms of the contract, the Authority, acting as owner of the Club, is responsible for approving the budgets and operating plans of the Club as presented by the Manager. The Authority is responsible for any operating shortfall and will benefit from any operating profits. The contract calls for a minimum annual management fee payable to the Manager of $150,000 or four percent of the operating revenues, as defined by the contract, whichever is greater. Additionally, the Manager receives a percentage of the Club's initiation fees and 25% of the operating profits, as defined by the contract. The contract term is 10 years and can be terminated by the Authority after 3 years if the Authority decides to close the Club for a minimum of 18 months. As tenant on the sublease for the 33rd floor, the Authority would be responsible for the rental charges should it decide to close the Club.

As of June 30, 2010 and 2009 the Authority had provided operating support for the Club of approximately $203,000 and $474,300.

14. Related Party Transactions

Included in accounts payable at June 30, 2010 is an amount due to the University of Massachusetts – Amherst Campus of approximately $4,524,000, an amount due to the University of Massachusetts – Boston Campus of approximately $709,600, an amount due to the University of Massachusetts – Lowell Campus of approximately $511,500 and an amount due to the University of Massachusetts - Worcester Campus of approximately of approximately $1,146,500. These amounts represent costs incurred by the campuses in fiscal 2010 on Authority projects but not reimbursed to the campuses until fiscal 2011.

Included in accounts payable at June 30, 2009 is an amount due to the University of Massachusetts – Amherst Campus of approximately $3,426,500, an amount due to the University of Massachusetts – Boston Campus of approximately $1,042,000, an amount due to the University of Massachusetts – Lowell Campus of approximately $779,800 and an amount due to the University of Massachusetts - Worcester Campus of approximately of approximately $2,262,300. These amounts represent costs incurred by the campuses in fiscal 2009 on Authority projects but not reimbursed to the campuses as of June 30, 2010.

15. Working Capital of the Authority

As of June 30, 2010 and 2009, the Authority had a working capital deficiency of $87,192,045 and $103,304,060, respectively. However, as stated in the various contracts between the Authority and the University, the University is required to provide necessary funding to the Authority to meet its obligations through June 30, 2010 and beyond.

16. Tsongas Arena Acquisition

In February, 2010 the Authority completed the acquisition of the Tsongas Arena and certain lots of land in Lowell, Massachusetts. The acquired property became part of the University of Massachusetts Lowell campus. Per the terms of the transaction, the Authority paid the City of Lowell $800,000 for the property. The Authority valued the lots at the cost value of $800,000 plus closing costs and valued the arena at its appraised value of $28,000,000 and recorded that amount as a capital contribution from the City of Lowell.

17. Subsequent Events

On November 18, 2010 the Authority issued $552,310,000 in bonds to fund a number of new construction and renovation projects across most of the University's campuses. The bond issue consists of tax-exempt, taxable Build America Bonds and taxable bonds. The interest rates on the tax-exempt bonds are between 2.5% and 5%, between 3.8% and 5.45% for the Build America Bonds and 5.75% for the taxable bonds. The tax-exempt bonds will mature in 2020 while the Build America Bonds and the taxable bonds will in November 2040. The debt service payments related to these bonds are detailed below.

Year Ending June 30,	Principal	Interest	Total
2011		$ 12,621,078	$ 12,621,078
2012	$ 4,750,000	27,814,748	32,564,748
2013	6,365,000	27,595,448	33,960,448
2014	11,350,000	27,152,254	38,502,254
2015	11,915,000	26,570,291	38,485,291
2016-2020	69,155,000	123,049,550	192,204,550
2021-2025	85,700,000	105,034,670	190,734,670
2026-2030	91,705,000	85,095,146	176,800,146
2031-2035	110,490,000	59,409,410	169,899,410
2036-2040	131,790,000	26,371,598	158,161,598
2041	29,090,000	793,003	29,883,003
	$552,310,000	$521,507,196	$1,073,817,196

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APPENDIX C

FINANCIAL STATEMENTS OF THE UNIVERSITY

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2010
Annual Financial Report

This publication is distributed by the University Controller's Office to present audited financial statements to the community, governmental bodies, investors and creditors.

Photo of President Wilson on page 2 were provided by the University of Massachusetts President's Office.

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University Administration
as of July 1, 2010

Officers of the University:

Jack M. Wilson, Ph.D., President
Robert C. Holub, Ph.D., Chancellor, UMass Amherst
J. Keith Motley, Ph.D., Chancellor, UMass Boston
Jean F. MacCormack Ed.D., Chancellor, UMass Dartmouth
Martin T. Meehan, J.D., Chancellor, UMass Lowell
Michael F. Collins, M.D., Chancellor, UMass Worcester
and Senior Vice President for Health Sciences
James R. Julian, J.D., Executive Vice President
David J. Gray, Senior Vice President for Administration, Finance & Technology and University Treasurer
Marcellette G. Williams, Ph.D., Senior Vice President for Academic Affairs and International Relations
Thomas Chmura, Vice President for Economic Development
Robert P. Connolly, Vice President for Strategic Communications and University Spokesperson
Robert M. Goodhue, Interim Executive Vice President and Chief Operating Officer of the
University of Massachusetts Foundation, Inc.
Deidre Heatwole, J.D., General Counsel
Barbara F. DeVico, Secretary to the Board of Trustees

A Message from President Jack M. Wilson

With this edition of the Annual Financial Report, the University of Massachusetts is pleased to put forward a clear, detailed, comprehensive account of its finances and financial activity during Fiscal Year 2010. The Annual Financial Report is one of many disclosures the University makes in the spirit of transparency and accountability.

Clearly, Fiscal Year 2010 was a period of financial challenge -- for the University of Massachusetts and for virtually every other college and university, public and private, nationwide.

These pages make clear that the University of Massachusetts rose to the challenge and took the steps needed to maintain financial stability and to continue to deliver on its three-fold mission of education, research and public service. That the University was able to more than triple its operating margin in Fiscal Year 2010 and see its financial cushion increase is a testament to the leadership of the Chancellors and their teams and to the hard work and dedication of students, faculty and staff across our five-campus system.

Fiscal Year 2010 was a time when University of Massachusetts, like many other public institutions, faced the paradox of being called upon to do more at a moment when some funding sources were declining.

But because of its long-term strategy to develop new sources of non-state revenue and to increase other funding sources, the University was able to perform admirably during this period and provide the opportunities that our citizens need and our Commonwealth needs to be successful.

I want to thank everyone who contributed to the University's success in Fiscal Year 2010, and recognize the many contributions of our Board of Trustees, our Chancellors, our students, faculty and staff, our alumni, our donors, the Governor and the Legislature and our many other friends and supporters.

Looking to the future, we see many challenges on the horizon, but we do not shrink from the tasks that lie before us and will continue to serve the Commonwealth with diligence and enthusiasm.

Sincerely,

Jack M. Wilson
President

Letter of Transmittal

University *of* Massachusetts
UMASS Amherst · Boston · Dartmouth · Lowell · Worcester · UMassOnline

Office of the President

December 1, 2010

To the Board of Trustees
and President Jack M. Wilson

We are pleased to submit the annual Financial Report of the University of Massachusetts for the year ended June 30, 2010. The enclosed financial statements incorporate all financial activity of the University and its five campuses. This statement has been audited by an independent auditing firm and is fully represented in the financial report of the Commonwealth of Massachusetts. Detailed information about each campus is provided as supplemental information.

The financial information presented in the Financial Report is designed to aid a wide variety of readers to assess the effectiveness of the University's management of its resources in meeting its primary mission of instruction, research, and public service. This report is intended to form a comprehensive and permanent record of the finances of the University of Massachusetts, and it is submitted as the public accounting of the University's financial affairs for the fiscal year ended June 30, 2010 including comparative information as of June 30, 2009.

The University's net assets increased $227.8 million from $1.74 billion in fiscal year 2009 to $1.97 billion in fiscal year 2010. The major components of the increase are related to increases in student fee revenues across the campuses and physical plant improvements.

Each year, the Board of Trustees approves five-year targets for five key financial indicators that are likely to determine the success of the University over the long term. Those key indicators are operating margin, financial cushion, return on net assets, debt service to operations, and endowment per student. During 2010, the University met or exceeded its targets for all five indicators. Overall, the University made important progress in fiscal 2010 toward the achievement of its long-term financial objectives of growth and stability.

Respectfully submitted,

David J. Gray
Senior Vice President for Administration,
Finance & Technology and Treasurer

Christine M. Wilda
Assistant Vice President & University Controller

pwc

Report of Independent Auditors

To the Board of Trustees of the
University of Massachusetts

In our opinion, based on our audits and the reports of other auditors, the accompanying consolidated statements of net assets and the related consolidated statements of revenues, expenses and changes in net assets, and of cash flows present fairly, in all material respects, the financial position of the University of Massachusetts (the 'University"), and its discretely presented component units at June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the University of Massachusetts Building Authority (the Authority), (a blended component unit included in the column titled University) for the year ended June 30, 2009 or the University of Massachusetts Dartmouth Foundation, Inc. (the Dartmouth Foundation) (a discretely presented component unit included in the column titled University Related Organizations) for the years ended June 30, 2010 and 2009 The Authority's statements reflect total assets of $1,245 million, total net assets of $260 million, and total revenues of $111 million of the University as of and for the year ended June 30, 2009. The Dartmouth Foundation's statements reflect total assets of $39 million and $36 million, total net assets of $37 million and $34 million, and total revenues of $5 million and $ 3 million of the University Related Organizations as of and for the years ended June 30, 2010 and 2009, respectively. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for these components of the University, is based on the reports of the other auditors. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

The Management Discussion and Analysis on pages 5 through 15 are not a required part of the basic financials statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

PricewaterhouseCoopers LLP

December 16, 2010

PricewaterhouseCoopers LLP, 125 High Street, Boston, MA 02110
T: (617) 530 5000, F: (617) 530 5001, www.pwc.com/us

Introduction

This unaudited section of the University of Massachusetts (the "University") Annual Financial Report presents our discussion and analysis of the financial position and performance of the University and its component units during the fiscal year ended June 30, 2010 with comparative information as of June 30, 2009 and June 30, 2008. This discussion and analysis has been prepared by management along with the accompanying financial statements and related footnote disclosures and should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes. The accompanying financial statements, footnotes and this discussion are the responsibility of management.

The University of Massachusetts is a state coeducational institution for higher education with separate campuses at Amherst, Boston, Dartmouth, Lowell and Worcester all located in the Commonwealth of Massachusetts (the “Commonwealth”). The University was established in 1863 in Amherst, under the provisions of the 1862 Morrill Land Grant Acts, as the Massachusetts Agricultural College. It became known as the Massachusetts State College in 1932 and in 1947 became the University of Massachusetts. The Boston campus was opened in 1965 and the Worcester campus, Medical School, was opened in 1970. The Lowell and Dartmouth campuses (previously the University of Lowell and Southeastern Massachusetts University, respectively) were made a part of the University by a legislative act of the Commonwealth, effective September 1, 1991.

The University’s mission is to provide an affordable and accessible education of high quality and to conduct programs of research and public service that advance knowledge and improve the lives of the people of the Commonwealth, the nation and the world. In the fall of 2009, the University enrolled approximately 55,740 full-time equivalent (“FTE”) students. The University is committed to providing, without discrimination, diverse program offerings to meet the needs of the whole of the state's population. The University's five campuses are geographically dispersed throughout Massachusetts and possess unique and complementary missions.

Basis of Presentation

The annual financial report and statements include the University and certain other organizations that have a significant relationship with the University. The statements include the University’s blended component units, which are the University of Massachusetts Building Authority (the “Building Authority”), a public instrumentality of the Commonwealth created by Chapter 773 of the Acts of 1960 of the Commonwealth, Worcester City Campus Corporation (“WCCC”), a not-for-profit 501(C)(3) organization and the University of Massachusetts Amherst Foundation, Inc. (the “UMass Amherst Foundation”) which was established in fiscal year 2003. The purpose of the Building Authority is to provide dormitories, dining commons and other buildings and structures for use by the University and entities associated with the University and to issue bonds to finance such projects. On November 4, 1992, the University created WCCC as a Massachusetts not-for-profit corporation to purchase various assets of Worcester City Hospital, to operate as a real estate holding company and to foster and promote the growth, progress and general welfare of the University. WCCC includes Worcester Campus Services, Inc. Public Sector Partners, Inc. (“PSP”) and its wholly-owned subsidiary Medmetrics Health Partners, Inc. (“MHP”), and for the fiscal years ended June 30, 2009 and 2008, Worcester Foundation for Biomedical Research, Inc. ("WFBR"), as subsidiaries. WFBR applied for dissolution in April 2010. The University’s discrete component units are the University of Massachusetts Foundation, Inc. (the "Foundation") and the University of Massachusetts Dartmouth Foundation, Inc. (the “Dartmouth Foundation”). These foundations are related tax exempt organizations founded to foster and promote the growth, progress and general welfare of the University, and to solicit, receive, and administer gifts and donations for such purposes. The University of Massachusetts Foundation manages the majority of the University’s endowment.

Financial Highlights

The University’s combined net assets increased $227.8 million from $1.74 billion in fiscal year 2009 to $1.97 billion in fiscal year 2010. Net Assets at June 30, 2008 were equal to $1.67 billion. The major components of the increase in fiscal year 2010 relate to investments in infrastructure and positive operating margins due primarily to greater student fee revenues associated with increased enrollment, cost reductions, strong market performance for the University’s investments, a large increase in federally-funded research, and one-time federal stabilization funds.

Using the Annual Financial Report

One of the most important questions asked about University finances is whether the University as a whole is better off or worse off as a result of the year’s activities. The key to understanding this question are the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. These statements present financial information in a form similar to that used by private sector companies. The University’s net assets (the difference between assets and liabilities) are one indicator of the University’s financial health. Over time, increases or decreases in net assets is one indicator of the improvement or erosion of an institution’s financial health when considered with non-financial facts such as enrollment levels, operating expenses, and the condition of the facilities.

The statement of net assets includes all assets and liabilities of the University. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the services are provided and expenses and liabilities are recognized when services are received, regardless of when cash is exchanged. Net assets are further broken down into three categories: Investment in capital assets, net of related debt, restricted and unrestricted. Invested in capital assets, net of related debt represents the historical cost of property and equipment, reduced by the balance of related debt outstanding and depreciation expense charged over the years. Net assets are reported as restricted when constraints are imposed by third parties, such as donors, or enabling legislation. Restricted net assets are either non-expendable, as in the case of endowment gifts to be held in perpetuity, or expendable, as in the case of funds to be spent on scholarships and research. All other assets are unrestricted; however, they may be committed for use under contract or designation by the Board of Trustees.

The statement of revenues, expenses and changes in net assets presents the revenues earned or received and expenses incurred during the year. Activities are reported as either operating or non-operating. Operating revenues and expenses include tuition and fees, grant and contract activity, auxiliary enterprises and activity for the general operations of the institution not including appropriations from state and federal sources. Non-operating revenues and expenses include appropriations, capital grants and contracts, endowment, gifts and investment income. All things being equal, a public University's dependency on state aid and gifts will result in operating deficits. That is because the prescribed financial reporting model classifies state appropriations and gifts as non-operating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation expense, which amortizes the cost of a capital asset over its expected useful life.

Another important factor to consider when evaluating financial viability is the University's ability to meet financial obligations as they mature. The statement of cash flows presents information related to cash inflows and outflows summarized by operating, capital and non-capital, financing and investing activities.

The footnotes provide additional information that is essential to understanding the information provided in the external financial statements.

Reporting Entity

The financial statements report information about the University as a whole using accounting methods similar to those used by private-sector companies. The financial statements of the University are separated between University (including its blended component units) and its discretely presented Component Unit activities. The University's discretely presented Component Units (or Related Organizations) are the University of Massachusetts Foundation, Inc., and the University of Massachusetts Dartmouth Foundation, Inc.

Condensed Financial Information

University of Massachusetts
Condensed Statement of Net Assets
As of June 30, 2010, 2009 and 2008
(in thousands of dollars)

	University June 30, 2010	University June 30, 2009	Change	University June 30, 2008
ASSETS				
Current Assets	$557,573	$461,594	$95,979	$513,725
Noncurrent Assets				
Investment In Plant Net of Accumulated Depreciation	2,324,392	2,068,485	255,907	1,919,915
All other noncurrent assets	1,473,432	1,047,339	426,093	1,119,528
Total Assets	**$4,355,397**	**$3,577,418**	**$777,979**	**$3,553,168**
LIABILITIES				
Current Liabilities	$502,566	$514,719	($12,153)	$515,354
Noncurrent Liabilities	1,883,678	1,321,394	562,284	1,366,768
Total Liabilities	**$2,386,244**	**$1,836,113**	**$550,131**	**$1,882,122**
NET ASSETS				
Invested in Capital Assets Net of Related Debt	$1,133,264	$1,069,881	$63,383	$1,027,045
Restricted				
Nonexpendable	16,899	16,699	200	16,605
Expendable	218,517	156,649	61,868	161,732
Unrestricted	600,473	498,076	102,397	465,664
Total Net Assets	**$1,969,153**	**$1,741,305**	**$227,848**	**$1,671,046**

University of Massachusetts
Condensed Statement of Net Assets for Related Organizations
As of June 30, 2010, 2009 and 2008
(in thousands of dollars)

	University Related Organizations June 30, 2010	University Related Organizations June 30, 2009	Change	University Related Organizations June 30, 2008
ASSETS				
Current Assets	$4,562	$9,081	($4,519)	$8,344
Noncurrent Assets				
Investment In Plant Net of Accumulated Depreciation	1,699	950	749	979
All other noncurrent assets	308,057	257,720	50,337	301,506
Total Assets	**$314,318**	**$267,751**	**$46,567**	**$310,829**
LIABILITIES				
Current Liabilities	$16,063	$7,955	$8,108	$9,263
Noncurrent Liabilities	3,664	3,025	639	3,636
Total Liabilities	**$19,727**	**$10,980**	**$8,747**	**$12,899**
NET ASSETS				
Invested in Capital Assets Net of Related Debt	$1,699	$950	$749	$979
Restricted				
Nonexpendable	240,595	225,549	15,046	212,017
Expendable	48,127	41,033	7,094	77,192
Unrestricted	4,170	(10,761)	14,931	7,742
Total Net Assets	**$294,591**	**$256,771**	**$37,820**	**$297,930**

At June 30, 2010, total University assets were $4.36 billion, an increase of $778.0 million over the $3.58 billion in assets recorded for fiscal year 2009. The increase can be attributed to increases in cash and securities held by Trustees of $339.8 million largely due to a bond issue completed in October 2009. In addition, there were increases in both short and long-term investments and investment in plant assets. The University's largest asset continues to be its net investment in its physical plant of $2.32 billion at June 30, 2010 ($2.07 billion in fiscal year 2009 and $1.92 billion in fiscal year 2008).

University liabilities totaled $2.39 billion at June 30, 2010, an increase of $550.1 million over fiscal year 2009. Long-term liabilities represent 78.7% of the total liabilities largely consisting of bonds payable and capital lease obligations amounting to $1.88 billion at June 30, 2010. This represents an increase of approximately $562.3 million over long-term obligations of $1.32 billion in fiscal year 2009.

The University's current assets as of June 30, 2010 of $557.6 million were above the current liabilities of $502.6 million, as the current ratio was 1.11 dollars in assets to every one-dollar in liabilities. June 30, 2009 current assets of $461.6 million were below current liabilities of $514.7 million, resulting in a current ratio of .90. June 30, 2008 current assets of $513.7 million were very close to current liabilities of $515.4 million, resulting in a current ratio of 1.00.

The unrestricted and restricted expendable net assets totaled $819.0 million in fiscal year 2010, which represents 31.7% of total operating expenditures of $2.58 billion. The unrestricted and restricted expendable net assets totaled $654.7 million in fiscal year 2009, which represents 27.2% of total operating expenditures of $2.41 billion. The unrestricted and restricted net assets totaled $627.4 million in fiscal year 2008, which represents 28.0% of total operating expenditures of $2.24 billion.

University of Massachusetts
Condensed Statement of Revenues, Expenses, and Changes in Net Assets
For The Year Ended June 30, 2010, 2009 and 2008
(in thousands of dollars)

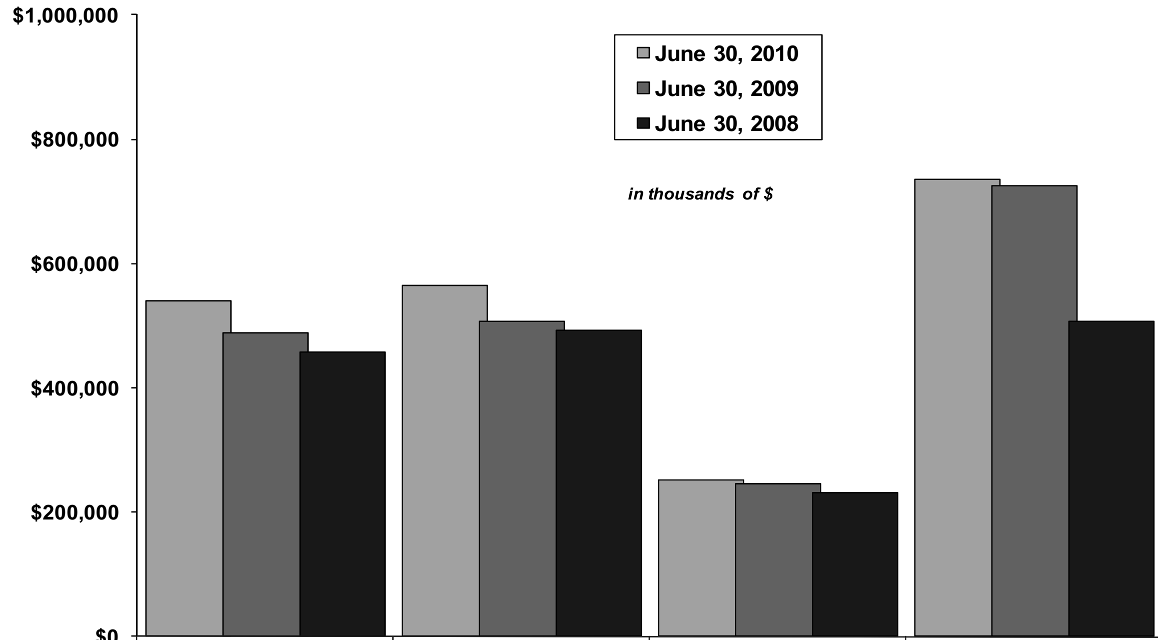
	University June 30, 2010	University June 30, 2009	Change	University June 30, 2008
Operating Revenues				
Tuition and Fees (net of scholarship allowances of $181,760 at June 30, 2010, $126,779 at June 30, 2009, and $113,738 at June 30, 2008.)	$539,306	$489,230	$50,076	$458,439
Grants and Contracts	564,438	507,763	56,675	492,171
Auxiliary Enterprises	252,610	246,069	6,541	231,306
Other Operating Revenues	735,964	725,748	10,216	506,904
Total Operating Revenues	**2,092,318**	**1,968,810**	**123,508**	**1,688,820**
Operating Expenses	**2,579,823**	**2,446,653**	**133,170**	**2,238,492**
Operating Loss	**(487,505)**	**(477,843)**	**(9,662)**	**(549,672)**
Nonoperating Revenues / (Expenses)				
Federal Appropriations	5,922	5,574	348	7,099
State Appropriations	428,958	540,187	(111,229)	617,271
State Appropriations - Federal Stimulus Funds	150,639		150,639	
Interest on Indebtedness	(49,113)	(55,252)	6,139	(45,846)
Other Nonoperating Income	103,917	32,120	71,797	55,468
Net Nonoperating Revenues	**640,323**	**522,629**	**117,694**	**633,992**
Income Before Other Revenues, Expenses, Gains or Losses	**152,818**	**44,786**	**108,032**	**84,320**
Capital Appropriations	28,635	27,483	1,152	21,170
Capital Grants and Contracts	18,981	5,182	13,799	1,500
Disposal of Plant Facilities	(12,125)	(8,553)	(3,572)	(10,462)
Capital Contribution	29,810		29,810	
Other Additions / (Deductions)	9,729	1,361	8,368	(10,458)
Total Other Revenues, Expenses, Gains, and Losses	**75,030**	**25,473**	**49,557**	**1,750**
Total Increase in Net Assets	**227,848**	**70,259**	**157,589**	**86,070**
Net Assets				
Net Assets at Beginning of Year	1,741,305	1,671,046	70,259	1,584,976
Net Assets at End of Year	**$1,969,153**	**$1,741,305**	**$227,848**	**$1,671,046**

University of Massachusetts
Condensed Statement of Revenues, Expenses, and Changes in Net Assets for University Related Organizations
For The Year Ended June 30, 2010, 2009 and 2008
(in thousands of dollars)

	University Related Organizations June 30, 2010	University Related Organizations June 30, 2009	Change	University Related Organizations June 30, 2008
Operating Expenses	**$11,198**	**$14,007**	**($2,809)**	**$19,104**
Operating Loss	**(11,198)**	**(14,007)**	**(2,809)**	**(19,104)**
Nonoperating Revenues				
Other Nonoperating Income	31,148	(31,621)	62,769	11,111
Net Nonoperating Revenues	**31,148**	**(31,621)**	**62,769**	**11,111**
Gain / (Loss) Before Other Revenues, Expenses, Gains or Losses	**19,950**	**(45,628)**	**65,578**	**(7,993)**
Additions to Permanent Endowments	13,003	12,892	111	19,935
Other	4,867	(8,423)	13,290	(928)
Total Other Revenues, Expenses, Gains, and Losses	**17,870**	**4,469**	**13,401**	**19,007**
Total Increase/(Decrease) in Net Assets	**37,820**	**(41,159)**	**78,979**	**11,014**
Net Assets				
Net Assets at Beginning of Year	256,771	297,930	(41,159)	286,916
Net Assets at End of Year	**$294,591**	**$256,771**	**$37,820**	**$297,930**

Total operating revenues for fiscal year 2010 were $2.09 billion. This represents a $123.5 million increase over the $1.97 billion in operating revenues in fiscal year 2009. Total operating revenues for fiscal year 2008 were $1.69 billion. The most significant sources of revenue for the University are tuition and fees, grants and contracts, auxiliary services and public service activities at the Worcester Medical School campus categorized in the following chart as “Other Operating Revenues”. The following chart displays operating revenues by source for the University in fiscal years 2010, 2009, and 2008.

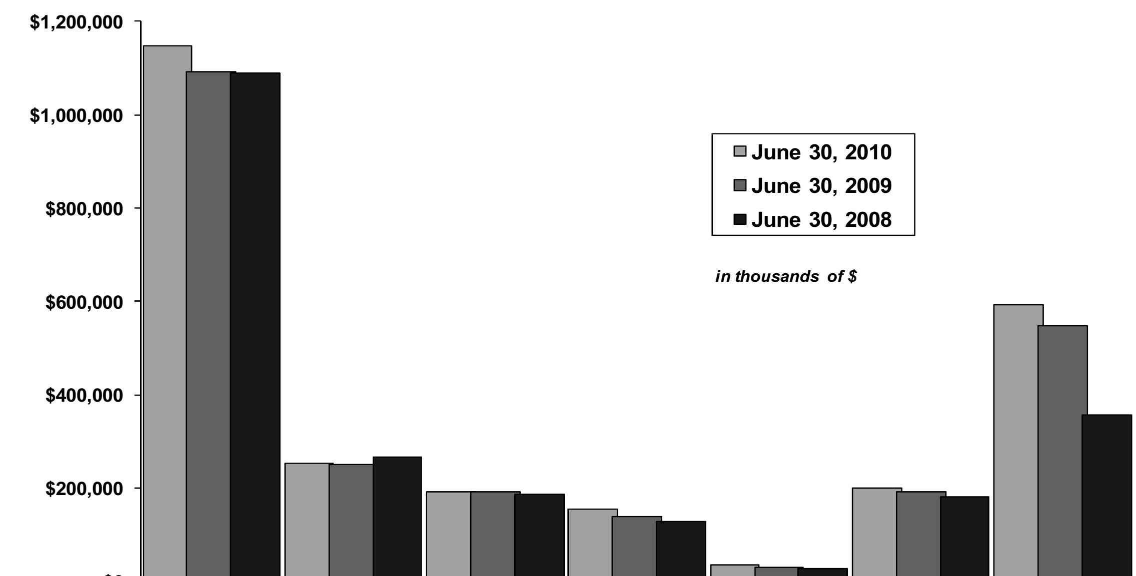
Sources of Operating Revenues in Relation to Total Revenues, Fiscal Year 2008 to Fiscal Year 2010



	Tuition and Fees	Grants and Contracts	Auxiliary Enterprises	Other Operating Revenues
June 30, 2010	$539,306	$564,438	$252,610	$735,964
June 30, 2009	$489,230	$507,763	$246,069	$725,748
June 30, 2008	$458,439	$492,171	$231,306	$506,904

In fiscal year 2010, operating expenditures, including depreciation and amortization of $155.7 million, totaled $2.58 billion. Of this total, $1.15 billion or 45% was used to support the academic core activities of the University, including $404.3 million in research. In fiscal year 2009, operating expenditures, including depreciation and amortization of $140.4 million, totaled $2.45 billion. Operating expenditures were $2.24 billion in fiscal year 2008. The chart below displays fiscal year 2010, 2009, and 2008 operating spending.

Operating Expenses in Relation to Total Expenses, Fiscal Year 2008 to Fiscal Year 2010



	Academic Core	Administration	Operation & Maintenance of Plant	Depreciation & Amortization	Scholarships & Fellowships	Auxiliary Enterprises	Other Expenditures
June 30, 2010	$1,147,286	$254,857	$192,271	$155,746	$35,103	$200,458	$594,102
June 30, 2009	$1,092,731	$250,866	$191,761	$140,392	$29,845	$193,568	$547,490
June 30, 2008	$1,090,059	$265,515	$187,520	$127,519	$28,111	$182,379	$357,389

Public Service Activities

Public Service Activities consist largely of sales and services provided to third parties by the UMass Medical School campus under its Commonwealth Medicine (CWM) programs, which provide public consulting and services in health financing, administration and policy to federal, state and local agencies and not-for-profit health and policy organizations. Included in this category of activities are Commonwealth Medicine revenues of $361.4 million, $336.7 million and $323.2 million for the years ended June 30, 2010, 2009 and 2008, respectively. Included in expenditures are Commonwealth Medicine expenditures of $330.4 million, $309.7 million and $300.2 million for the years ended June 30, 2010, 2009 and 2008, respectively.

In addition to CWM activities, Public Service Activities also includes payments received by the Medical School for educational services it provides to its clinical affiliate UMass Memorial as required by the enabling legislation enacted by the Commonwealth in 1997. Educational services revenues included in public service revenues were $125.9 million, $128.5 million and $75.0 million for the years ended June 30, 2010, 2009, and 2008, respectively. Finally, Public Service Activity expenditures also include payments made to the Commonwealth of Massachusetts of $92.0 million, $73.4 million and $20.4 million for the years ended June 30, 2010, 2009 and 2008, respectively, pursuant to requirements of legislation enacted by the State Legislature of Massachusetts.

State Appropriations

In fiscal year 2010, state appropriations represent approximately 16% of all operating and non-operating revenues. The level of state support is a key factor influencing the University's overall financial condition. Although the state appropriation is unrestricted revenue, nearly 100% of the state appropriation supports payroll and benefits for University employees.

The net state appropriation for the University declined by $111.2 million from fiscal year 2009, which is on top of the decline of approximately $77.1 million from fiscal year 2008 to fiscal year 2009. In order to make up for these reductions in state appropriation, Governor Patrick allocated to the University $150.6 million of American Recovery and Reinvestment Act (federal stimulus) funds in fiscal year 2010.

Unless otherwise permitted by the Massachusetts Legislature, the University is required to remit tuition revenue received to the Commonwealth. Therefore, the University collects student tuition on behalf of the Commonwealth and remits it to the Commonwealth's General Fund. There is no direct connection between the amount of tuition revenues collected by the University and the amount of state funds appropriated in any given year. In fiscal year 2004, a pilot program authorized by the Commonwealth enabled the Amherst campus to retain tuition for out-of-state students. This pilot program was extended indefinitely in 2005. The amount of tuition retained by the University during 2010, 2009, and 2008 was $31.5 million, $32.3 million and $32.7 million, respectively.

The following details the Commonwealth operating appropriations received by the University for fiscal years ending June 30, 2010, 2009 and 2008 (in thousands):

	June 30, 2010	**June 30, 2009**	**June 30, 2008**
Gross Commonwealth Appropriations	$369,408	$467,030	$485,199
Plus: Fringe Benefits*	108,634	120,264	178,236
	$478,042	$587,294	$663,435
Less: Tuition Remitted	($49,084)	($47,107)	($46,164)
Net Commonwealth Support	***$428,958***	***$540,187***	***$617,271***

****The Commonwealth pays the fringe benefit cost for University employees paid from Commonwealth operating appropriations. Therefore, such fringe benefit support is added to the "State Appropriations" financial statement line item as presented in the above table. The University pays the Commonwealth for the fringe benefit cost of the employees paid from funding sources other than Commonwealth operating appropriations.*

Capital Appropriations from the Commonwealth

The University faces a financial challenge to maintain and upgrade its capital assets including its infrastructure, buildings and grounds. In order to have a successful capital program, the University must rely on a combination of revenue sources to fund its investment in capital improvements, including appropriations provided by the Commonwealth of Massachusetts. In fiscal year 2010, the $28.6 million of capital appropriations provided to the University were $1.2 million greater than the capital appropriations provided in fiscal year 2009. Fiscal year 2008 capital appropriations totaled $21.2 million. Although fiscal year 2010 capital appropriations represent approximately 1% of all revenues, this form of state support plays an important role in the University's efforts to address deferred maintenance projects at our campuses.

Grant and Contract Revenue

Collectively, the University's Amherst Campus and Medical School in Worcester account for approximately 73% of University grant and contract activity. These two campuses have been the primary catalyst in the University's research funding growth in recent years, however, the Boston, Dartmouth, and Lowell campuses continue to experience growth in sponsored research activity.

The following table details the University's grant and contract revenues (in thousands) for the fiscal years ended June 30, 2010, 2009, and 2008:

	June 30, 2010	June 30, 2009	June 30, 2008
Federal Grants and Contracts	$393,862	$324,100	$318,288
State Grants and Contracts	64,328	77,115	72,034
Local Grants and Contracts	1,880	2,149	2,507
Private Grants and Contracts	104,368	104,399	99,342
Total Grants and Contracts	***$564,438***	***$507,763***	***$492,171***

Discretely Presented Component Units

University of Massachusetts Foundation, Inc.

The combined University and Foundation endowment has increased to approximately $459.8 million at June 30, 2010 up from $372.6 million at June 30, 2009 which was down from $390.9 million at June 30, 2008.

The Foundation utilizes the pooled investment concept whereby all invested funds are in one investment pool, except for investments of certain funds that are otherwise restricted. Pooled investment funds will receive an annual distribution of 4% to 6% of the endowment fund's average market value for the preceding twelve quarters on a one-year lag and three-year share average. The Board of Directors of the Foundation approved an exception to the spending policy due to the significant decrease in market performance of fiscal year 2009. The actual spending rate approved was 1.5% of the fiscal year 2009 ending fair value. For fiscal years 2009 and 2008 it was 4%. Future utilization of gains is dependent on market performance. Deficiencies for donor-restricted endowment funds, resulting from declines in market value would be offset by an allocation from unrestricted net assets to temporarily restricted net assets, and would be recorded in realized and unrealized gains (losses) on sale of investments. The Foundation believes that, if applicable, these adjustments would be temporary and will not require permanent funding. In fiscal year the deficiencies were $4.1 million and $15.3 million, respectively. There were no deficiencies in fiscal year 2008.

The total investment returns of the Foundation for fiscal year 2010, including realized and unrealized investment activity, was a net gain of approximately $66.3 million as compared to a net loss of approximately $55.2 million in 2009 and a net loss of $1.2 million in 2008.

University of Massachusetts Dartmouth Foundation, Inc.

Total marketable securities for the Dartmouth Foundation were $32.3 million at June 30, 2010, up from $28.4 million at June 30, 2009, and up from $25.1 million in fiscal year 2008, which are held by the University of Massachusetts Foundation, Inc. The increase was primarily due to new favorable market conditions and gifts. The Dartmouth Foundation total investment returns for fiscal year 2010, including realized and unrealized investment activity, was a net gain of approximately $2.6 million as compared to a net loss of $3.7 million in 2009 and a net gain of approximately $171,585 fiscal years 2008.

Tuition and Fees

The University strives to provide students with the opportunity to obtain a quality education. Future University enrollments may be affected by a number of factors, including any material increase in tuition and other mandatory charges and any material decrease in Commonwealth appropriations. In fiscal year 2004, the University established the practice of limiting the annual increases in total mandatory student charges (tuition and mandatory fees) for resident undergraduate students to rate increases of no greater than the rate of inflation. However, with state appropriations declining by $188.3 million over the two year span from fiscal year 2008 to fiscal year 2010, the University's Board approved a $1,500 increase for academic year 2009-2010 in total mandatory student charges for resident undergraduate students. Due to the receipt of $150.6 million of federal stimulus funds in fiscal year 2010, a rebate of $1,100 was provided to resident undergraduate students for academic year 2009-2010. The full $1,500 increase approved for the 2009-2010 academic year is in effect for the 2010-2011 academic year. The University's Board voted in June 2010 to keep mandatory student charges at the currently approved level.

Enrollment

Except for the Medical School, which admits only Massachusetts residents (as required by Massachusetts Session Laws, 1987, Chapter 199, Section 99); admission to the University is open to residents and non-residents of the Commonwealth on a competitive basis. In the fall 2009 semester, Massachusetts residents accounted for approximately 86% and 59% of the University's total undergraduate and graduate enrollment, respectively. Total enrollment in the fall of 2009 was 55,740 FTE (65,293 headcount students).

Enrollments at the University have shown significant increases over the last five years (47,874 FTE in fall 2005). The enrollment changes are consistent with the University's efforts to increase its reach across the Commonwealth and to recruit non-resident students. In the fall of 2009, freshman applications were up at the Amherst campus 1.8%, up at Boston 32.2%, down at Dartmouth 6.3% and up 6.6% at the Lowell campus. Transfer applications were up by 7.9% at the Amherst campus, up at the Boston campus 6.8%, up at the Dartmouth campuses by 2.8%, and up approximately 13.3% at the Lowell campus.

The average Scholastic Aptitude Test ("SAT") scores for entering University freshmen ranged from 1053 to 1169 at the University's campuses in the fall of 2009. The 2009 national average SAT composite score was 1017.

Degrees Awarded

The University awards four levels of degrees, including associate, bachelors, masters and doctoral/professional degrees. A total of 12,630 degrees were awarded in the 2008-2009 academic year: 146 associate degrees, 8,763 bachelor degrees, 3,186 master degrees, 436 doctoral degrees and 99 MD degrees.

Bonds Payable

As of June 30, 2010, the University had outstanding bonds of approximately $1.83 billion representing $1.46 billion of University of Massachusetts Building Authority bonds (the "Building Authority Bonds"), $62.0 million of University of Massachusetts bonds financed through the Massachusetts Health and Educational Facilities Authority (the "UMass HEFA Bonds*"),* and $312.8 million of bonds financed through the Worcester City Campus Corporation (the "WCCC Bonds"). Bonds payable is the University's largest liability at June 30, 2010. Projects initially financed by the Building Authority Bonds consisted primarily of dormitories, apartments, dining commons, athletic and multi-purpose facilities and parking garages at the University campuses. The Building Authority's active projects include dormitory rehabilitations, renovation of general education buildings, and construction of academic and science facilities. The proceeds from the UMass HEFA Bonds were used to create a revolving loan program and to fund the construction of two new campus centers at the Boston and Lowell campuses (funded jointly with the Commonwealth).

In fiscal year 2010, the Building Authority issued bonds in the amount of $548.3 million through three Series:

- The Authority issued Series 2009-1 bonds in the amount of $247.8 million for various construction and renovation projects at the Amherst, Boston, Dartmouth, Lowell, and Medical School campuses and for the construction of the Edward M. Kennedy Institute for the United States Senate on the Boston Campus.
- The Authority issued Series 2009-2 Build America bonds in the amount of $271.9 million for various construction and renovation projects at the Amherst, Boston, Lowell, and Medical School campuses.
- The Authority issued Series 2009-3 bonds in the amount of $28.6 million for construction and renovation projects at the Medical School campus.

In fiscal year 2008, the Authority issued $381.5 million of bonds and refunded $242.5 million of previously issued bonds in a series of transactions. The proceeds were to be used for various construction and renovation projects for the Amherst, Dartmouth, Lowell, and Worcester campuses. Further, in fiscal year 2008,

- The Building Authority issued its Series 2008-1 bonds. The bonds were issued in the amount of $232.5 million and the proceeds were to be used for various construction and renovation projects for the Amherst and Lowell campuses.
- The Building Authority issued Series 2008-A bonds. The bonds were issued in the amount of $26.6 million and the proceeds were to be used for various construction and renovation projects for the Dartmouth and Lowell campuses.
- The Building Authority issued Series 2008-2 bonds. The bonds were issued in the amount of $120.6 million and the proceeds were to be used for various construction and renovation projects for the University's Amherst and Worcester campuses.
- The Building Authority issued its Series 2008-3 bonds. The bonds were issued in the amount of $138.6 million and the proceeds were used to currently refund a portion of the 2006-1 bonds.
- The Building Authority issued Series 2008-4 bonds. The bonds were issued in the amount of $104.0 million and the proceeds were used to currently refund a portion of the 2006-1 bonds.
- In connection with the Series 2008-1 bonds, the Building Authority entered into an interest rate swap (the 2008-1 Swap). The intention of the swap is to effectively change the variable interest rate on the bonds to a synthetic fixed rate of 3.388%.

Capitalized Lease Obligations

At June 30, 2010, the University had capital lease obligations with remaining principal payments of approximately $23.1 million which is an $11.2 million decrease from the remaining principal payments of $34.3 million at June 30, 2009. At June 30, 2008, the University had capital lease obligations with remaining principal payments of approximately $42.4 million. The capital leases primarily consist of telecommunications, software and co-generation systems, and campus energy conversions. The decrease in obligations is due to scheduled debt service payments.

University Rating

As of June 30, 2010, the credit ratings for bonds issued by the University of Massachusetts and the University of Massachusetts Building Authority are "AA-" as rated by Fitch IBCA, "Aa2" as rated by Moody's Investors Service, and "A+" as rated by Standard & Poor's agency. The highest achievable ratings are "AAA" from Fitch and Standard & Poor's and "Aaa" from Moody's based upon the scale used in the University's rating. The University's rating is one tier below the "Aa1" rating of the Commonwealth of Massachusetts on the Moody's scale.

Limitations on Additional Indebtedness

The University may, without limit, issue additional indebtedness or request the Building Authority to issue additional indebtedness on behalf of the University so long as such indebtedness is payable from all available funds of the University. However, the University may request that the Building Authority issue additional indebtedness not payable from all available funds of the University provided that the additional indebtedness is secured by certain pledged revenues and the maximum annual debt service on all revenue indebtedness does not exceed 10% of the University's available revenues.

The Building Authority is authorized by its enabling act to issue bonds with the unconditional guarantee of the Commonwealth of Massachusetts for the punctual payment of the interest and principal payments on the guaranteed bonds. The full faith and credit of the Commonwealth are pledged for the performance of its guarantee. The enabling act, as amended, presently limits to $200 million the total principal amount of notes and bonds of the Building Authority that may be Commonwealth guaranteed and outstanding at any one time.

Capital Plan

In September of 2010, the University Trustees approved a $4.49 billion five-year (fiscal years 2011-2015) update to its capital plan to be financed from all available funding including projects already in process as well as new projects. The University generally has funded its capital plans through a combination of funding received from University operations, bonds issued by the Building Authority, Massachusetts Health and Educational Facilities Authority financing, Commonwealth appropriations, and private fund raising. The execution of the University's capital plan is contingent upon sufficient funding from the Commonwealth.

The University's five-year capital plan for fiscal years 2011-2015 includes both new projects and major projects that were previously approved by the University Trustees in prior-year capital plans. The major projects in the 2011-2015 capital plan and their estimated total project cost include:

<u>Amherst campus</u>

- study and construction of student-housing of up to 1,500 beds for $190.0 million
- construction of a laboratory science building for approximately $156.5. million
- construction of an academic classroom building for approximately $85.0 million
- renovations to the Morrill Science Complex totaling approximately $51.3 million
- construction of a Life Sciences Research Facility for $95.0 million
- upgrades to residential housing sprinkler systems for $32.0 million
- renovations to increase capacity at the Worcester Dining Commons for $20.0 million
- repairs to the Lederle Graduate Research Complex for $41.3 million
- renovations of Machmer Hall for $12.6 million
- design and construction of a new police facility for $12.5 million
- renovations to the interior space of the DuBois Library for $13.0 million

<u>Boston campus</u>

- construction of the Integrated Science Complex for $152.0 million
- implementation of the Campus Master Plan for $104.3 million will include improvements such as utility relocation, roadway relocation, and plaza and building demolition needed to reconstruct the existing center of the Campus
- renovations of existing campus buildings to address deferred maintenance for $75.0 million
- construction of a Living/Learning Center for $88.0 million
- construction of a 1,200 vehicle parking garage to meet current demand for approximately $35.0 million
- construction of two new academic building for a total of $200.0 million

<u>Dartmouth campus</u>

- in order to accommodate a growing enrollment and to deal with deteriorating housing units the campus plans to expend $76.9 million for the renovation and replacement of student housing
- construction of an administrative services building in order to consolidate operations and create more academic space for approximately $12.7 million
- construction of a Biomanufacturing Building for approximately $26.0 million
- extensive library renovations to address deferred maintenance and to improve services for approximately $44.0 million
- an energy/water conservation project for $40.0 million
- acquisition of the Advanced Technology Manufacturing Center for $11.4 million
- construction or renovation of a marine fisheries research building for 48.0 million
- construction of a campus entrance building for approximately $45.0 million

<u>Lowell campus</u>

- construction of the Emerging Technology Innovation Center for approximately $70.0 million
- construction of an academic building on the South Campus for $40.0 million
- reconfiguration of the North Campus science and engineering space for approximately $90.0 million
- acquisition of several properties neighboring the Campus for $20.0 million
- construction of a parking garage to increase capacity for approximately $20.0 million
- addition of 400-500 residential beds with academic and administrative support facilities for $70.0 million
- modernization of existing academic buildings for approximately $54.0 million
- renewal of Coburn Hall for $35.0 million
- energy conservation projects and power plant improvements for approximately $40.0 million

<u>Worcester campus</u>

- construction of a new science facility to support new programs in stem cell research, RNAI therapies, and gene silencing for approximately $330.0 million
- construction of a medical education and clinical practice building for $120.0 million
- expansion of the existing power plant to improve efficiency and meet the energy requirements of the growing Campus for approximately $50.0 million
- HVAC upgrades and replacements for approximately $30.1 million
- construction of a parking garage to meet increased demand for $40.0 million
- construction of a new building to support vaccine production and product warehousing for $35.0 million
- purchase of office/research buildings adjacent to the Worcester Campus for approximately $75.0 million

Beginning in the late 1990s, the University enhanced its program to address deferred maintenance needs at its campuses.

As a result, the University has made investments to repair and renovate facilities at the University's campuses through the use of operational funds, campus borrowing, and state support. The University's 2011-2015 capital plan includes approximately $895.0 million of deferred maintenance projects. During fiscal year 2010, the University expended approximately $189.6 million on plant operations and maintenance activities.

Factors Impacting Future Periods

There are a number of issues of University-wide importance that directly impact the financial operations of the University. Many of these issues such as improving academic quality and financial performance, investing in capital assets, expanding fundraising capacity, and measuring performance are ongoing activities of continuous importance to the Board of Trustees and University leadership that impact the financial and budget planning each year. The level of state support, the impact of collectively bargained wage increases, and the ability of student fee supported activities to meet inflationary pressures determine the limits of program expansion, new initiatives and strategic investments, as well as the ability of the University to meet its core mission and ongoing operational needs.

The University recently acquired several significant assets that position our campuses strategically for future growth:

- In May 2010, the University of Massachusetts Building Authority purchased the Bayside Exposition Center, which is located less than 1 mile from the Boston Campus. This 20-acre waterfront property will allow the Campus to replace parking, office, and academic space eliminated during major construction periods. The acquisition of the Bayside site has initiated a University-led planning process to create a vision for redeveloping the site to further University and local objectives.

- On February 2, 2010, the Massachusetts Board of Higher Education issued approval for UMass Dartmouth to offer the juris doctorate (J.D.) degree and establish the first public law school in the Commonwealth. Following this approval, the Southern New England School of Law donated its entire assets to the University of Massachusetts. The Dartmouth Campus admitted the first class of new students of the University of Massachusetts School of Law in August 2010. The opening fall head count enrollment for the first year of operation of the new law school was approximately 318, which is 40 students more than initially projected. The focus of the law school will be public-service, with a curriculum concentrating on civil and human rights, legal support for businesses, economic justice, and community law. The operating plan for the new law school calls for increasing enrollment, recruiting faculty, and improving assets in order to prepare the school for accreditation from the American Bar Association.

- In July 2009, the Lowell Campus, through the Building Authority, purchased the former Doubletree Hotel in the downtown section of Lowell and converted the property into the UMass Lowell Inn & Conference Center (the "ICC"). Establishing the ICC created a multi-purpose property that maintains hotel accommodations in the City, serves as housing for 400 students, and creates high-quality conference space which will improve the vitality of the University and the City of Lowell.

- In February 2010, the Lowell campus accepted the transfer of the 6,500-seat Tsongas Arena from the City of Lowell. The renamed Tsongas Center at UMass Lowell will host hockey games, concerts, functions, school events and other community activities.

Despite these successful acquisitions, the ability to address priority capital needs and requirements for deferred maintenance, technology, repairs and adaptation, and selected new construction projects is one of the largest challenges facing the University in years to come. The commitment of operating funds for servicing debt and/or funding capital expenditures has an ongoing impact on the overall financial picture of the University. In order to support the University's capital plan, the University of Massachusetts Building Authority completed a bond issuance in October 2009 that provides funding for approximately $512.5 million of renovations, new construction, and deferred maintenance projects at the Amherst, Boston, Dartmouth, Lowell, and Worcester campuses. The Building Authority completed another bond issue in November of 2010 to support approximately $546.8 million of projects at the Amherst, Boston, Dartmouth, and Lowell campuses.

In recent years the University's UMassOnline program has shown significant growth in enrollments, course offerings and revenue generation benefiting the campuses and raising the profile of the University throughout this important sector of the higher education market. In Fiscal Year 2010, the online program generated approximately $56.2 million of revenue.

The University has recently launched a coordinated effort in international activities to develop partnerships and programs to bring faculty, visiting scholars and students from other countries to the University; to integrate study abroad opportunities into the undergraduate and graduate curriculum; and to encourage faculty to engage in research, teaching and service activities around the world.

Within the last three years, the University appointed new Chancellors for the Amherst, Boston, Lowell, and Worcester campuses. These appointments further strengthen a leadership team already focused on expanding the University's impact on the Commonwealth and the world as a leader in research, teaching and public service. After seven years at the helm of the University, during which there was significant growth in enrollment, research funding, and state capital support, President Wilson announced in March that he will be stepping down at the conclusion of fiscal year 2011. A 23-member committee, comprised of faculty, trustees, alumni, students, academic leaders and community leaders, started meeting in May to conduct a wide-ranging, national search to find the best person to lead the University System. It is expected that the search will conclude well in advance of the end of President Wilson's term, allowing for a seamless transition.

The University of Massachusetts Medical School's (UMMS) Craig C. Mello, PhD, and his colleague Andrew Fire, PhD, of Stanford University, were awarded the 2006 Nobel Prize in Physiology or Medicine for their discoveries related to ribonucleic acid (RNA). The findings of Drs. Mello and Fire demonstrated that a particular form of RNA, the cellular material responsible for the transmission of genetic information, can silence (RNAi process) targeted genes. Due to these findings, companies worldwide at the forefront of pharmaceutical innovation have purchased licenses to RNAi technology, co-owned by the UMMS, to aid in their development of treatments for disease. In addition, UMMS researchers are using RNAi technology to speed investigation into a variety of diseases. The work of Dr. Mello has not only produced revenue streams for the University and aided the work of his fellow researchers, but it has also enhanced the overall view of the University of Massachusetts. This recognition highlights the strength of UMMS research and can enhance the overall reputation of the entire University.

In July of 2007, Governor Patrick launched a significant new initiative to stimulate the Life Sciences industry in Massachusetts. As a result, the Commonwealth passed a $1.0 billion Life Sciences Investment Bill and it is anticipated that some portion of this funding, possibly as much as $240.0 million, will be used to support facility improvements at the University. The Medical School and Amherst campuses are well positioned to take a lead in the development of new technologies in the life sciences and the University has been identified to play a significant role in the development of a stem cell bank for researchers throughout the world. As part of the Life Sciences Initiative, the Commonwealth, through the Life Sciences Center, has agreed to provide $90.0 million to the University's Medical School for the construction of a $330.0 million life sciences building on the Worcester Campus. This facility (The Sherman Center) will include a new Advanced Therapeutics Cluster (ATC), composed of a Gene Therapy Center, a RNAi Therapeutics Center and a Center for Stem Cell Biology and Regenerative Medicine. The Life Sciences Bill also designated funding for a major research facility at the Amherst Campus, and significant capital investments in collaborative facilities and programs involving the Boston, Dartmouth, and Lowell campuses. In addition to capital funding, the life sciences initiative provides a number of opportunities for the University to participate in the planning and program implementation of this important economic development effort.

Also, in the fall of 2007 Governor Patrick filed a higher education bond bill to fund capital improvements and new facilities at all University campuses. The Commonwealth passed the largest higher education bond bill, Chapter 258 of the Acts of 2008, on August 6, 2008, which included over $1 billion for University projects to be funded over the next 10 years. The Commonwealth's Executive Office of Administration and Finance (EOAF) put forth a five-year capital plan in September 2010 that would significantly increase annual state capital spending on University projects. Over the next few years, state capital support for major University projects is expected to increase from 3% of the Commonwealth's total capital spending to 12% of total capital spending.

The University's Boston Campus is situated on a peninsula in Boston Harbor which is also home to the John F. Kennedy Presidential Library and the Massachusetts State Archives and Commonwealth Museum. Plans are now underway to develop adjacent to the campus the Edward M. Kennedy Institute for the United States Senate. The Institute will include a new building focusing on political study, training sessions for students and politicians, and historical records. Once established, the Institute is likely to add significant prominence to the Boston Campus and the University.

Beginning in 2004, the University followed a strategy of limiting the annual increases for mandatory student charges to levels below the estimated current inflation rate. The University believed that this "at or below inflation" approach for student charge increases would provide reasonable stability and predictability for students, their families, and institutional planners. The University was able to maintain these limits on its student charge increases through fiscal year 2009 because of stable support from the Commonwealth. On October 15, 2008, faced with a large state budget deficit, Governor Patrick implemented a fiscal action plan to close the gap that included more than $1.0 billion in immediate cuts and spending controls across state government. As part of this action plan, the administration reduced the University's fiscal year 2009 state appropriation by 5%, or approximately $24.6 million. As the state and national economy continued to deteriorate, the administration reduced the University's fiscal year state appropriation by an additional $2.8 million in January 2009.

In response to these mid-year reductions and the anticipated further reduction of the state appropriation for fiscal year 2010, the University departed from its five-year practice of limiting student charge increases to at or below the rate of inflation. For fiscal year 2010, the University Trustees approved a mandatory student charge increase of up to $1,500 for in-state undergraduate students. The approved increase included specific language that authorized rebates of the charge increases based upon the level of federal support provided by The American Recovery and Reinvestment Act of 2009 ("ARRA").

The Commonwealth's budget for fiscal year 2010 approved on June 29, 2009 reduced the University's state appropriation by $53.5 million in comparison to the final fiscal year 2009 state appropriation after the reductions made in October 2008 and January 2009. The fiscal year 2010 state budget also eliminated $10.2 million of line item funding specific to the University.

To protect the University from the full impact of the budget reductions made in fiscal year 2009 and fiscal year 2010, the Commonwealth's Executive Office of Education distributed to the University in September 2009 $118.6 million of the federal education stabilization funds available to the Commonwealth from ARRA. In October 2009, in response to lower state revenue projections, the state rescinded an additional $32.0 million from the University's state appropriation. The Commonwealth's Executive Office of Education replaced this lost appropriation with an equal amount of ARRA education stabilization funds. The receipt of this federal revenue allowed the University to remain consistent with the Board of Trustee vote on student charges taken on February 27, 2009 and offer a partial rebate of the $1,500 student charge increase.

The $150.6 million distribution of ARRA funding to the University is a one-time event for fiscal year 2010. The Commonwealth has already distributed approximately 95% of its education stabilization funds, of which the University has received approximately 19%. The University has received guidance from the Commonwealth's Executive Office that an additional allocation of education stabilization funds will be provided in fiscal year 2011. The University expects to receive approximately $37.8 million.

Statement of Net Assets

As of June 30, 2010

(in thousands of dollars)

ASSETS	University June 30, 2010	University Related Organizations June 30, 2010	University June 30, 2009	University Related Organizations June 30, 2009
Current Assets				
Cash and Cash Equivalents	$31,926		$33,091	
Cash Held By State Treasurer	13,736		14,086	
Accounts, Grants and Loans Receivable	223,267		199,532	$22
Pledges Receivable	7,219	$3,758	1,357	8,237
Short Term Investments	230,121		160,820	
Inventories	13,218		13,833	
Accounts Receivable UMass Memorial	14,562		15,546	
Due From Related Organizations	625	739	1,535	806
Other Assets	22,899	65	21,794	16
Total Current Assets	**557,573**	**4,562**	**461,594**	**9,081**
Noncurrent Assets				
Cash and Cash Equivalents		3,611		3,402
Cash Held By State Treasurer	2,423		8,613	
Cash and Securities Held By Trustees	814,903		475,153	
Accounts, Grants and Loans Receivable	36,429		35,329	
Pledges Receivable	1,061	6,121	2,028	3,498
Investments	538,138	297,055	513,392	250,769
Other Assets	16,445	1,270	12,824	51
Deferred Outflows of Resources	64,033			
Investment In Plant Net of Accumulated Depreciation	2,324,392	1,699	2,068,485	950
Total Noncurrent Assets	**3,797,824**	**309,756**	**3,115,824**	**258,670**
Total Assets	**$4,355,397**	**$314,318**	**$3,577,418**	**$267,751**
LIABILITIES				
Current Liabilities				
Accounts Payable	$118,424	$106	$98,201	$177
Accrued Salaries and Wages	74,554		70,752	
Accrued Liability for Compensated Absences	70,035		69,443	
Accrued Liability for Workers' Compensation	3,210		3,717	
Accrued Interest Payable	16,647		12,146	
Bonds Payable	112,904		123,790	
Capital Lease Obligations	5,962		11,457	
Notes Payable		2		
Assets Held on behalf of Others		9,990		
Accounts Payable UMass Memorial	4,037		3,372	
Due To Related Organizations	739	625	806	1,535
Deferred Revenues and Credits	36,880	5,340	48,325	6,243
Advances and Deposits	6,434		6,854	
Other Liabilities	52,740		65,856	
Total Current Liabilities	**502,566**	**16,063**	**514,719**	**7,955**
Noncurrent Liabilities				
Accrued Liability for Compensated Absences	25,843		23,593	
Accrued Liability for Workers' Compensation	10,688		10,416	
Arbitrage Rebate Payable	551		544	
Bonds Payable	1,714,205		1,210,220	
Capital Lease Obligations	17,177		22,870	
Notes Payable		618		
Derivative Instruments, Interest Rate Swaps	64,033			
Deferred Revenues and Credits	23,567		23,668	
Advances and Deposits	26,507		26,782	
Other Liabilities	1,107	3,046	3,301	3,025
Total Noncurrent Liabilities	**1,883,678**	**3,664**	**1,321,394**	**3,025**
Total Liabilities	**$2,386,244**	**$19,727**	**$1,836,113**	**$10,980**
Net Assets:				
Invested in Capital Assets Net of Related Debt	$1,133,264	$1,699	$1,069,881	$950
Restricted				
Nonexpendable	16,899	240,595	16,699	225,549
Expendable	218,517	48,127	156,649	41,033
Unrestricted	600,473	4,170	498,076	(10,761)
Total Net Assets	**$1,969,153**	**$294,591**	**$1,741,305**	**$256,771**

The accompanying notes are an integral part of the financial statements.

Statement of Revenues, Expenses and Changes in Net Assets

For the Years Ended June 30, 2010 and 2009

(in thousands of dollars)

REVENUES	University June 30, 2010	University Related Organizations June 30, 2010	University June 30, 2009	University Related Organizations June 30, 2009
Operating Revenues				
Tuition and Fees (net of scholarship allowances of $181,760 at June 30, 2010 and $126,779 at June 30, 2009)	$539,306		$489,230	
Federal Grants and Contracts	393,862		324,100	
State Grants and Contracts	64,328		77,115	
Local Grants and Contracts	1,880		2,149	
Private Grants and Contracts	104,368		104,399	
Sales & Service, Educational	17,530		20,965	
Auxiliary Enterprises	252,610		246,069	
Other Operating Revenues:				
Sales & Service, Independent Operations	50,442		94,908	
Sales & Service, Public Service Activities	593,761		542,955	
Other	74,231		66,920	
Total Operating Revenues	**2,092,318**		**1,968,810**	
EXPENSES				
Operating Expenses				
Educational and General				
Instruction	552,528		540,479	
Research	404,260		358,659	
Public Service	66,597	$10,388	67,989	$13,443
Academic Support	123,901		125,604	
Student Services	88,787		87,207	
Institutional Support	166,070		163,659	
Operation and Maintenance of Plant	192,271		191,761	
Depreciation and Amortization	155,746	28	140,392	20
Scholarships and Fellowships	35,103	782	29,845	544
Auxiliary Enterprises	200,458		193,568	
Other Expenditures				
Independent Operations	58,437		56,057	
Public Service Activities	535,665		491,433	
Total Operating Expenses	**2,579,823**	**11,198**	**2,446,653**	**14,007**
Operating Loss	**(487,505)**	**(11,198)**	**(477,843)**	**(14,007)**
NONOPERATING REVENUES/(EXPENSES)				
Federal Appropriations	5,922		5,574	
State Appropriations	428,958		540,187	
State Appropriations - Federal Stimulus funds	150,639			
Gifts	28,603	10,498	22,918	15,929
Investment Income	65,863	19,676	(9,284)	(50,324)
Endowment Income	5,583	974	10,319	2,774
Interest on Indebtedness	(49,113)		(55,252)	
Other Nonoperating Income	3,868		8,167	
Net Nonoperating Revenues	**640,323**	**31,148**	**522,629**	**(31,621)**
Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses	**152,818**	**19,950**	**44,786**	**(45,628)**
Capital Appropriations	28,635		27,483	
Capital Grants and Contracts	18,981		5,182	
Additions to Permanent Endowments		13,003		12,892
Net Amounts Earned/Received on Behalf of Others		10		
Capital Contribution	29,810			
Disposal of Plant Facilities	(12,125)		(8,553)	(16)
Other Additions/Deductions	9,729	4,857	1,361	(8,407)
Total Other Revenues, Expenses, Gains, and Losses	**75,030**	**17,870**	**25,473**	**4,469**
Total Increase/(Decrease) in Net Assets	**227,848**	**37,820**	**70,259**	**(41,159)**
NET ASSETS				
Net Assets at Beginning of Year	1,741,305	256,771	1,671,046	297,930
Net Assets at End of Year	**$1,969,153**	**$294,591**	**$1,741,305**	**$256,771**

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows

For the Years Ended June 30, 2010 and 2009

(in thousands of dollars)

	University June 30, 2010	University June 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	$628,382	$516,757
Grants and Contracts	585,697	490,169
Payments to Suppliers	(1,160,070)	(996,152)
Payments to Employees	(1,122,648)	(1,105,868)
Payments for Benefits	(255,321)	(217,782)
Payments for Scholarships and Fellowships	(34,476)	(29,845)
Loans Issued to Students and Employees	(5,156)	(4,189)
Collections of Loans to Students and Employees	4,116	3,744
Auxiliary Enterprises Receipts	262,234	261,869
Sales and Service, Educational	17,022	25,428
Sales & Service, Independent Operations	59,010	103,842
Sales & Service, Public Service Activities	641,008	589,985
Net Cash Used for Operating Activities	**(380,202)**	**(362,042)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	492,351	597,202
State Appropriations - Federal Stimulus Funds	150,639	
Tuition Remitted to the State	(49,084)	(47,107)
Federal Appropriations	5,922	5,574
Gifts and Grants for Other Than Capital Purposes	20,179	21,957
Student Organization Agency Transactions	330	49
Net Cash Provided by Noncapital Financing Activities	**620,337**	**577,675**
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from Capital Debt	565,457	19,290
Bond Issuance Costs Paid	(580)	(113)
Capital Appropriations	28,245	27,166
Capital Grants and Contracts	13,924	5,182
Purchases of Capital Assets and Construction	(135,656)	(120,653)
Principal Paid on Capital Debt and Leases	(84,549)	(76,429)
Interest Paid on Capital Debt and Leases	(52,096)	(58,375)
Use of Debt Proceeds on Deposit with Trustees	(214,479)	(178,115)
Net Cash Provided by/(Used for) Capital Financing Activities	**120,266**	**(382,047)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	625,378	1,297,493
Interest on Investments	21,482	42,010
Purchase of Investments	(675,216)	(1,341,046)
Net Cash Used for Investing Activities	**(28,356)**	**(1,543)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**332,045**	**(167,957)**
Cash and Cash Equivalents - Beginning of the Year	**530,943**	**698,900**
Cash and Cash Equivalents - End of Year	**$862,988**	**$530,943**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	($487,505)	($477,843)
Adjustments to reconcile loss to net cash used by Operating Activities:		
Depreciation and Amortization Expense	155,746	140,392
Changes in Assets and Liabilities:		
Receivables, net	(29,730)	(1,058)
Inventories	615	554
Due to/from Related Organizations	843	(1,608)
Accounts Receivable/Payable UMass Memorial	1,649	(11,092)
Other Assets	37	(4,330)
Accounts Payable (non-capital)	12,320	(4,116)
Accrued Liabilities	6,409	9,605
Deferred Revenue	(11,546)	(2,963)
Advances and Deposits	(695)	(2,299)
Other Liabilties	(28,345)	(7,284)
Net Cash Used for Operating Actvities	**($380,202)**	**($362,042)**
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:		
Assets acquired and included in accounts payable	$42,969	$28,090
Gain/(loss) on disposal of capital assets	(12,672)	(13,424)
Securities lending activity	(13,024)	(3,492)
Unrealized gains/(losses) on investments	41,687	(32,715)

The accompanying notes are an integral part of the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The financial statements herein present the financial position, results of operations, changes in net assets, and cash flows of the University of Massachusetts ("University"), a federal land grant institution. The financial statements of the University include the Amherst, Boston, Dartmouth, Lowell and Worcester Medical School campuses, and the Central Administration office of the University, Worcester City Campus Corporation ("WCCC"), the University of Massachusetts Amherst Foundation ("UMass Amherst Foundation"), as well as the University of Massachusetts Building Authority ("Building Authority").

The Building Authority is a public instrumentality of the Commonwealth created by Chapter 773 of the Acts of 1960, whose purpose is to provide dormitories, dinning commons, and other buildings and structures for use by the University. WCCC, of which the Worcester Foundation for Biomedical Research, Inc. ("WFBR") and Public Sector Partners, Inc. (("PSP") See Note 6) are subsidiaries, is a tax exempt organization founded to support research and real property activities for the University. The UMass Amherst Foundation was established in 2003 as a tax exempt organization founded to foster and promote the growth, progress, and general welfare of the University. These component units are included in the financial statements of the University because of the significance and exclusivity of their financial relationships with the University.

The University Related Organizations' column in the financial statements includes the financial information of the University's discretely presented component units. The University of Massachusetts Foundation, Inc. ("Foundation") and the University of Massachusetts Dartmouth Foundation, Inc. ("the Dartmouth Foundation") are related tax exempt organizations founded to foster and promote the growth, progress and general welfare of the University, and are reported in a separate column to emphasize that they are Massachusetts not-for-profit organizations legally separate from the University. These component units are included as part of the University's financial statements because of the nature and the significance of their financial relationship with the University. The financial statement presentation of the discretely presented component units has been reclassified to conform to the University presentation. The financial reports of all above mentioned component units are available upon request from the University.

The University is a component unit of the Commonwealth of Massachusetts. The financial balances and activities included in these financial statements are, therefore, also included in the Commonwealth's comprehensive annual financial report.

BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB") using the economic resources measurement focus and the accrual basis of accounting. These statements are reported on a combined basis, and all intra-University transactions are eliminated. In accordance with GASB Statement No. 20, the University follows all applicable GASB pronouncements. In addition, the University applies all applicable Financial Accounting Standards Board ("FASB") pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected not to apply FASB pronouncements issued after November 30, 1989.

Operating revenues consist of tuition and fees, grants and contracts, sales and services of educational activities (including royalties from licensing agreements) and auxiliary enterprise revenues. Operating expenses include salaries, wages, fringe benefits, utilities, subcontracts on grants and contracts, supplies and services, and depreciation and amortization. All other revenues and expenses of the University are reported as non-operating revenues and expenses including state general appropriations, federal appropriations, non-capital gifts, short term investment income, endowment income used in operations, interest expense, and capital additions and deductions. Capital items represent all other changes in long term plant and endowment net assets. Revenues are recognized when earned and expenses are recognized when incurred with the exception of revenue earned on certain public service activities (see Note 5). Restricted grant revenue is recognized only when all eligibility requirements have been met, that is to the extent grant revenues are expended or in the case of fixed price contracts, when the contract terms are met or completed. Contributions, including unconditional promises to give (pledges) for non-endowment or non-capital purposes, are recognized as revenues in the period received. Promises of additions to non-expendable endowments are not recognized until cash or other assets are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. The University applies restricted net assets first when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, and disclosures of contingencies at the date of the financial statements and revenues and expenditures recognized during the reporting period. Significant estimates include the accrual for employee compensated absences, the accrual for workers' compensation liability, the allowance for doubtful accounts, valuation of certain investments and best estimates of selling price associated with certain multiple element arrangements. Actual results could differ from those estimates.

The University reports its financial statements as a "business-type activity" ("BTA") under GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* ("GASB 35"). BTAs are defined as those that are financed in whole or in part by fees charged to external parties for goods or services.

In order to ensure observance of limitations and restrictions placed on the use of available resources, the accounts of the University are maintained internally in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are maintained in separate funds in accordance with the activities or objectives specified. GASB 35 requires that external financial statements to be reported on a consolidated basis and establishes standards for external financial reporting by public colleges and universities that resources be classified into the following net asset categories:

- **Invested in capital assets, net of related debt:** Capital assets, at historical cost, or fair market value on date of gift, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- **Restricted Nonexpendable:** Net assets subject to externally imposed stipulations that they be maintained permanently by the University.

- **Restricted Expendable:** Net assets whose use by the University is subject to externally imposed stipulations. Such assets include restricted grants and contracts, the accumulated net gains/losses on true endowment funds, as well as restricted funds loaned to students, restricted gifts and endowment income, and other similar restricted funds.

- **Unrestricted**: Net assets that are not subject to externally imposed stipulations. Substantially all unrestricted net assets are designated to support academic, research, auxiliary enterprises or unrestricted funds functioning as endowments, or are committed to capital construction projects.

Revenues are reported net of discounts and allowances. As a result, student financial aid expenditures are reported as an allowance against tuition and fees revenue while stipends and other payments made directly to students are recorded as scholarship and fellowship expenditures on the statement of revenues, expenses, and other changes to net assets, and included in supplies and services on the statement of cash flows. Discounts and allowances for tuition and fees and auxiliary enterprises are calculated using the Alternate Method.

NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* - This standard provides guidance on the accounting and reporting of obligations and costs related to existing pollution remediation, such as obligations to clean up spills of hazardous wastes or to remove contamination (e.g., asbestos). This standard also sets forth triggers that would signal when the University should determine if it has to estimate and report a remediation liability. The requirements of this Statement are effective for financial statements of periods beginning after December 15, 2007 (fiscal 2009 for the University). The University has expended $3.3 million and $560,000 in pollution remediation costs during fiscal year 2010 and 2009, respectively. A liability of $1.8 million and $1.5 million for pollution remediation obligations has been recorded as of June 30, 2010 and June 30, 2009, respectively.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* - This standard was issued in June 2007 and is effective for financial statements for periods beginning after June 15, 2009 (fiscal 2010 for the University). This standard requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This standard also provides authoritative guidance that specifically addresses the nature of these intangible assets which should be applied in addition to the existing authoritative guidance for capital assets. The guidance specific to intangible assets also includes guidance on recognition and requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable. Additionally, this standard establishes a specified-conditions approach to recognizing intangible assets that are internally generated. Effectively, outlays associated with the development of such assets should not begin to be capitalized until certain criteria are met. Outlays incurred prior to meeting these criteria should be expensed as incurred. If there are no factors that limit the useful life of an intangible asset, this standard provides that the intangible asset be considered to have an indefinite useful life. Intangible assets with indefinite useful lives should not be amortized unless their useful life is subsequently determined to no longer be indefinite due to a change in circumstances. The provisions of this standard generally are required to be applied retroactively. Retroactive reporting is not required but is permitted for intangible assets considered to have indefinite useful lives as of the effective date of this standard and those considered to be internally generated. The adoption of GASB Statement No. 51 did not have an effect on the financial statements in fiscal year 2010.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* - This standard was issued in June 2008 and is effective for periods beginning after June 15, 2009 (fiscal 2010 for the University). This standard requires that for potential hedging derivative instruments existing prior to the fiscal period during which this Statement is implemented, the evaluation of effectiveness should be performed as of the end of the current period. If determined to be effective, hedging derivative instruments are reported as if they were effective from their inception. If determined to be ineffective, the potential hedging derivative instrument is then evaluated as of the end of the prior reporting period. The implementation guide on the standard was issued by the GASB in April 2009. GASB Statement No. 53 had no impact to the 2009 financial statements due to the University's election of the impracticability exception allowable in the guidance. At June 30, 2010, the University has recorded $64.0 million as deferred outflows equal to the negative marked-to-market value of the Series 2008-1, 2008-A, and 2006-1 Interest Rate Swaps which were determined to be effective derivative hedging instruments at June 30, 2010.

EITF 08-1, *Revenue Arrangements with Multiple Deliverables* - In October 2009, the Emerging Issues Task Force ("the EITF") reached consensus on an amendment to the accounting and disclosure requirements for revenue arrangements with multiple deliverables. The amendment eliminates the use of the residual method of allocation and requires, instead, that arrangement consideration be allocated, at the inception of the arrangement, to all deliverables based on their relative selling price. When applying the relative selling price allocation method, the selling price for each of the deliverables shall be determined using vendor-specific objective evidence ("VSOE"), if it exists, otherwise third-party evidence ("TPE"). If neither VSOE nor TPE exists, the amendment allows a vendor to use their best estimate of selling price. The University adopted this amendment during fiscal year 2009 and has applied the amendment retrospectively to all periods presented.

CLASSIFICATION OF ASSETS AND LIABILITIES

The University presents current and non-current assets and liabilities in the statement of net assets. Assets and liabilities are considered current if they mature in one year or less, or are expected to be received, used, or paid within one year or less. Investments with a maturity of greater than one year and balances that have externally imposed restrictions as to use are considered non-current. Cash held by state treasurer includes balances with restrictions as to use and balances that may be rolled forward for use toward the restricted purposes in future years, and such balances are classified as non-current. Cash held by trustees is presented based upon its expected period of use and to the restrictions imposed on the balances by external parties.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value approximates carrying value for cash and cash equivalents, cash held by state treasurer, investments, accounts receivable, accounts payable, accrued expenses and interest, and deposits. The estimated fair values of bonds payable are disclosed in footnote 8.

CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents consist primarily of petty cash, demand deposit accounts, money market accounts, and savings accounts, with a maturity of three months or less when purchased.

Investments are reported at their respective fair values. Short-term investments consist of deposits with original maturities of less than one year and are available for current use. Securities received as a gift are recorded at estimated fair value at the date of the gift. The University holds certain investment securities in publicly traded and privately held companies as the result of agreements entered into by the University's Commercial Ventures and Intellectual Property ("CVIP") program. Securities received or purchased as the result of these agreements are recorded at fair value, where readily determinable by quoted market prices, or if fair value is not known or practicable to estimate, the investment is carried at cost which is deemed to be the estimated fair value.

Private equities and certain other non-marketable securities held by the Foundation are valued using current estimates in fair value by management based on information provided by the general partner or investment manager for the respective securities. The Foundation believes that the carrying amount of these investments are a reasonable estimate of fair value, however, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investment existed. Venture capital investments represent initial investments made to certain funds and are reported at cost until distributions are made from the funds or until market values are reported on the funds.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the combined statement of net assets.

Investment income includes dividends and interest income and is recognized on the accrual basis. In computing realized gains and losses, cost is determined on a specific identification basis.

RESTRICTED GRANTS AND CONTRACTS

The University receives monies from federal and state government agencies under grants and contracts for research and other activities including medical service reimbursements. The University records the recovery of indirect costs applicable to research programs, and other activities which provide for the full or partial reimbursement of such costs, as revenue. Recovery of indirect costs for the years ended June 30, 2010 and 2009 was $113.2 million and $102.0 million, respectively, and is a component of grants and contracts revenue. The costs, both direct and indirect, charged to these grants and contracts are subject to audit by the granting agency. The University believes that any audit adjustments would not have a material effect on the University's financial statements.

PLEDGES AND ENDOWMENT SPENDING

Pledges for non-endowment purposes are presented net of amounts deemed uncollectible, and after discounting to the present value of the expected future cash flows. Because of uncertainties with regard to their whether realizable and valuation, bequests and intentions and other conditional promises are not recognized as assets until the specified conditions are met.

The Foundation utilizes the pooled investment concept whereby all invested funds are in one investment pool, except for investments of certain funds that are otherwise restricted. Pooled investment funds will receive an annual distribution of 4% to 6% of the endowment fund's average market value for the preceding twelve quarters on a one-year lag and three-year share average. The Board of Directors of the Foundation approved an exception to the spending policy due to the significant decrease in market performance of fiscal year 2009. The actual spending rate approved was 1.5% of the fiscal year 2009 ending fair value. For fiscal year 2009, it was 4%. Future utilization of gains is dependent on market performance. Deficiencies for donor-restricted endowment funds, resulting from declines in market value would be offset by an allocation from unrestricted net assets to temporarily restricted net assets, and would be recorded in realized and unrealized gains (losses) on sale of investments. The Foundation believes that, if applicable, these adjustments would be temporary and will not require permanent funding. In fiscal year the deficiencies were $4.1 million and $15.3 million, respectively.

INVENTORIES

The University's inventories consist of books, general merchandise, central stores, vaccines, and operating supplies which are carried at the lower of cost (first-in, first-out and average cost methods) or market.

INVESTMENT IN PLANT

Capital assets are stated at cost or fair value upon receipt as a gift. Net interest costs incurred during the construction period for major capital projects are added to the cost of the asset. Repairs and maintenance costs are expensed as incurred, whereas major improvements that extend the estimated useful lives of the assets are capitalized as additions to property and equipment. Depreciation of capital assets is provided on a straight-line basis over the estimated useful lives of the respective assets. The University records a full year of depreciation in the year of acquisition. Land is not depreciated. The University does not capitalize works of art or historical treasures.

Following is the range of useful lives for the University's depreciable assets:

Buildings	20-50 years
Building Improvements	5-20 years
Equipment and Furniture	3-15 years
Software	5 years
Library Books	15 years
Land Improvements	20 years

COMPENSATED ABSENCES

Employees earn the right to be compensated during absences for annual vacation leave and sick leave. The accompanying statement of net assets reflects an accrual for the amounts earned and ultimately payable for such benefits as of the end of the fiscal year. The accrual equates to the entire amount of vacation time earned and an actuarially determined liability for the sick leave component of compensated absences. Employees are only entitled to 20% of their sick leave balance upon retirement. The actuarial calculation utilized the probability of retirement for this estimated accrual.

DEFERRED REVENUE

Deferred revenue consists of amounts billed or received in advance of the University providing goods or services. Deferred revenue is recognized as revenue as expenses are incurred and therefore earned.

ADVANCES AND DEPOSITS

Advances from the U.S. Government for Federal Perkins Loans to students are reported as part of advances and deposits. Future loans to students are made available from repayments of outstanding principal amounts plus accumulated interest received thereon.

TUITION AND STATE APPROPRIATIONS

The combined financial statements for the years ended June 30, 2010 and 2009 record as tuition revenue approximately $49.1 million and $47.1 million, respectively, of tuition received by the University and remitted to the State Treasurer's Office for the general fund of the Commonwealth of Massachusetts. During fiscal year 2004, the Amherst campus was granted authority to retain tuition for out of state students as part of a pilot program authorized by the Commonwealth. This pilot program was extended indefinitely in 2005. The amount of tuition retained by the University during 2010 and 2009 was $31.5 million and $32.3 million, respectively. The recorded amount of State Appropriations received by the University has been reduced by a corresponding amount of tuition remitted as shown below (in thousands):

	2010	2009
Gross Commonwealth Appropriations	$369,408	$467,030
Plus: Fringe Benefits	108,634	120,264
	478,042	587,294
Less: Tuition Remitted	(49,084)	(47,107)
State Appropriations, Net	$428,958	$540,187

As part of the fiscal year 2010 budget process, the University received a budget from the Commonwealth that was $95.7 million less than the previous year. In order to address this significant decrease in funding, Governor Deval Patrick awarded $150.6 million in Education Stabilization Funds to the University. These funds originated from the passage of the American Recovery and Reinvestment Act ("ARRA") of 2009 and were utilized for educational and general expenditures in order to mitigate the need to raise tuition and fees for in-state residents and to modernize, renovate, or repair facilities. Fringe benefits for payroll at the rate of 26.42% were funded by the University as charged to these funds amounting to $14.4 million in 2010. A rebate of $34.9 million in student fees was issued during 2010 as a result of being awarded these ARRA funds subsequent to an approved fee increase being charged to students. The rebate is shown as a discount to tuition and fees in the financial statements.

AUXILIARY ENTERPRISES

Auxiliary Enterprise revenue of $252.6 million and $246.1 million for the years ended June 30, 2010 and 2009 respectively are stated net of room and board charge allowances of $1.5 million and $1.2 million, respectively.

OTHER OPERATING REVENUES AND EXPENDITURES, SALES AND SERVICES, PUBLIC SERVICE ACTIVITIES

Public Service Activities consist largely of sales and services provided to third parties by the UMass Medical School campus under its Commonwealth Medicine ("CWM") programs, which provide public consulting and services in health financing, administration and policy to federal, state and local agencies and not-for-profit health and policy organizations. Included in this category of activities are Commonwealth Medicine revenues of $361.4 million and $336.7 million for the years ended June 30, 2010 and 2009, respectively. Included in expenditures are Commonwealth Medicine expenditures of $330.4 million and $309.7 million for the years ended June 30, 2010 and 2009, respectively.

In addition to CWM activities, Public Service Activities also includes payments received by the Medical School for educational services it provides to its clinical affiliate UMass Memorial as required by the enabling legislation enacted by the Commonwealth in 1997. Educational services revenues included in public service revenues were $125.9 million and $128.5 million for the years ended June 30, 2010, and 2009, respectively. Finally, Public Service Activity expenditures also include payments made to the Commonwealth of Massachusetts of $92.0 million and $73.4 million for the years ended June 30, 2010 and 2009, respectively, pursuant to requirements of legislation enacted by the State Legislature of Massachusetts.

FRINGE BENEFITS FOR CURRENT EMPLOYEES AND POST EMPLOYMENT OBLIGATIONS – PENSION AND NON-PENSION

The University participates in the Commonwealth's Fringe Benefit programs, including active employee and post – employment health insurance, unemployment, pension, and workers' compensation benefits. Health insurance and pension costs for active employees and retirees are paid through a fringe benefit rate charged to the University by the Commonwealth and currently the liability is borne by the Commonwealth. Consequently, no amounts have been reported by the University under GASB Statement No. 45. Workers' compensation costs are assessed separately based on actual University experience.

In addition to providing pension benefits, under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities, and certain other governmental agencies. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care benefit costs which is comparable to contributions required from employees. The Commonwealth is reimbursed for the cost of benefits to retirees of the eligible authorities and non-state agencies.

The Commonwealth's Group Insurance Commission ("GIC") was established by the Legislature in 1955 to provide and administer health insurance and other benefits to the Commonwealth's employees and retirees, and their dependents and survivors. The GIC also covers housing and redevelopment authorities' personnel, certain authorities and other offline agencies, retired municipal teachers from certain cities and towns and a small amount of municipalities as an agent multiple employer program, accounted for as an agency fund activity of the Commonwealth, not the University.

The GIC administers a plan included within the State Retiree Benefits Trust Fund, an irrevocable trust. Any assets accumulated in excess of liabilities to pay premiums or benefits or administrative expenses are retained in that fund. The GIC's administrative costs are financed through Commonwealth appropriations and employee investment returns. The Legislature determines employees' and retirees' contribution ratios.

The GIC is a quasi-independent state agency governed by an eleven-member body ("the Commission") appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal years that ended on June 30, 2010 and June 30, 2009, respectively, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administered carve-outs for the pharmacy benefit and mental health and substance abuse benefits for certain of its health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage for employees not covered by collective bargaining, a retiree discount vision plan and retiree dental plan, and finally, a pre-tax health care spending account and dependent care assistance program (for active employees only).

Pursuant to the provisions of Paragraph (e), Section 5 of Chapter 163 of the Acts of 1997 and consistent with the September 22, 1992 Memorandum of Understanding between the Commonwealth of Massachusetts Executive Office of Administration and Finance and the University of Massachusetts, the University's Worcester Medical School campus has assumed the obligation for the cost of fringe benefits provided by the Commonwealth to University employees (other than those employees paid from state appropriated funds) for all periods on or after July 1, 1989. The University determines the actual costs for the health insurance benefits and actuarially calculates the incurred service costs for pensions and retiree health insurance.

INCOME TAX STATUS

The University of Massachusetts is an agency of the Commonwealth of Massachusetts and is exempt from Federal income tax under Section 115(a) of the Internal Revenue Code. The University Related Organizations are 501(c)(3) organizations and are exempt from Federal Income tax under the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in the accompanying combined financial statements.

COMPARATIVE INFORMATION AND RECLASSIFICATIONS

The University's financial statements include prior year comparative information. Certain prior year amounts have been reclassified to conform with the current year presentation. During 2010, The University determined that it incorrectly reported fiscal year 2009 Unrestricted and Restricted Expendable Net Assets by $24.4 million, Tuition and Fee revenue by $1.1 million, Auxiliary

Enterprises revenue by $6.4 million and expenses by $5.3 million, and $35.9 million in Public Service Activity revenues and expenses. These reclassifications, revised classification and adjustments have no effect on total net assets at June 30, 2010.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

As of June 30, 2005, the University implemented the disclosures which are required by the Governmental Accounting Standards Board, Statement No. 40, *Deposit and Investment Risk Disclosures* ("GASB 40"). For fiscal years ended June 30, 2010 and 2009, the University assessed and completed the following statements: Custodial Credit Risk, Concentration of Credit Risk, Credit Risk and Interest Rate Risk of its Cash, Cash Equivalents and Investments.

The University's investments are made in accordance with the Investment Policy and Guidelines Statement Operating Cash Portfolio adopted in May 2005 and later amended in June 2009 by the Board of Trustees (the Investment Policy) and the Statement of Investment and Spending Policies of the University of Massachusetts Foundation, Inc. The goals of these documents are to preserve capital, provide liquidity, and generate investment income. The University of Massachusetts has statutory authority under Massachusetts General Laws Chapter 75 to collect, manage and disburse trust funds of the University.

Investments are reported at their respective fair values. The values of publicly traded fixed income and equity securities are based upon quoted market prices at the close of business on the last day of the fiscal year. Private equities and certain other non-marketable securities are valued using current estimates in fair value by management based on information provided by the general partner or investment manager for the respective securities. Investments in units of non-publicly traded pooled funds are valued at the unit value determined by the fund's administrator based on quoted market prices of the underlying investments. Private equities and other non-marketable securities represent approximately 18.4% and 19.2% of the Universities investments at June 30, 2010 and 2009, respectively.

***Custodial Credit Risk* -** Custodial Credit Risk is the risk that, in the event of a failure of the counterparty, the University would not be able to recover the value of its deposits, investments or collateral securities that were in the possession of an outside party. Deposits are exposed to custodial risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the University and are held by either the counterparty or the counterparty's trust department or agent but not in the University's name. As of June 30, 2010 and 2009, all cash and investment accounts were held on behalf of the University by the Trustees, in the Trustee's name.

The University maintains depository accounts with Bank of America N.A., TD BankNorth, Fifth Third Bank, U.S. Bank and Citizens Bank. The University maintains payroll, disbursement, receipt and imprest accounts with Bank of America N.A. None of these accounts are collateralized. Accounts carry FDIC insurance up to $250,000 per account. The balances on deposit on June 30, 2010 were $31.7 million in Bank of America, $0.9 million in TD BankNorth, $0.2 million in Fifth Third Bank, $0.2 million in U.S. Bank, and $0.1 million in Citizens Bank. The comparable balances on deposit on June 30, 2009 were $36.6 million in Bank of America, $0.7 million in TD BankNorth, $0.1 million in Fifth Third Bank, $0.2 million in U.S. Bank and $0.1 million in Citizens. At June 30, 2010 and 2009, the carrying amount of the University's bank account deposits were $12.9 million and $22.0 million, respectively, as compared to bank balances of $33.1 million and $37.7 million, respectively. In 2010 and 2009, the differences between the carrying amount and bank balances were primarily caused by outstanding checks, deposits in-transit, and securities lending of $2.7 million and $15.7 million, respectively. Of such said bank balances, $5.1 million at June 30, 2010 and $4.5 million at June 30, 2009 are covered by federal deposit insurance. The remaining $28.0 million at June 30, 2010 and $33.2 million at June 30, 2009 are uninsured and uncollateralized and therefore subject to custodial credit risk.

In addition to bank account deposits, at June 30, 2010, the University held money market instruments which are classified as investments. At June 30, 2010 and 2009, the carrying amounts of the University's money market accounts were $192.1 million and $148.9 million, respectively, as compared to bank balances of $192.1 million and $148.9 million, respectively. Of such said money market balances, $1.5 million at June 30, 2010 and $1.6 million at June 30, 2009 are covered by federal deposit insurance. The remaining $190.6 million at June 30, 2010 and $147.3 million at June 30, 2009 are uninsured and uncollateralized, therefore subject to custodial credit risk. At June 30, 2010, the University maintained money market accounts of $37.0 million in Federated Bank, $55.1 million in Bank of America N.A., $58.0 million in Fidelity Investors, $42.0 million in BNY Mellon. In addition to money market fair market value, the University held $0.8 million of cash to be used to settle open trades at June 30, 2010 and $0.9 million at June 30, 2009. The University also invested in BNY Mellon's CDARS program. The balance at June 30, 2010 was $20.0 million. The balance at June 30, 2009 was $10.0 million. These funds are invested in individual certificates of deposit in $250,000 increments and are therefore fully insured by the FDIC.

At June 30, 2010 the University held a carrying and fair market value of $553.3 million in non-money market investments compared to a carrying and fair market value of $492.0 million at June 30, 2009. In the event of negligence due to the University's custodian and/or investment manager(s), it is expected that investment balances of $553.3 million and $492.0 million at June 30, 2010 and 2009, respectively, would be fully recovered. However, these amounts are subject to both interest rate risk and credit risk. Custody of assets is held with The Bank of New York Mellon or with the individual Investment Manager who is responsible for executing investment transactions.

***Concentration of Credit Risk* -** Concentration of Credit Risk is assumed to arise when the amount of investments that the University has with one issuer exceeds 5% or more of the total value of the University's investments.

As of June 30, 2010 and June 30, 2009, respectively, there is no portion of the University portfolio, excluding U. S. Government guaranteed obligations, which exceed 5% of the portfolio.

***Credit Risk* -** Credit risk is the risk that the University will lose money because of the default of the security issuer or investment counterparty. The University's Investment Policy and Guidelines Statement gives each Portfolio Manager full discretion within the parameters of the investment guidelines specific to that manager.

The table below shows the fair value (in thousands) and average credit quality of the fixed income component of the University's investment portfolio as of June 30, 2010 and 2009, respectively:

Asset Class	June 30, 2010 Fair Value	Average Credit Quality	June 30, 2009 Fair Value	Average Credit Quality
Short Duration	$305,247	AAA	$254,017	AAA
Intermediate Duration	241,252	A	220,792	A

The table below shows the fair value (in thousands) by credit quality of the rated debt investments component of the University's investment portfolio as of June 30, 2010 and 2009, respectively:

Rated Debt Investments - 2010
(in thousands)

		S&P Quality Ratings										
	Fair Value	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	Unrated
U.S Agencies	$ 11,903	$ 277	$ -	$ 322	$ -	$ -	$ -	$ -	$ -	$ 6	$ -	$ 11,298
U.S Government	26,957	9,214	163	-	-	-	-	-	-	-	-	17,580
Corporate Debt	227,648	22,949	68,261	94,079	18,197	6,752	6,751	3,612	276	-	13	6,758
Money Market Funds	279,991	231,994	-	458	-	-	-	-	-	-	-	47,539
	$ 546,499	$ 264,434	$ 68,424	$ 94,859	$ 18,197	$ 6,752	$ 6,751	$ 3,612	$ 276	$ 6	$ 13	$ 83,175

Rated Debt Investments - 2009
(in thousands)

		S&P Quality Ratings										
	Fair Value	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	Unrated
U.S Agencies	$ 31,215	$ 313	$ -	$ 227	$ -	$ -	$ -	$ -	$ -	$ 947	$ -	$ 29,728
U.S Government	31,445	7,028	154	-	-	-	-	-	-	309	-	23,954
Corporate Debt	213,298	25,986	60,563	89,875	17,033	7,312	6,055	1,329	79	212	33	4,821
Money Market Funds	198,851	191,008	-	232	-	-	-	-	-	(3)	-	7,614
	$ 474,809	$ 224,335	$ 60,717	$ 90,334	$ 17,033	$ 7,312	$ 6,055	$ 1,329	$ 79	$ 1,465	$ 33	$ 66,117

***Interest Rate Risk* -** Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Investment Policy establishes targets for the preferred duration of the fixed income component of the investment portfolio by asset class by limiting investments through targeted allocations to different asset classes.

The table below shows the allocation for each asset class and the fair value (in thousands) for each as of June 30, 2010 and 2009, respectively:

Asset Class	6/30/10 Allocation	6/30/10 Fair Value	6/30/09 Allocation	6/30/09 Fair Value
Short Duration	40%	$305,247	38%	$254,017
Intermediate Duration	31%	241,252	33%	220,792
Alternative Assets	18%	141,244	19%	129,658
Equities	10%	72,363	9%	61,657
Commodities	1%	8,153	1%	5,455
Real Estate	0%	-	0%	2,633

Investments - 2010
(in thousands)

Investment Type:	Investment Maturity (in Years)				
Debt Securities	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
US Agencies	$ 11,304	$ -	$ 1,043	$ 1,502	$ 8,759
US Government	26,957	3,996	13,165	8,540	1,256
Corporate Debt	227,648	7,776	127,840	64,024	28,008
Municipal/Public Bonds	599	279	320	-	-
Money Market Mutual Funds	279,991	280,033	(11)	(61)	30
	$ 546,499	$ 292,084	$ 142,357	$ 74,005	$ 38,053

Other Investments	Fair Value
Alternative Assets	$ 141,244
Equity Securities- International	37,612
Equity Securities- Domestic	34,751
Commodities	8,153
Real Estate	-
	$ 221,760

Investments - 2009
(in thousands)

Investment Type:	Investment Maturity (in Years)				
Debt Securities	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
US Agencies	$ 30,675	$ 13,010	$ 752	$ 1,867	$ 15,046
US Government	31,445	8,035	12,110	10,679	621
Corporate Debt	213,298	2,586	118,219	55,685	36,808
Municipal/Public Bonds	540	-	540	-	-
Money Market Mutual Funds	198,851	198,851	-	-	-
	$ 474,809	$ 222,482	$ 131,621	$ 68,231	$ 52,475

Other Investments	Fair Value
Alternative Assets	$ 129,658
Equity Securities- International	33,635
Equity Securities- Domestic	28,022
Commodities	5,455
Real Estate	2,633
	$ 199,403

Securities Lending: The University participates in a securities lending program. The University's custodian, The Bank of New York Mellon, conducts business on behalf of the University with potential borrowers who are prescreened for creditworthiness prior to transactions. In exchange for the use of a particular security, cash collateral of 101-105% of the security's fair market value is collected from the potential borrower.

As of June 30, 2010 the University held a fair market value of $120.4 million in lendable securities, compared to $91.6 million in 2009, respectively. Out of these lendable securities, as of June 30, 2010, $2.6 million was out on loan with 13 borrowers compared to $15.4 million with 20 borrowers on June 30, 2009. The loans were outstanding for an average of 43 days in 2010, compared to 106 days in 2009.

Securities Lending 2010 (in thousands)

Securities Lent	Underlying Security Value	Cash Collateral Rec'd Value	Collateral Percentage
Agencies/Other Govt	$222	$227	102.05%
Corporate Debt	84	89	105.88%
TIPS	1,456	1,484	101.96%
US Govt. - T-Notes	846	864	102.08%
	$2,608	$2,664	102.13%

Securities Lending 2009 (in thousands)

Securities Lent	Underlying Security Value	Cash Collateral Rec'd Value	Collateral Percentage
Agencies/Other Govt	$936	$952	101.71%
Corporate Debt	3,165	3,240	102.36%
TIPS	8,729	8,865	101.56%
US Govt. - T-Notes	2,571	2,632	102.38%
	$15,400	$15,688	101.87%

The cost and fair value of cash, cash equivalents and investments of the University Related Organizations at June 30, 2010 and 2009, respectively are as follows (in thousands):

University Related Organizations:	Total Fair Value 6/30/10	Total Cost 6/30/10	Total Fair Value 6/30/09	Total Cost 6/30/09
Cash and Cash Equivalents	$3,611	$3,611	$3,402	$3,402
Money Market Instruments	138,248	126,997	199,175	199,638
Corporate and Municipal Bonds	108,431	101,312	31,775	31,144
Common and Preferred Stock	49,531	53,236	18,250	21,209
Mutual Funds	845	845	1,061	1,061
Other	-	-	508	621
	$300,666	$286,001	$254,171	$257,075

Pursuant to Trust Agreements between the Building Authority and its bond trustees, all funds deposited with those trustees (approximately $796.3 million at June 30, 2010 and $416.3 million at June 30, 2009) shall be continuously maintained for the benefit of the Building Authority and Registered owners of the Bonds. All investments shall be (a) held with a bank or trust company approved by the Trustees and the Building Authority, as custodians, or (b) in such other manner as may be required or permitted by applicable state and Federal laws and regulations. Investments shall consist of (a) direct obligations of, or obligations which are unconditionally guaranteed by, the United States of America, or any other agency or corporation which has been created pursuant to an act of Congress of the United States as an agency or instrumentality thereof; or (b) other marketable securities eligible as collateral for the deposit of trust funds under regulations of the Comptroller of the Currency having a market value not less than the amount of such deposit. Direct obligations of, or obligations which are unconditionally guaranteed by, the United States of America or any other agency or corporation which has been created pursuant to an act of Congress of the United States as an agency or instrumentality thereof may be subject to repurchase upon demand by the owner pursuant to a repurchase agreement with a bank or trust company.

3. CASH HELD BY STATE TREASURER

Accounts payable, accrued salaries and outlays for future capital projects to be funded from state-appropriated funds totaled approximately $16.2 million at June 30, 2010 and $22.7 million at June 30, 2009. The University has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the University, which will be subsequently utilized to pay for such liabilities.

4. CASH AND SECURITIES HELD BY TRUSTEES

Cash and securities held by trustees primarily consist of unspent bond proceeds, amounts held for the future payment of debt service on such borrowings and designated funds. At June 30, 2010 and June 30, 2009 there are investments of $3.4 million and $7.4 million, respectively, available from Master Lease agreements entered into by the University for capital asset purchases at the Amherst and Boston campuses. Additionally, there is $8.3 million and $4.4 million, respectively, available from the Revolving Loan Fund established with 2000 Series A bond proceeds issued to acquire and implement enterprise resource planning technology along with other projects (see Note 8) and $796.3 million and $416.3 million, respectively, held by trustees related to the Building Authority. This includes designated funds awarded by the Commonwealth of Massachusetts for capital projects which are held in trust by the Building Authority. At June 30, 2010 and 2009, the amount of designated funds were $23.2 million and $34.0 million, respectively. In addition, at June 30, 2010 and 2009, $6.9 million and $47.0 million, respectively were available to be used by WCCC for capital construction purposes.

Funds deposited with trustees include $5.3 million of investments in repurchase agreements at June 30, 2010 and 2009, respectively. These repurchase agreements are collateralized by cash or investments with a fair market value between 100% and 105% of the repurchase price, depending on the type of assets used as security. These repurchase agreements can be redeemed at any time for the repurchase price provided the redemption proceeds are used for the purpose permitted by the respective repurchase agreement.

5. ACCOUNTS, GRANTS AND LOANS RECEIVABLE

Accounts, grants and loans receivable at June 30 consist of the following (in thousands):

University:

	2010	2009
Students Accounts Receivable	$37,349	$35,317
Less allowance for uncollectible accounts	(13,688)	(12,325)
	23,661	22,992
Grants and Contracts Receivable	79,140	80,854
Less allowance for uncollectible accounts	(2,181)	(1,402)
	76,959	79,452
Students Loans Receivable	43,025	42,395
Less allowance for uncollectible accounts	(2,270)	(2,981)
	40,755	39,414
Commonwealth Medicine	67,317	56,695
Less allowance for uncollectible accounts	(1,104)	(1,104)
	66,213	55,591
Other	53,870	38,636
Less allowance for uncollectible accounts	(1,762)	(1,224)
	52,108	37,412
Total, net	$259,696	$234,861
Less current portion, net	(223,267)	(199,532)
Long-term, net	$36,429	$35,329

Related Organizations:

	2010	2009
Other Accounts Receivable	$-	$22
Less allowance for uncollectible accounts	-	-
	-	22
Less current portion	-	(22)
Long-term	$-	$-

Effective March 31, 1998, the former University of Massachusetts Clinical Services Division (which was comprised of the University of Massachusetts Medical School Teaching Hospital Trust Fund, University of Massachusetts Medical School - Group Practice Plan, and the University of Massachusetts Medical Center Self Insurance Trust), was merged into a separate Massachusetts not-for-profit corporation named UMass Memorial Health Care, Inc. ("UMass Memorial"). UMass Memorial is not a component of these financial statements. In connection with the merger of UMass Memorial and the former Clinical Services Division of the University in 1998, the University and UMass Memorial have the following ongoing agreements:

- UMass Memorial has been granted the right to occupy portions of the University's Worcester Medical School campus for a period of 99 years and UMass Memorial has agreed to share responsibility for various capital and operating expenses relating to the occupied premises. UMass Memorial has also agreed to contribute to capital improvements to shared facilities.

- UMass Memorial has agreed to make certain payments to the University and its related organizations, including: 1) an annual fee of $12.0 million (plus an inflation adjustment), for 99 years as long as the University continues to operate a medical school; 2) a percentage of net operating income of UMass Memorial based upon an agreed upon formula which revenue is recognized by the University when the amounts are agreed; and 3) a $31.5 million contribution plus interest by UMass Memorial to jointly fund and develop a new research facility with the University, the final payment of which was received during April 2001.

- The University leased certain employees to UMass Memorial or its affiliates during a transition period ending in 2008.

The University is reimbursed by, and reimburses UMass Memorial for shared services, leased employees, and other agreed upon activities provided and purchased. For the years ended June 30, 2010 and 2009, the reimbursement for services provided to UMass Memorial were $124.1 million and $120.1 million, respectively. Included in these amounts is payroll paid by the University on behalf of UMass Memorial in an agency capacity in the amount of $77.3 million for fiscal year 2010 and $70.7 million for fiscal year 2009. At June 30, 2010 and 2009, the University has recorded a net receivable in the amount of $14.6 million and $15.5 million, respectively from UMass Memorial consisting of $2.2 million and $0.4 million, respectively related to capital projects at the Medical School, and $8.1 million and $7.1 million, respectively in payroll and related fringe charges. The receivable amount also contains $3.6 million at June 30, 2009 representing the negotiated amount under the agreed upon formula noted above which resulted in zero in 2010. The University has recorded a payable at June 30, 2010 and 2009 of $4.0 million and $3.4 million, respectively for amounts due to UMass Memorial for capital projects and cross-funded payroll.

6. RELATED ORGANIZATIONS

Related party activity with the Foundation includes loan and lease agreements, and investments of the University's endowment assets and funded reserve with the Foundation. As of June 30, 2010, the net assets of the Foundation included as related organizations in the combined financial statements of the University are $307.0 million, of which $301.4 million are restricted funds and $5.5 million are unrestricted funds. During the fiscal year ended June 30, 2010, the University received approximately $20.9 million from the Foundation, and disbursed approximately $11.9 million to the Foundation of which $7.3 million was for the establishment of quasi-endowment. At June 30, 2010, the University's investments include $187.5 million of endowment funds held in a custodial relationship at the Foundation, and $223.9 million in funded reserve.

As of June 30, 2009, the net assets of the Foundation included as related organizations in the combined financial statements of the University are $274.4 million, of which $283.2 million are restricted funds and $(8.8) million are unrestricted funds. During the fiscal year ended June 30, 2009, the University received approximately $24.8 million from the Foundation, and disbursed approximately $228.7 million to the Foundation of which $44.7 was for the establishment of quasi-endowment and $180.0 million for the funded reserve. At June 30, 2009, the University's investments include $168.7 million of endowment funds held in a custodial relationship at the Foundation, and $212.2 million in funded reserve.

The University leases office space from the Foundation for an annual rent of approximately $0.5 million.

During 2001, the Worcester Medical School and UMass Memorial Health Ventures, Inc. formed Public Sector Partners ("PSP"). PSP is a Massachusetts not-for-profit corporation organized to provide administrative support to agencies of state and local governments that provide health care and health related services to recipients under the auspices of government sponsored and funded health care programs and initiatives. MedMetrics Health Partners, Inc., a wholly owned subsidiary of PSP, was created by and is an affiliate of PSP. Medmetrics is a Section 501(c)(4) not for profit pharmacy (PBM).

PSP was governed by a board of trustees that were comprised equally of representatives from the Worcester Medical School and UMass Memorial Health Ventures, Inc. (a subsidiary of UMass Memorial). Neither entity had an equity interest in PSP; therefore, for financial reporting purposes the University treated PSP as a joint venture for which there was no equity interest. Accordingly, PSP's results of operations, statement of position, and cash flows were not included in the University's financial report. A separate financial statement for PSP was published and was available upon request of the UMass Medical School.

On October 1, 2008, the board of trustees of Public Sector Partners, Inc. ("PSP") a Massachusetts corporation formed under M.G.L.c. 180, which are comprised equally of representation from the UMass Medical School and UMass Memorial Health Ventures, Inc. (a subsidiary of UMass Memorial) voted to amend the bylaws of PSP naming Worcester City Campus Corporation (WCCC) to be the sole member of the Corporation. There was no monetary value give for the transaction and it was accounted for using the "pooling of interests" method as described by APB 16: *Business Combinations*. Accordingly, the results of operations and cash flow for 2009 have been combined as though the operations of WCCC and PSP commenced as of July 1, 2008.

The Building Authority and the Commonwealth of Massachusetts have entered into various lease agreements under which the Commonwealth leases to the Building Authority certain property for nominal amounts.

In August 2005, the Building Authority executed a contract with UMass Management, LLC, a wholly owned subsidiary of ClubCorp USA, Inc., to provide management services for The University of Massachusetts Club ("the Club"), a private social club for alumni and friends of the University. Under the contract, the Authority is responsible for approving the budgets and operating plans of the Club as presented by the Manager. The Building Authority is responsible for any shortfall in the operating budget and will benefit from any operating profits. The contract calls for a minimum management fee payable to the Manager of $0.2 million or four percent of the operating revenues, as defined by the contract, whichever is greater. Additionally, the Manager receives a percentage of the Club initiation fees and 25 percent of operating profits, as defined by the contract. The contract term is 10 years and can be terminated by the Building Authority after 3 years if the Building Authority decides to close the Club for a minimum of 18 months. The Building Authority is the tenant on the sublease for the Club space and the lease does not terminate should the Building Authority close the Club. As of June 30, 2010 and 2009, the Authority had provided operating support for the Club of approximately $0.2 million and $0.5 million, respectively.

7. INVESTMENT IN PLANT

Investment in plant activity for the year ended June 30, 2010 is comprised of the following (in thousands):

University:	Beginning Balance	Additions/ Adjustments	Retirements/ Adjustments	Ending Balance
Land	$34,398	$20,240	($1,649)	$52,989
Buildings and Improvements	2,586,338	303,716	(4,750)	2,885,304
Equipment and Furniture	585,049	40,840	(24,325)	601,564
Software	119,596	8,735	-	128,331
Library Books	104,324	13,446	(7,802)	109,968
	3,429,705	386,977	(38,526)	3,778,156
Accumulated Depreciation	(1,602,389)	(154,507)	25,854	(1,731,042)
Sub-Total	1,827,316	232,470	(12,672)	2,047,114
Construction in Progress	241,169	205,439	(169,330)	277,278
Total	$2,068,485	$437,909	($182,002)	$2,324,392

University Related Organizations:	Beginning Balance	Additions/ Adjustments	Retirements/ Adjustments	Ending Balance
Land	$560	$200	-	$760
Buildings and Improvements	594	525	-	1,119
Equipment and Furniture	120	52	-	172
	1,274	777	-	2,051
Accumulated Depreciation	(324)	(28)	-	(352)
Total	$950	$749	-	$1,699

Investment in plant activity for the year ended June 30, 2009 is comprised of the following (in thousands):

University:	Beginning Balance	Additions/ Adjustments	Retirements/ Adjustments	Ending Balance
Land	$34,623		($225)	$34,398
Buildings and Improvements	2,167,568	$421,474	(2,704)	2,586,338
Equipment and Furniture	564,303	43,566	(22,820)	585,049
Software	109,695	9,901	-	119,596
Library Books	106,944	5,816	(8,436)	104,324
	2,983,133	480,757	(34,185)	3,429,705
Accumulated Depreciation	(1,484,130)	(139,020)	20,761	(1,602,389)
Sub-Total	1,499,003	341,737	(13,424)	1,827,316
Construction in Progress	420,912	273,014	(452,757)	241,169
Total	$1,919,915	$614,751	($466,181)	$2,068,485

University Related Organizations:	Beginning Balance	Additions/ Adjustments	Retirements/ Adjustments	Ending Balance
Land	$576		($16)	$560
Buildings and Improvements	594		-	594
Equipment and Furniture	128		(8)	120
	1,298		(24)	1,274
Accumulated Depreciation	(319)	($20)	15	(324)
Total	$979	($20)	($9)	$950

At June 30, 2010 and 2009, investment in plant included capital lease assets of approximately $84.6 million and $86.1 million, respectively, net of accumulated depreciation on capital lease assets of approximately $65.7 million and $63.0 million, respectively (see Note 9). The University has not reported any impairment during 2010 or 2009, respectively. The University had a capital contribution of $29.8 million during 2010 as a result of acquiring assets below fair value.

The University has capitalized interest on borrowings, net of interest earned on related debt reserve funds, during the construction period of major capital projects. Capitalized interest is added to the cost of the underlying assets being constructed, and is amortized over the useful lives of the assets. For the years ended June 30, 2010 and 2009, the University capitalized net interest costs of $23.6 million and $11.0 million respectively.

8. BONDS PAYABLE

Amounts outstanding at June 30, 2010 are as follows:

Issue Borrowing	Original Borrowing	Maturity Date	Interest Rate	Amount Outstanding
University of Massachusetts Building Authority:				
Series 2000-A	$46,980	2011	4.625-4.75%	$3,215
Series 2000-1	24,145	2010	4.625%	1,155
Series 2000-2	132,155	2010	4.6-5.5%	5,680
Series 2003-1	137,970	2014	3.375-5.25%	28,205
Series 2004-A	96,025	2015	3.75-4.5%	12,630
Series 2004-1	183,965	2016	3.75-5.375%	45,960
Series 2005-1	25,595	2016	5.0%	14,945
Series 2005-2	212,550	2025	4.0-5.25%	200,040
Series 2006-2	21,240	2014	5.36-5.49%	10,825
Series 2008-A	26,580	2038	variable	25,215
Series 2008-1	232,545	2038	variable	221,475
Series 2008-2	120,560	2038	4.0-5.0%	115,370
Series 2008-3	138,635	2034	variable	136,275
Series 2008-4	104,000	2034	variable	102,495
Series 2009-1	247,810	2039	2.0-5.0%	244,410
Series 2009-2	271,855	2039	6.423-6.573%	271,855
Series 2009-3	28,570	2039	5.823-6.173%	28,570
Revolving Line of Credit	30,000	2011	variable	401
				1,468,721
		Unamortized Bond Premium		29,787
		Less Deferred Loss on Refunding		(42,048)
			SUBTOTAL	1,456,460
University of Massachusetts HEFA:				
2000 Series A	$20,000	2030	variable	20,000
2001 Series B	11,970	2031	4.35-5.125%	546
2002 Series C	35,000	2034	4.0-5.125%	31,345
2007 Series D	10,435	2031	3.75-4.25%	10,190
			SUBTOTAL	62,081
WCCC HEFA:				
Series 2001-B	$52,020	2023	4.0-5.25%	13,700
Series 2005-D	99,325	2029	3.0-5.25%	90,575
Series 2007-E	118,750	2031	3.5-5.0%	114,000
Series 2007-F	101,745	2036	4.0-5.0%	94,530
				312,805
		Unamortized Bond Premium		9,029
		Less Deferred Loss on Refunding		(13,266)
			SUBTOTAL	308,568
			TOTAL	$1,827,109

Maturities and interest, which is estimated using rates in effect at June 30, 2010, on bonds payable for the next five fiscal years and in subsequent five-year periods are as follows (in thousands):

	Principal	Interest
2011	$54,379	$79,421
2012	62,448	77,157
2013	64,205	74,501
2014	66,250	72,054
2015	65,640	69,063
2016-2020	356,355	297,751
2021-2025	379,035	213,960
2026-2030	385,810	134,230
2031-2035	278,365	60,533
2036-2040	131,120	13,952
Total	$1,843,607	$1,092,622

Bonds payable activity for the year ended June 30, 2010 is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
University of Massachusetts Building Authority:				
Series 2000-A	$4,715		($1,500)	$3,215
Series 2000-1	2,250		(1,095)	1,155
Series 2000-2	11,090		(5,410)	5,680
Series 2003-1	33,180		(4,975)	28,205
Series 2004-A	14,455		(1,825)	12,630
Series 2004-1	51,725		(5,765)	45,960
Series 2005-1	17,035		(2,090)	14,945
Series 2005-2	202,165		(2,125)	200,040
Series 2006-2	13,640		(2,815)	10,825
Series 2008-A	25,910		(695)	25,215
Series 2008-1	227,120		(5,645)	221,475
Series 2008-2	117,550		(2,180)	115,370
Series 2008-3	137,475		(1,200)	136,275
Series 2008-4	103,260		(765)	102,495
Series 2009-1		$247,810	(3,400)	244,410
Series 2009-2		271,855		271,855
Series 2009-3		28,570		28,570
Revolving Line of Credit	16,823	201	(16,623)	401
Plus: unamortized bond premium	19,414	14,164	(3,791)	29,787
Less: deferred loss on refunding	(42,779)		731	(42,048)
Subtotal	955,028	562,600	(61,168)	1,456,460
UMass HEFA:				
2000 Series A	20,000			20,000
2001 Series B	801		(255)	546
2002 Series C	32,005		(660)	31,345
2007 Series D	10,235		(45)	10,190
Subtotal	63,041		(960)	62,081
WCCC HEFA:				
WCCC 2001 Series B	14,810		(1,110)	13,700
WCCC 2005 Series D	93,230		(2,655)	90,575
WCCC 2007 Series E	115,640		(1,640)	114,000
WCCC 2007 Series F	96,805		(2,275)	94,530
Plus: unamortized bond premium	9,419		(390)	9,029
Less: deferred loss on refunding	(13,963)		697	(13,266)
Subtotal	315,941		(7,373)	308,568
Total	$1,334,010	$562,600	($69,501)	$1,827,109

Bonds payable activity for the year ended June 30, 2009 is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
University of Massachusetts Building Authority:				
Series 2000-A	$6,140		($1,425)	$4,715
Series 2000-1	3,290		(1,040)	2,250
Series 2000-2	16,245		(5,155)	11,090
Series 2003-1	38,020		(4,840)	33,180
Series 2004-A	16,225		(1,770)	14,455
Series 2004-1	57,265		(5,540)	51,725
Series 2005-1	19,030		(1,995)	17,035
Series 2005-2	204,210		(2,045)	202,165
Series 2006-2	16,315		(2,675)	13,640
Series 2008-A	26,580		(670)	25,910
Series 2008-1	232,545		(5,425)	227,120
Series 2008-2	120,560		(3,010)	117,550
Series 2008-3	138,635		(1,160)	137,475
Series 2008-4	104,000		(740)	103,260
Revolving Line of Credit	120	19,290	(2,587)	16,823
Plus: unamortized bond premium	22,343		(2,929)	19,414
Less: deferred loss on refunding	(43,478)		699	(42,779)
Subtotal	978,045	19,290	(42,307)	955,028
UMass HEFA:				
2000 Series A	40,000		(20,000)	20,000
2001 Series B	1,045		(244)	801
2002 Series C	32,640		(635)	32,005
2007 Series D	10,280		(45)	10,235
Subtotal	83,965		(20,924)	63,041
WCCC HEFA:				
WCCC 2001 Series B	15,875		(1,065)	14,810
WCCC 2005 Series D	95,785		(2,555)	93,230
WCCC 2007 Series E	117,215		(1,575)	115,640
WCCC 2007 Series F	98,990		(2,185)	96,805
Plus: unamortized bond premium	9,810		(391)	9,419
Less: deferred loss on refunding	(14,660)		697	(13,963)
Subtotal	323,015		(7,074)	315,941
Total	$1,385,025	$19,290	($70,305)	$1,334,010

University of Massachusetts Building Authority

The bond agreements related to the Building Authority bonds generally provide that the net revenues of the Building Authority are pledged as collateral on the bonds and also provide for the establishment of bond reserve funds, bond funds, and maintenance reserve funds.

The University is obligated under its contracts for financial assistance, management and services with the Building Authority to collect rates, rents, fees and other charges with respect to such facilities sufficient to pay principal and interest on the Building Authority's bonds and certain other costs such as insurance on such facilities.

Pursuant to the authority given by the Building Authority's enabling act, the Commonwealth, acting by and through the Trustees of the University, has guaranteed the payment of principal of and interest on the Building Authority's bonds. (The guarantee is a general obligation of the Commonwealth to which the full faith and credit of the Commonwealth are pledged. As is generally the case with other general obligations of the Commonwealth, funds with which to honor the guarantee, should it be called upon, will be provided by Commonwealth appropriation). The Building Authority's enabling act provides that the outstanding principal amount of notes and bonds of the Building Authority guaranteed by the Commonwealth cannot exceed $200.0 million. The Building Authority issued bonds are all Commonwealth guaranteed with the exception of Series 2000-2, Series 2003-1, Series 2004-1, Series 2005-1, Series 2005-2, Series 2006-2 (federally taxable), Series 2008-1, Series 2008-2, Series 2008-3, Series 2009-1, Series 2009-2 (federally taxable), and Series 2009-3 (federally taxable).

When the Building Authority no longer has any bonds outstanding, its properties revert to the Commonwealth, and all its funds (other than funds pledged to bondholders) are required to be paid into the Treasury of the Commonwealth.

In fiscal year 2006 the Building Authority issued Series 2006-1 taxable bonds. The bonds were issued in the amount of $243.8 million and the proceeds were used for various construction and renovation projects for the University at its Lowell campus and to partially advance refund the 2003-1 Series bonds, the 2004-1 Series bonds and the 2004-A Series bonds. In June 2008 the Building

Authority used the proceeds of its Series 2008-3 and 2008-4 bonds (described below) to currently refund the Series 2006-1 Bonds. Therefore as of June 30, 2008 there were no bonds outstanding.

The Series 2008-3 and 2008-4 bonds carried a variable interest rate and were callable at any time at par. The principal and interest payments on the bonds were insured by AMBAC. The Building Authority also entered into a standby bond purchase agreement with Depfa Bank plc ("DEPFA") which required the DEPFA to purchase bonds tendered and not remarketed in an amount not to exceed the principal on the bonds plus accrued interest up to 190 days at an annual interest rate not to exceed 12 percent. Under this agreement, the Building Authority was required to pay the Bank in quarterly installments a facility fee in the amount of 9.5 (or higher under certain circumstances) basis points of the commitment amount. Fees accrued by the Building Authority in connection with the standby bond purchase agreement totaled $270,600 for the year ended June 30, 2008. At the time of the bond closing the Building Authority entered into an interest rate swap agreement with Citigroup, N.A., as swap counterparty for the term of the bond issue. The agreement calls for the Building Authority to pay a fixed rate of 3.482% and receive a floating rate based on a percentage of London Interbank Offered Rate ("LIBOR"), plus a spread (see below). The interest rate swap remains in place with an allocable portion going to the 2008-3 and 2008-4 bonds, respectively (see below).

In fiscal year 2008, the Building Authority issued its Series 2008-1 bonds. The bonds were issued in the amount of $232.5 million and the proceeds were to be used for various construction and renovation projects for the Amherst and Lowell campuses. As of June 30, 2010 and 2009 the bonds payable amount was $221.5 million and $227.1 million, respectively. The bonds are payable annually on May 1 through 2038. The bonds are supported with an irrevocable direct ay letter of credit ("the Lloyds LOC") issued by Lloyds TSB Bank plc ("Lloyds"). The Lloyds LOC, upon presentation of required documentation, will pay the Bond Trustee the amount necessary to pay the principal and accrued interest on the bonds. The Lloyds LOC expires in 2013 and may be extended at the option of Lloyds. Under the terms of the Lloyds LOC, the Building Authority is required to pay the Bank in quarterly installments a facility fee in the amount of 26.5 basis points (or higher, under certain circumstances) of the commitment amount. Fees accrued by the Building Authority in connection with the Lloyds LOC totaled $600,700 and $613,300 for the years ended June 30, 2010 and 2009, respectively. In December 2007 the Building Authority entered into an interest rate swap agreement with UBS AG, as swap counterparty, beginning May 1, 2008 and extending for the term of the bond issue. The agreement calls for the Building Authority to pay a fixed rate of 3.388% and receive a floating rate based on a percentage of LIBOR (see below).

In fiscal year 2008, the Building Authority issued Series 2008-A bonds. The bonds were issued in the amount of $26.6 million and the proceeds were to be used for various construction and renovation projects for the Dartmouth and Lowell campuses. As of June 30, 2010 and 2009 the bonds payable amount was $25.2 million and $25.9 million, respectively. The bonds are payable annually on May 1 through 2038. The Building Authority also entered into a standby bond purchase agreement with Bank of America, N.A. ("BofA") which requires BofA to purchase bonds tendered and not remarketed in an amount not to exceed the principal on the bonds plus accrued interest up to 184 days at an annual interest rate not to exceed 12 percent. Under this agreement, the Building Authority is required to pay BofA in quarterly installments a facility fee in the amount of 12 basis points of the initial commitment. The initial commitment under the agreement was set at $28.0 million but is subject to adjustment from time to time in accordance with the provisions of the agreement. The agreement expires in 2013 and may be extended at the option of the BofA. Fees accrued by the Building Authority in connection with the standby bond purchase agreement totaled $31,000 and $37,600 for the years ended June 30, 2010 and 2009, respectively. In December 2007 the Building Authority entered into an interest rate swap agreement with Lehman Brothers Special Financing Inc. ("LBSF"), as swap counterparty, beginning May 1, 2008 and extending for the term of the bond issue. The agreement calls for the Building Authority to pay a fixed rate of 3.378% and receive a floating rate based on a percentage of LIBOR. In November 2008, the Building Authority replaced LBSF with Deutsche Bank AG ("DBAG") as swap counterparty due to the bankruptcy of the LBSF holding company, Lehman Brothers Holdings, Inc. The swap agreement with DBAG is under the same terms as the original agreement with LBSF (see below).

In fiscal year 2008 UMBA issued its Series 2008-3 bonds. The bonds were issued in the amount of $138.6 million and the proceeds were used to currently refund a portion of the 2006-1 bonds. As of June 30, 2010 and 2009 the bonds payable amount was $136.3 million and $137.5 million. The bonds are payable annually on November 1 through 2034. The bonds carry a variable interest rate and are callable at any time at par. The bonds are supported with an irrevocable direct pay letter of credit ("the BofA LOC") issued by Bank of America NA ("BofA"). The BofA LOC, upon presentation of required documentation, will pay the Bond Trustee the amount necessary to pay the principal and accrued interest on the bonds. The BofA LOC expires in 2011 and may be extended at the option of BofA. Under the terms of the BofA LOC, the Building Authority is required to pay BofA in quarterly installments a facility fee in the amount of 55 basis points (or higher, under certain circumstances) of the commitment amount. Fees accrued by the Building Authority in connection with the BofA LOC totaled $814,100 and $816,000 for the years ended June 30, 2010 and 2009, respectively. The original interest rate swap with Citigroup from the 2006-1 bonds remains in place, with an allocable portion assigned to the 2008-3 bonds.

In fiscal year 2008, the Building Authority issued Series 2008-4 bonds. The bonds were issued in the amount of $104.0 million and the proceeds were used to currently refund a portion of the 2006-1 bonds. As of June 30, 2010 and 2009 the bonds payable amount was $102.5 million and $103.3 million, respectively. The bonds are payable annually on November 1 through 2034. The bonds carry a variable interest rate and are callable at any time at par. The Building Authority also entered into a standby bond purchase agreement with Bank of America, N.A. ("BofA") which requires BofA to purchase bonds tendered and not remarketed in an amount not to exceed the principal on the bonds plus accrued interest up to 184 days at an annual interest rate not to exceed 12%. Under this agreement, the Building Authority is required to pay BofA in quarterly installments a facility fee in the amount of 35 basis points of the initial commitment. The initial commitment under the agreement was set at $110.0 million but is subject to adjustment from time to time in accordance with the provisions of the agreement. The agreement expires in 2011 and may be extended at the option of the BofA. Fees accrued by the Building Authority in connection with the standby bond purchase agreement totaled $386,700 and $389,500 for the years ended June 30, 2010 and 2009, respectively. The original interest rate swap with Citigroup from the 2006-1 bonds remains in place, with an allocable portion assigned to the 2008-4 bonds.

In fiscal year 2010, the Building Authority issued Series 2009-1 bonds. The bonds were issued in the amount of $247.8 million and the proceeds were to be used for various construction and renovation projects for all campuses and for the construction of the Edward M. Kennedy Institute for the United States Senate. As of June 30, 2010 the bonds payable amount was $244.4 million. The bonds are payable annually on May 1 through 2039. The bonds carry interest rates that range from 2% to 5% and are callable beginning May 1, 2019 at par. The Building Authority was paid a premium of $14.2 million for these bonds.

In fiscal year 2010, the Building Authority issued Series 2009-2 Build America Bonds ("the BAB bonds"). The bonds were issued in the amount of $271.9 million and the proceeds were to be used for various construction and renovation projects for the Amherst, Boston, Lowell and Worcester campuses. As of June 30, 2010, the bonds payable amount was $ 271.9 million. The bonds are payable annually on May 1 beginning in 2024 through 2039. The bonds carry interest rates that range from 6.423% to 6.573% and are callable beginning May 1, 2018 at par. Interest on the BAB bonds are taxable to the bondholder but treated as tax-exempt by the issuer. The United States Government provides an interest subsidy equal to 35% of the interest amount payable to the bondholders or to the issuer at the election of the issuer. The Building Authority has elected to receive the subsidy directly and will file required forms with the Internal Revenue Service, prior to the interest payment due date, so that the subsidy is paid directly to the bond trustee for further payment to the bondholders.

In fiscal year 2010, the Building Authority issued its Series 2009-3 bonds. The bonds were issued in the amount of $28.6 million and the proceeds were to be used for various construction and renovation projects for the Worcester campus. The interest on the bonds is taxable to the bondholders. As of June 30, 2010 the bonds were fully outstanding. The bonds are payable annually on May 1 beginning in 2012 through 2039. The bonds carry interest rates that range from 5.823% to 6.173% and are callable at any time at the Make-Whole Redemption Price which equals the greater of the outstanding principal balance or the present value of the scheduled future principal and interest payments, which payments are discounted at the Treasury Rate plus 25 basis points.

In connection with the Series 2008-1 bonds, the Building Authority entered into an interest rate swap (the 2008-1 Swap). The intention of the swap is to effectively change the variable interest rate on the bonds to a synthetic fixed rate of 3.388%.

Terms. The bonds and the related swap agreement mature on May 1, 2038, and the swap's notional amount of $232.5 million matches the amount of the variable rate bonds. The swap was entered in December 2007 with a start date of May 1, 2008. The notional value of the swap and the principal amount of the associated debt decline over time as the bond principal payments are made to the bondholders. Under the swap, the Building Authority pays the counterparty a fixed payment of 3.388% and receives a variable payment computed as 70% of the one-month LIBOR. Conversely, the variable interest rate on the bonds is based on actual weekly remarketing rates which are expected to roughly track the Securities Industry and Financial Markets Association Municipal Swap Index™ ("SIFMA") as successor to the Bond Market Association Municipal Swap Index™ ("BMA").

Fair value. As of June 30, 2010 and 2009 the 2008-1 Swap had a negative fair market value of approximately $25.7 million and $25.0 million, respectively, due to a decrease in interest rates since execution of the swap. Because the Building Authority's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit risk. As of June 30, 2010 and 2009 the Building Authority was exposed to credit risk in the amount of the 2008-1 Swap's fair value. The swap's counterparty, UBS AG, was rated Aa3, A+ and A+ by Moody's Investors Service, Standard and Poor's and Fitch Ratings, respectively, as of June 30, 2010. To mitigate the potential for credit risk, if the counterparty's credit quality falls below A3/A/A, the fair value of the swap will be fully collateralized by the counterparty with U.S. Government Securities or U. S. Government Agency Securities. Collateral posted by the counterparty will be held by a third-party custodian.

Basis risk. The 2008-1 Swap exposes the Building Authority to basis risk should the relationship between LIBOR and SIFMA converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate (3.388%) and the synthetic rate as of June 30, 2010 (3.358%) and June 30, 2009 (3.468%). If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2010, the SIFMA rate was 0.25%, whereas 70% of the one-month LIBOR was 0.24%. As of June 30, 2009, the SIFMA rate was 0.35%, whereas 70% of the one-month LIBOR was 0.22%.

Termination risk. The Building Authority or the counterparty may terminate the 2008-1 Swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the Building Authority if the counterparty's credit quality rating falls below BBB+ as issued by Standard & Poor's Rating Service or Fitch Inc. or if the counterparty fails to have such a rating. If the swap is terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of the termination the swap has a negative fair value, the Building Authority would be liable to the counterparty for a payment equal to the swap's fair value.

In connection with the Building Authority's Series 2008-A bonds, the Building Authority entered into an interest rate swap (the 2008-A Swap). The intention of the swap is to effectively change the Building Authority's variable interest rate on the bonds to a synthetic fixed rate of 3.378%.

Terms. The bonds and the related swap agreement mature on May 1, 2038, and the swap's notional amount of $26.6 million matches the amount of the variable rate bonds. The swap was entered in December 2007 with a start date of May 1, 2008. The notional value of the swap and the principal amount of the associated debt decline over time as the bond principal payments are made to the bondholders. Under the swap, the Building Authority pays the counterparty a fixed payment of 3.378% and receives a variable payment computed as

70% of the one-month LIBOR. Conversely, the variable interest rate on the bonds is based on actual weekly remarketing rates which are expected to roughly track SIFMA.

Fair value. As of June 30, 2010 and 2009 the 2008-A Swap had a negative fair market value of approximately $3.0 million and $1.9 million, respectively, due to a decrease in interest rates since execution of the swap. Because the Building Authority's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit risk. As of June 30, 2010 and 2009 the Building Authority was exposed to credit risk in the amount of the 2008-A Swap's fair value. The swap's counterparty, DBAG was rated Aa3, A+ and AA-- by Moody's Investors Service, Standard and Poor's and Fitch Ratings, respectively, as of June 30, 2010. To mitigate the potential for credit risk, if the counterparty's credit quality falls below A3/A/A, the fair value of the swap will be fully collateralized by the counterparty with U.S. Government Securities or U. S. Government Agency Securities. Collateral posted by the counterparty will be held by a third-party custodian.

Basis risk. The 2008-A Swap exposes the Building Authority to basis risk should the relationship between LIBOR and SIFMA converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate (3.378%) and the synthetic rate as of June 30, 2010 (3.348%) and June 30, 2009 (3.458%). If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2010, the SIFMA rate was 0.25%, whereas 70% of the one-month LIBOR was 0.24%. As of June 30, 2009, the SIFMA rate was 1.55%, whereas 70% of the one-month LIBOR was 1.74%.

Termination risk. The Building Authority or the counterparty may terminate the 2008-A Swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the Building Authority if the counterparty's credit quality rating falls below BBB+ as issued by Standard & Poor's Rating Service or Baa1 as issued by Moody's Investor's Service or if the counterparty fails to have such a rating. If the swap is terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of the termination the swap has a negative fair value, the Building Authority would be liable to the counterparty for a payment equal to the swap's fair value.

Interest Rate risk. The Building Authority is exposed to interest rate risk on its 2008-A Swap since as LIBOR decreases, the Authority's net payment on the swap increases.

In connection with the Building Authority's Series 2006-1 bonds, the Building Authority entered into an interest rate swap (the 2006-1 Swap). The intention of the swap is to effectively change the Building Authority's variable interest rate on the bonds to a synthetic fixed rate of 3.482%. In fiscal 2008 the Building Authority refunded the Authority's Series 2006-1 bonds with the Building Authority's Series 2008-3 and 2008-4 bonds. The interest swap remains outstanding and is matched on a pro-rata basis with the Series 2008-3 and 2008-4 bonds.

Terms. The bonds and the related swap agreement mature on November 1, 2034, and the swap's notional amount of $243.8 million matches most of the amount of the variable rate bonds. The swap was entered at approximately the same time the bonds were issued (April 2006). The notional value of the swap and the principal amount of the associated debt decline as principal payments are made to the bondholders over time. Under the swap, the Building Authority pays the counterparty a fixed payment of 3.482% and receives a variable payment computed as 60% of the three-month LIBOR plus 0.18%. Conversely, the variable interest rate on the bonds is based on actual weekly remarketing rates which are expected to roughly track SIFMA.

Fair value. As of June 30, 2010 and 2009, the 2006-1 Swap had a negative fair market value of approximately $35.4 million and $25.0 million, respectively. The change in fair value of the swap is due to interest rates changes since execution of the swap. If interest rates increase over time from the date of issuance the swap will have a positive fair value while if rates fall the fair value will be negative. Because the Building Authority's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit risk. As of June 30, 2010 and 2009 the Building Authority was exposed to credit risk in the amount of the 2006-1 Swap's fair value. The swap's counterparty, Citibank, N.A., was rated A1, A+ and A+ by Moody's Investors Service, Standard and Poor's and Fitch Ratings, respectively, as of June 30, 2010. To mitigate the potential for credit risk, if the counterparty's credit quality falls below A2/A, the fair value of the swap will be fully collateralized by the counterparty with U.S. Government Securities or U. S. Government Agency Securities. Collateral posted by the counterparty will be held by a third-party custodian.

Basis risk. The 2006-1 Swap exposes the Building Authority to basis risk should the relationship between LIBOR and SIFMA converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate (3.482%) and the synthetic rate as of June 30, 2010 (3.202%) and June 30, 2009 (3.192%). If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2010, the SIFMA rate was 0.25%, whereas 60% of the three-month LIBOR plus 0.18% was 0.50%. As of June 30, 2009, the SIFMA rate was 0.35%, whereas 60% of the three-month LIBOR plus 0.18% was 0.54%.

Termination risk. The Building Authority or the counterparty may terminate the 2006-1 Swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the Building Authority if the counterparty's credit quality rating falls below Baa1 as issued by Moody's Investor Service or BBB+ as issued by Standard & Poor's or if the counterparty fails to have such a rating. If the swap is terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of the termination the swap has a negative fair value, the Building Authority would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt. Using rates as of June 30, 2010, the debt service requirements of the variable-rate debt and net swap payments, *assuming current interest rates remain the same* for their term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Because the 2008-1, 2008-A, and 2006-1 Swaps were determined to be effective derivative hedging instruments at June 30, 2010, the fair values have been reported as deferred outflows in the financial statements.

Aggregate future principal payments of the total University of Massachusetts Building Authority debt for the years ended June 30 are: 2011 - $44.6 million, 2012 - $53.4 million, 2013 - $54.4 million, 2014 - $56.0 million, 2015 - $54.9 million, and thereafter, $1,205.0 million. As rates vary, variable-rate bond interest payments and net swap payments will vary. At June 30, 2010 and 2009, the estimated fair value of the University of Massachusetts Building Authority debt is approximately $1,456.5 million and $955.0 million, respectively.

In connection with the Building Authority's bond refunding undertaken in fiscal year 2006 noted above, the Building Authority recorded a difference between the reacquisition price and the net carrying amount of the old debt of approximately $42.6 million. This difference is being reported as a reduction from bonds payable and will be amortized as an increase in amortization expense over the original life of the refunded bonds. The refundings reduced the University's debt service payments in future years by approximately $24.2 million and resulted in an economic gain (the present value of savings) of approximately $15.2 million.

In prior years, the Building Authority refunded all bonds outstanding issued by the Building Authority prior to May 1, 1984. Accordingly, the Building Authority deposited into trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. Assets held in trust accounts had an aggregate market value of approximately $1.7 million and $3.2 million at June 30, 2010 and 2009, respectively. The outstanding amount of the refunded bonds at June 30, 2010 and 2009 total approximately $1.8 million and $3.4 million, respectively.

The Building Authority maintains a Revolving Line of Credit ("the Line") with Bank of America, N.A ("the Bank"). The Line matures on the first anniversary of the date of the agreement and can be extended or renewed at the option of the Bank. At the time of each draw on the Line the Building Authority must elect to have the interest on the draw calculated based on (a) 75% of the one-month, two-month or three-month LIBOR rate ("LIBOR Rate") or (b) 75% of the higher of the Federal Funds Rate plus 0.5% or 75% of the Bank's "prime rate" ("Base Rate"). Interest is due at the end of the one, two or three month period under a LIBOR Rate draw, the first business day of the calendar quarter for Base Rate draws or the Line's maturity date, whichever comes first. Except at the Line's maturity date, the Building Authority can elect to have the interest charges incorporated into a subsequent draw. In November 2008 the Building Authority renewed the Line for an additional 12 months. At the time of the renewal the total Line was increased to $35.0 million from $30.0 million, the percentage of the various LIBOR rates was set at 77% with an additional rate of 0% and a fee was added equal to 0.08% of any unborrowed portion of the Line paid quarterly in arrears. In November 2009 the line was renewed again until January 2011 and decreased back to $30.0 million, the unborrowed fee was increased to 0.25% and the interest rate set at 65% of LIBOR plus 0.85%. In 2010 and 2009 the Building Authority paid $46,900 and $14,800, respectively, related to charges for the Line.

At the time Line was closed the Building Authority entered into a contract with the University that obligates the University to make payments to the Building Authority sufficient to cover the costs of the Line. The Building Authority expects to pay all principal and interest charges related to the Line by issuing long-term bonds at the appropriate time. As of June 30, 2010 and 2009, the Building Authority had $0.4 million and $16.8 million, respectively, outstanding under the Line. The interest terms on the draws made under the Line in fiscal 2010 were one-month LIBOR and the interest rates ranged from 0.187% to 1.078%. The interest terms on the draws made under the Line in fiscal 2009 were one-month LIBOR and the interest rates ranged from 0.024% to 3.306%.

Included in the University's debt are $485.5 million and $493.8 million of variable rate demand bonds (VRDB) through the Building Authority as of June 30, 2010 and 2009, respectively. The Series 2008-1, Series 2008-A, Series 2008-3 and Series 2008-4 bondholders have the option to put the bonds back to the Building Authority. Such bonds would be subject to the remarketing efforts by the Building Authority's remarketing agents. To the extent that such remarketing efforts were unsuccessful the bonds would be purchased by the various liquidity providers under the terms of the liquidity agreements. The bonds have been classified in the accompanying statements of net assets in accordance with the repayment provisions of those agreements. The scheduled repayment of the principal of these bonds would be as follows: $47.7 million in 2011, $97.1 million in 2012, 2013, 2014 and FY 2015, and $49.4 million 2016. The amounts reflected in the accompanying statement of net assets represent the difference in the current portion due bondholders under the bond documents and the amount outlined above.

Massachusetts Health and Educational Facilities Authority

University of Massachusetts Series C

In June 2002, the University issued $35.0 million of Massachusetts Health and Educational Facilities Authority ("MHEFA") Revenue Bonds, University of Massachusetts Issue, Series C (the "Series C Bonds"). The proceeds from this issuance were used to fund a portion of the costs associated with the construction of a new student center at the Boston campus which opened in April 2004. The Commonwealth's Division of Capital Asset Management and Maintenance ("DCAMM") managed the project and the

Commonwealth has provided additional funds for the project. The Series C Bonds mature October 1, 2034 and the remaining outstanding debt bears interest at fixed interest rates ranging from 4.0% to 5.125%. The Series C Bonds were issued at a net discount of approximately $488,000. Debt covenants include the maintenance of a debt service fund as outlined in the related debt agreement. The University is required to make deposits in this debt service fund on or before the twenty-fifth day of each March and September. Principal payments are made annually and are due on October 1. The Series C Bonds are redeemable prior to maturity beginning on October 1, 2012, at the option of MHEFA and the University, at 100% of face value, plus accrued interest. The outstanding principal balance on the Series C Bonds is $31.3 million and $32.0 million at June 30, 2010 and 2009, respectively.

University of Massachusetts Series B

In June 2001, the University issued $12.0 million of MHEFA Revenue Bonds, University of Massachusetts Issue, Series B (the "Series B Bonds"). The proceeds from this issuance were used to fund a portion of the costs associated with the construction of a new student center at the Lowell campus which was opened in September 2002. The Commonwealth's DCAMM managed the project and the Commonwealth provided additional funds for the project. The Series B Bonds mature on October 1, 2031 and the remaining outstanding debt bears interest at fixed interest rates ranging from 4.35% to 5.125%. The Series B Bonds were issued at a net discount of approximately $127,000. Debt covenants include the maintenance of a debt service fund as outlined in the related debt agreement. The University is required to make deposits in this debt service fund on or before the twenty-fifth day of each March and September. Principal payments are made annually and are due on October 1. The Series B Bonds are redeemable prior to maturity beginning on October 1, 2011, at the option of MHEFA and the University, at 100% of face value, plus accrued interest. At June 30, 2010 and 2009, the outstanding principal balance on the Series B Bonds is $0.5 million and $0.8 million, respectively.

University of Massachusetts Series D

In January 2007, the University issued $10.4 million of MHEFA Revenue Bonds, University of Massachusetts Issue Series D. The proceeds from this issuance were used to refund a portion of the Series B Bonds. The Series D Bonds mature on October 1, 2031, and the remaining outstanding series bear interest at fixed interest rates ranging from 3.5% to 4.25%. The Series D Bonds were issued at a discount of approximately $203,000. Debt covenants include the maintenance of a debt service fund outlined in the related debt agreement. The University is required to make deposits in the debt service fund on or before the twenty-fifth day of each March and September. Principal payments are made annually and are due on October 1. The refunding of the bonds resulted in a difference between the reacquisition price and net carrying amount of the old debt of approximately $0.8 million. This difference is reported in the accompanying financials statements as an increase to bonds payable. As a result of this partial refunding, the University will reduce its aggregate debt service payments by approximately $0.8 million and achieve an economic gain, (the difference between the present value of the old and new debt service payments), of $0.5 million. At June 30, 2010 and 2009, the outstanding principal balance on the Series D Bonds is $10.2 million, respectively.

University of Massachusetts Series A

In March 2000, the University issued $40.0 million of MHEFA Variable Rate Demand Revenue Bonds, University of Massachusetts Issue, Series A (the "Series A Bonds") to create a pool of funds from which the University finances and refinances the acquisition of telecommunications, electronic, computer, office, research, equipment and administrative systems and related renovation costs at the various University campuses on a revolving basis throughout the term of the Series A Bonds. On March 27, 2009 (the "Mandatory Purchase Date"), the Series A Bonds were subject to mandatory tender for purchase due to the expiration of the liquidity facility supporting the Series A Bonds and the conversion of the Series A Bonds from a weekly rate period to a long-term rate period. Only $20.0 million of the Series A Bonds was remarketed on the Mandatory Purchase Date (the "Remarketed Series A Bonds" and together with the Series A Bonds the "Bonds"). The initial long-term rate of 0.85% ended on March 31, 2010. The Remarketed Series A Bonds were remarketed again on April 1, 2010 and now bear interest at the long-term rate of 2.20%. The new long-term rate period will end on March 31, 2013 and the Remarketed Series A Bonds will be subject to mandatory tender for purchase on April 1, 2013. The Remarketed Series A Bonds will mature on November 1, 2030 and are subject to mandatory purchase prior to maturity as described above. Interest on the Remarketed Series A Bonds in the new long-term rate period is payable on October 1 and April 1. The Remarketed Series A Bonds are considered a reissuance for federal tax purposes. The Remarketed Series A Bonds are not supported by any insurance policy, liquidity facility or other credit enhancement. The Remarketed Series A Bonds are a general obligation of the University payable from all funds of the University permitted to be applied thereto. The University's unrestricted net assets, previously referred to as the expendable fund balance, secure the obligations of the University with respect to the Remarketed Series A Bonds. The University is required to certify annually that there are sufficient funds in the unrestricted net assets to cover the debt service on the Remarketed Series A Bonds. Average interest rates on the Bonds during fiscal year 2010 and 2009 were approximately 1.19% and 1.93%, respectively. The University is also obligated for certain ongoing administrative costs including remarketing and trustee fees. Debt covenants include the maintenance of a debt service fund as outlined in the related debt agreement. The Remarketed Series A Bonds were issued at par. At June 30, 2010 and 2009, the outstanding principal balance on the Bonds is $20.0 million.

The $20.0 million MHEFA Variable Rate Demand Revenue Bonds, University of Massachusetts Issue, Series A, which are not supported by any insurance policy, liquidity facility or other credit enhancement, will be subject to mandatory tender for purchase on April 1, 2013. The purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, the University will be obligated to purchase the bonds tendered, up to an aggregate principal amount of $20.0 million.

Aggregate principal payments on the Series A Bonds, Series B Bonds, Series C Bonds and Series D Bonds for the years ended June 30 are; 2011 - $1.0 million, 2012 - $1.0 million, 2013 - $1.1 million, 2014 - $1.1 million, 2015 - $1.2 million, thereafter - $56.7 million. At June 30, 2010 and 2009, the estimated fair value of the Series A Bonds, Series B Bonds, Series C Bonds and Series D Bonds is approximately $62.0 million and $62.2 million, respectively.

Worcester City Campus Corporation Series E

In January 2007, WCCC issued $118.8 million of Series E bonds. The Series E Bonds were issued at a premium of $3.9 million. WCCC has deposited $32.4 million of the proceeds to an irrevocable trust fund to provide for partial advanced refunding of the Series B Bonds. A portion of the Series B Bonds totaling $30.8 million and the irrevocable trust has been derecognized by WCCC. WCCC incurred a loss on advanced refunding and defeasance of $2.3 million which will be amortized over the life of the debt. This portion of the bonds bear interest at various fixed rates ranging from 3.5% to 4.5% and mature on October 1, 2031. As of June 30, 2010 and 2009, the aggregate principal payments outstanding on this portion of the Series E Bond was $32.3 million and $32.4 million, respectively. Further, $85.7 million of the Series E Bonds proceeds are being used to finance the construction of the Advanced Center for Clinical Education and Science ("ACCES") at the Worcester Campus. These funds had originally been invested with the Royal Bank of Canada under a repurchase agreement and earned interest at 4.92% under the agreement. The agreement with Royal Bank of Canada expired on December 1, 2008 and the funds were reinvested in MHEFA's Short Term Asset Reserve Fund. Periodically, WCCC requests reimbursement from this fund for qualified costs of construction that consists of building supplies, materials and labor. At June 30, 2010 and 2009, the balance of this construction fund totaled $6.9 million and $31.3 million, respectively including accrued interest earned. These bonds bear interest at various fixed rates ranging from 3.5% to 5.0% and mature October 1, 2036. As of June 30, 2010 and 2009, the aggregate principal payments outstanding on this portion of the Series E Bond was $81.7 million and $83.2 million, respectively.

Worcester City Campus Corporation Series C refunded by Series F

In January 2007, WCCC issued $101.7 million of Series F bonds. The Series F Bonds were issued at a premium of $2.8 million. WCCC has deposited $68.8 million of the proceeds to an irrevocable trust fund to provide for payment of the WCCC Series C Bonds. The Series C Bonds were issued by WCCC in April 2002 for $70.0 million. The proceeds from this issuance were used to finance the construction of the Jamaica Plains Biolabs. The WCCC Series C Bonds totaling $65.0 million and the irrevocable trust have been derecognized by WCCC. This portion of the bonds bear interest at various fixed rates ranging from 4.0% to 4.5% and mature on October 1, 2031. As of June 30, 2010 and 2009, the aggregate principal payments outstanding on this portion of Series F Bonds was $62.9 million and $64.6 million, respectively. WCCC incurred a loss on the advanced refunding and defeasance of $5.0 million which will be amortized over the life of the debt. Further, $34.6 million of the Series F Bonds proceeds are being used to finance the construction of the Biologics Laboratory Phase II Project at the Mattapan location of the Worcester Campus. These funds have been invested with the Royal Bank of Canada while construction progresses and earn interest at 4.92%. Periodically, WCCC requests reimbursement from this fund for qualified costs of construction that consists of building supplies, materials and labor. At June 30, 2009, the balance of this construction fund totaled $15.7 million including accrued interest earned. During fiscal year 2010, the fund was completely spent and the investment account was closed. These bonds bear interest at various fixed rates ranging from 4.0% to 5.0% and mature October 1, 2036. As of June 30, 2010 and 2009, the aggregate principal payments outstanding on this portion of the Series F Bond was $31.6 million and $32.2 million, respectively.

Worcester City Campus Corporation Series B

In June 2001, the University of Massachusetts Foundation, Inc. ("the Foundation") transferred ownership of its medical research development facility known as Two Biotech Park to WCCC. In exchange for the building, WCCC assumed from the Foundation the remaining debt of $17.8 million, net (the "Foundation Bonds"), and received the proceeds of the related debt service funds. Concurrent with the transfer, WCCC issued $52.0 million of MHEFA Revenue Bonds, WCCC Issue (University of Massachusetts Project), Series B (the "WCCC B Bonds"). WCCC deposited approximately $19.1 million ($17.0 million from the proceeds of the WCCC Series B Bonds and $2.1 million from debt service reserves) in an irrevocable trust fund to provide for the payment of interest and principal on the Foundation Bonds. The Foundation Bonds and the funds held in the irrevocable trust fund were derecognized by WCCC. The remaining $35.0 million of the WCCC B Bonds are being used to finance the construction of a parking garage and the acquisition and installation of equipment at the Worcester campus. The remaining portion of the Series B Bonds bear interest at various fixed rates ranging from 4.0% to 5.25% and mature on October 1, 2023. Debt covenants include the maintenance of a debt service fund as outlined in the debt agreement. The bonds were issued at a net discount of approximately $0.4 million. The Series B Bonds are redeemable prior to maturity beginning on October 1, 2011, at the option of MHEFA and WCCC, at par plus accrued interest. The outstanding balance at June 30, 2010 and 2009 is $13.7 million and $14.8 million, respectively.

Worcester City Campus Corporation Series D

In April 2005, WCCC issued $99.3 million of MHEFA Revenue Bonds (the "WCCC D Bonds"). WCCC has deposited the proceeds to an irrevocable trust fund to provide for payment of the MHEFA Revenue Bonds, WCCC Issue (University of Massachusetts Project) Series A (the "WCCC A Bonds" or the "refunded bonds"). The WCCC D bonds bear interest at various fixed rates ranging from 3.00% to 5.25% per year and mature October 1, 2029. The WCCC D Bonds were issued at a premium of $4.1 million. The WCCC D Bonds represent a transfer obligation of the University whereby, subject to the terms of the financing agreement, the University will be notified upon WCCC's failure to make any payments required by the trust agreement and the University will promptly transfer any amounts unpaid and due by WCCC under such agreement. Assets held in the refunding trust fund had an aggregate market value of approximately $94.8 million and $94.7 million at June 30, 2010 and 2009, respectively. The outstanding amount of the refunded bonds totaled approximately $84.7 million and $87.0 million at June 30, 2010 and 2009, respectively. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $8.9 million. This difference, reported in the accompanying financial statements as a reduction in bonds payable, is being charged to operations over the life of new bonds using the straight-line method. As a result of the defeasance, WCCC will reduce its aggregate debt service payments by approximately $4.0 million and achieve an economic gain, (the difference between the present value of the old and new debt service payments), of $3.9 million. The outstanding principal balance on the WCCC Series D Bonds at June 30, 2010 and 2009 is $90.6 million and $93.2 million, respectively.

Aggregate principal payments on the WCCC Series B Bonds, WCCC Series D Bonds, WCCC Series E Bonds and WCCC Series F Bonds for the years ended June 30 are; 2011 - $8.0 million, 2012 - $8.4 million, 2013 - $8.7 million, 2014 - $9.1 million, 2015- $9.5 million, thereafter $269.1 million. At June 30, 2010 and 2009, the fair value of the WCCC B Bonds, WCCC D Bonds, WCCC E Bonds and WCCC F Bonds was approximately $321.5 million and $306.0 million, respectively.

Pledged Revenues

WCCC is obligated under the terms of indebtedness to make debt service payments from revenues received from certain facility leases. Total applicable pledged revenues were $6.6 million for fiscal years 2010 and 2009, respectively.

Pursuant to the projects administered by the University of Massachusetts Building Authority, the Authority sets fees, rents, rates and other charges for the use of the projects in an amount for each fiscal year that produces revenues in excess of the amounts needed in such fiscal year for debt service on the related bonds, required contributions to the related Section 10 Reserve Fund, expenses for the Bond trustee and any escrow agent. Such excess revenues are held by the University for the account of and on behalf of the Authority. Total applicable pledged revenues were $64.0 million for 2010 and $58.7 million for 2009.

9. LEASES

The University leases certain equipment and facilities under operating leases with terms exceeding one year, which are cancelable at the University's option with 30 days notice. The rent expense related to these operating leases amounted to approximately $15.8 million and $18.0 million for the years ended June 30, 2010 and 2009, respectively. The University also leases space to third party tenants. During 2010 and 2009, the amount reported as rental income was $7.1 million and $7.0 million, respectively. The master leases primarily consist of telecommunications, software, and co-generation systems.

The following are a schedule of future minimum payments under capital and non-cancelable operating leases and a schedule of principal and interest payments on capital lease obligations for the next five years and in subsequent five-year periods for the University as of June 30, 2010 (in thousands):

	University Capital Leases			
Year	Master Leases	Other Leases	TOTAL	Operating Leases
2011	$6,512	$210	$6,722	$13,130
2012	5,748	97	5,845	11,630
2013	5,748	84	5,832	10,812
2014	4,372	67	4,439	10,296
2015	2,186	33	2,219	9,299
2016-2020	-	-	-	20,741
Total Payments	24,566	491	25,057	$75,908
Less: Amount representing interest	(1,878)	(40)	(1,918)	
Present Value of Minimum Lease Payments	$22,688	$451	$23,139	

June 30, 2010	University Capital Leases	
Year	Principal	Interest
2011	$5,962	$760
2012	5,288	557
2013	5,461	371
2014	4,248	191
2015	2,180	39
Total Payments	$23,139	$1,918

10. CAPITAL LEASES AND OTHER LONG-TERM LIABILITIES

During the year ended June 30, 2010 the following changes occurred in long-term liabilities as recorded in the statement of net assets (in thousands):

	Beginning Balance	Additions/ Adjustments*	Reductions/ Adjustments*	Ending Balance
University:				
Capital lease obligations	$22,870	$297	($5,990)	$17,177
Compensated absences	23,593	2,250	-	25,843
Workers' compensation	10,416	272	-	10,688
Deferred revenues and credits	23,668	12,604	(12,705)	23,567
Advances and deposits	26,782	124	(399)	26,507
Other Liabilities	3,301	-	(2,194)	1,107
University Related Organization:				
Other Liabilities	$3,025	$21	-	$3,046

** Adjustments include changes in estimates*

During the year ended June 30, 2009 the following changes occurred in long-term liabilities as recorded in the statement of net assets (in thousands):

	Beginning Balance	Additions/ Adjustments*	Reductions/ Adjustments*	Ending Balance
University:				
Capital lease obligations	$34,177	$77	($11,384)	$22,870
Compensated absences	21,707	1,886	-	23,593
Workers' compensation	11,274	-	(858)	10,416
Deferred revenues and credits	13,556	19,311	(9,199)	23,668
Advances and deposits	27,383	6	(607)	26,782
Other Liabilities	418	3,016	(133)	3,301
University Related Organization:				
Other Liabilities	$3,636	-	($611)	$3,025

** Adjustments include changes in estimates*

11. FRINGE BENEFITS

Expenditures for the years ended June 30, 2010 and 2009 include $215.1 million and $202.7 million, respectively, for the employer portion of fringe benefit costs (pension expense, health insurance for active employees and retirees, and unemployment) that was paid directly by the Commonwealth of Massachusetts. Of this amount, $92.0 million for 2010 and $82.4 million for 2009 was reimbursed to the Commonwealth and $123.1 million and $120.2 million respectively is included in revenue as state appropriations.

The University has recorded a liability for future expected costs of its workers' compensation claims of approximately $13.9 million as of June 30, 2010 and $14.1 million as of June 30, 2009. Estimated future payments related to such costs have been discounted at a rate of 6%.

12. MEDICAL SCHOOL LEARNING CONTRACTS

The University's Medical School enters into learning contracts with certain medical students. These contracts give students the option of deferring a portion of their tuition until after residency training, and canceling all or a portion of their tuition if they practice medicine in the Commonwealth for one year, or for students matriculating after 1990, two or four (depending on conditions) full years in primary care. The University does not record as revenue the portion of tuition deferred under these learning contracts until actual cash repayments are received. The cumulative amount granted under such learning contracts plus accrued interest totaled $59.2 million and $56.8 million at June 30, 2010 and 2009, respectively. Cumulative repayments totaled approximately $40.6 million and $38.4 million as of June 30, 2010 and 2009, respectively.

13. RETIREMENT PLANS

The Commonwealth of Massachusetts is statutorily responsible for the pension benefit of University employees who participate in the State Employees' Retirement System ("SERS"). SERS, a single employer defined benefit public employee retirement system, is administered by the Commonwealth and covers substantially all non-student employees. The University makes contributions on behalf of the employees through a fringe benefit charge assessed by the Commonwealth. Such pension expense amounted to approximately $38.9 million and $46.2 million for the years ended June 30, 2010 and 2009, respectively. The annuity portion of the SERS is funded by employees, who contribute a percentage of their regular compensation. Annual covered payroll approximated 75.4% and 76.6% for the years ended June 30, 2010 and 2009, respectively of annual total payroll for the University. Non-vested faculty and certain other employees of the University can opt out of SERS and participate in a defined contribution plan, the Massachusetts Optional Retirement Plan ("ORP"). At June 30, 2010 and 2009, there were approximately 1,787 and 1,907 University employees, respectively participating in ORP. The Commonwealth matches 5% of ORP contributions. SERS issues stand-alone financial statements that can be obtained from the Commonwealth.

The University of Massachusetts Foundation, Inc. had a defined contribution plan (the "Plan") for eligible employees through the Teachers Insurance and Annuity Association ("TIAA") and College Retirement Equity Fund ("CREF") retirement programs. The Plan was designed, and contributions were made, in accordance with the provisions of 403(b) of the Internal Revenue Code. Effective June 1, 2009, the University of Massachusetts Foundation, Inc. employees became employees of the University of Massachusetts. Therefore, the TIAA-CREF defined contribution plan was terminated and contributions ceased. Eligibility began immediately under the terminated plan and the Foundation contribution, based upon a percentage of salaries, was approximately $0 and $38,000 for the years ended June 30, 2010 and 2009, respectively. The Foundation has no liability for benefits paid under the Plan.

14. CONCENTRATION OF CREDIT RISK

The financial instrument that potentially subjects the University to concentrations of credit risk is the receivable from UMass Memorial which is uncollateralized. The receivable from UMass Memorial represents 5.3% and 6.2% of total accounts receivable for the University at June 30, 2010 and 2009, respectively. The University also has receivables from two organizations comprising approximately 7.5% and 7.1% of the total outstanding receivables at June 30, 2010. The University also had receivables from two organizations comprising approximately 8.3% and 5.8% of the total outstanding receivables at June 30, 2009.

15. COMMITMENTS AND CONTINGENCIES

The Building Authority, University, and WCCC have outstanding purchase commitments under construction contracts and real estate agreements in amounts aggregating approximately $336.4 million and $388.3 million at June 30, 2010 and 2009, respectively. In connection with the investments in certain limited partnership agreements, the Foundation has an additional $6.9 million and $3.4 million in committed calls as of June 30,2010 and 2009, respectively, which are scheduled to be funded over a number of years.

The University is a defendant in various lawsuits and is subject to various contractual matters; however, University management is of the opinion that the ultimate outcome of all litigation or potential contractual obligations will not have a material effect on the financial position, financial results or cash flows of the University.

From time to time the University and/or its affiliated organizations are subject to audits of programs that are funded through either federal and/or state agencies. The Medical School has become aware that the Office of the Inspector General for the U.S. Department of Health and Human Services is performing an audit of Medicaid Supplemental Revenues (“MSR”) received by UMMMC.

The eventual outcome of this audit is currently unknown. However, depending on the eventual outcome, UMMMC may be required to repay any MSR received deemed to be disallowed as a result of the audit. Dependent on the outcome, UMMS, consistent with the Agreement for Medical Educational Services, made part of the Definitive Agreement between the Medical School and UMass Memorial Medical Center, and its subsequent amendments and the indemnification provisions in these Agreements, may be required to indemnify UMMMC. Although the eventual outcome of this audit is currently unknown, and management believes that as of the date of the financial statements it is not probable that a liability exists, management concludes it is reasonably possible that amounts could be repaid and that those amounts may be material to the Statement of Revenues, Expense and Changes in Net Assets and the Statement of Cash Flow in a future period.

16. SEGMENT INFORMATION

A segment is an identifiable activity reported as a stand-alone entity for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds and has related expenses, gains and losses, assets, and liabilities that are required by an external party to be accounted for separately. The University has two segments that meet the reporting requirements under GASB 35.

The Worcester City Campus Corporation is organized to receive, take title to, hold, manage, develop, improve, demolish, renovate, lease for terms up to 99 years, or otherwise transfer, convey, or deal with any real or personal property conveyed to it including, without limitation, real and personal property utilized at or in connection with the operations of the University. The consolidated financial statements of Worcester City Campus Corporation include the accounts of its subsidiaries, Worcester Foundation for Biomedical Research, Inc. ("WFBR") and Public Sector Partners, Inc (“PSP”). WFBR is organized and operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code to solicit, receive, administer and make gifts and donations to the University of Massachusetts Medical School to support research activities, and to carry on any other activity that may be lawfully carried on by a corporation formed under Chapter 180 of Massachusetts General Laws and which is not inconsistent with the Corporation's qualification as an organization described in Section 501(c)(3) of the Internal Revenue Code. PSP is a Section 501(c)(3) not-for-profit health care consulting organization corporation located in Worcester, Massachusetts providing support and management services to various entities in the health care and insurance industries. PSP has a wholly owned subsidiary, MedMetrics Health Partners, Inc. MedMetrics Health Partners was created by and is an affiliate of PSP. Medmetrics is a Section 501(c)(4) not for profit pharmacy (PBM). WCCC outstanding revenue bonds were issued pursuant to specific bond indentures which provide that the revenue bonds are to be paid by certain revenues that are pledged to pay debt service.

The following summary financial information for WCCC is presented before elimination of certain intra-University transactions:

Statement of Net Assets at June 30:

	2010	2009
Assets		
Current Assets	$69,453	$50,982
Noncurrent Assets	434,694	425,608
Total Assets	$504,147	$476,590
Liabilities		
Current Liabilities	$57,340	$52,757
Noncurrent Liabilities	300,175	308,261
Total Liabilities	$357,515	$361,018
Net Assets	$146,632	$115,572

Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30:

	2010	2009
Operating Revenues	$278,631	$261,470
Operating Expenses	263,411	249,979
Operating Income	$15,220	$11,491
Increase in Net Assets	$31,060	$1,621
Beginning Net Assets	115,572	113,951
Ending Net Assets	$146,632	$115,572

Statement of Cash Flows for the year ended June 30:

	2010	2009
Net Cash Provided by Operating Activities	$29,379	$27,004
Net Cash Provided by/(Used in) Noncapital Financing Activities	(2,192)	140
Net Cash Used in Financing Activities	(58,790)	(65,303)
Net Decrease in Cash and Cash Equivalents	(31,603)	(38,159)
Beginning Cash and Cash Equivalents	57,321	95,480
Ending Cash and Cash Equivalents	$25,718	$57,321

The University of Massachusetts Building Authority is empowered to acquire, construct, remove, demolish, add to, alter, enlarge, reconstruct and do other work upon any building or structure and to provide and install furnishings, furniture, machinery, equipment, approaches, driveways, walkways, parking areas, planting, landscaping and other facilities therein. The Building Authority's Enabling Act authorizes it to acquire property from the Commonwealth or others (but the Building 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 and to enter into contracts. In addition, the Enabling Act authorizes the Building Authority to borrow money to finance and refinance projects it undertakes, and to issue and sell its revenue bonds and notes therefore which are payable solely from its revenues.

The following summary financial information for the Building Authority is presented before elimination of certain intra-University transactions:

Statement of Net Assets at June 30:

	2010	2009
Assets		
Current Assets	$29,169	$20,619
Noncurrent Assets	1,857,282	1,223,947
Total Assets	$1,886,451	$1,244,566
Liabilities		
Current Liabilities	$116,361	$123,923
Noncurrent Liabilities	1,437,535	860,422
Total Liabilities	$1,553,896	$984,345
Net Assets	$332,555	$260,221

Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30:

	2010	2009
Operating Revenues	$106,941	$89,100
Operating Expenses	41,912	33,711
Operating Income	$65,029	$55,389
Increase in Net Assets	$72,334	$43,025
Beginning Net Assets	260,221	217,196
Ending Net Assets	$332,555	$260,221

Statement of Cash Flows for the year ended June 30:

	2010	2009
Net Cash Provided by Operating Activities	$95,170	$81,884
Net Cash Provided by Noncapital Financing Activities	-	7,517
Net Cash Provided by/(Used in) Investing Activities	(337,739)	163,306
Net Cash Provided by/(Used in) Capital and Related Financing Activities	279,405	(202,575)
Net Increase in Cash and Cash Equivalents	36,836	50,132
Beginning Cash and Cash Equivalents	324,445	274,313
Ending Cash and Cash Equivalents	$361,281	$324,445

17. SUBSEQUENT EVENT

As part of the fiscal year 2010 budget process, the University received a budget from the Commonwealth that was $95.1 million less than the previous year. In order to address this significant decrease in funding, Governor Deval Patrick awarded $150.6 million in Education Stabilization Funds ("ESF") to the University. These funds originated from the passage of the American Recovery and Reinvestment Act ("ARRA") of 2009. In fiscal year 2011, the University's prior year budget cut was partially restored with an increase of $44.5 million. Additionally, the state awarded $37.8 million in State Fiscal Stabilization funds ("SFSF") to the University. Fringe benefits for payroll at the rate of 33.12% will be funded by the University when charged to these funds. In addition, the University is the recipient of several ARRA funded grants and contracts that were competitively awarded by various federal departments.

On November 16, 2010, the Foundation completed the acquisition of the building and land at 333 Faunce Corner Road, Dartmouth, MA, from the Board of Trustees of Southern New England School of Law. This acquisition marks the culmination of the gift of the assets of Southern New England School of Law to the University of Massachusetts Foundation, Inc. and the University of Massachusetts Dartmouth. This transaction was approved by the University's Board of Trustees on December 10, 2009 and the Commonwealth of Massachusetts Board of Higher Education on February 2, 2010. On July 1, 2010, the University of Massachusetts Dartmouth began operation of the law school, now known as UMass Law School at Dartmouth. The Foundation and the University of Massachusetts Dartmouth will enter into a long-term lease that will outline their obligation to each other.

On November 18, 2010, the Building Authority issued $552.3 million in bonds to fund a number of new construction and renovation projects across most of the University's campuses. The bond issue consists of tax-exempt, taxable Build America Bonds and taxable bonds. The interest rates on the tax-exempt bonds is between 2.5% and 5%, between 3.8% and 5.45% for the Build America Bonds and 5.75% for the taxable bonds. The tax-exempt bonds will mature in 2020 while the Build America Bonds and the taxable bonds will mature in November 2040. The debt service payments related to these bonds are detailed below.

Year Ending June 30,	Principal	Interest	Total
2011		$ 12,621	$ 12,621
2012	$ 4,750	27,815	32,565
2013	6,365	27,595	33,960
2014	11,350	27,152	38,502
2015	11,915	26,570	38,485
2016-2020	69,155	123,050	192,205
2021-2025	85,700	105,035	190,735
2026-2030	91,705	85,095	176,800
2031-2035	110,490	59,409	169,899
2036-2040	131,790	26,372	158,162
2041	29,090	793	29,883
	$552,310	$521,507	$1,073,817

Supplemental Financial Information
Table of Contents

Report of Independent Auditors on Accompanying Information

To the Board of Trustees of the
University of Massachusetts

The report on our audits of the basic financial statements of the University of Massachusetts as of June 30, 2010 and 2009 and for the years then ended, which references the work of other auditors, appears on page 4 of this document. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information listed in the accompanying index is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

December 16, 2010

PricewaterhouseCoopers LLP, 125 High Street, Boston, MA 02110
T: (617) 530 5000, F: (617) 530 5001, www.pwc.com/us

Combining Statements of Net Assets for University Related Organizations

As of June 30, 2010 and 2009

(in thousands of dollars)

Supplemental Schedule I

ASSETS	Total June 30, 2010	Eliminations and Adjustments June 30, 2010	The University of Massachusetts Foundation, Inc. June 30, 2010	University of Massachusetts Dartmouth Foundation, Inc. June 30, 2010	Total June 30, 2009	Eliminations and Adjustments June 30, 2009	The University of Massachusetts Foundation, Inc. June 30, 2009	University of Massachusetts Dartmouth Foundation, Inc. June 30, 2009
Current Assets								
Accounts, Grants and Loans Receivable					$22		$22	
Pledges Receivable	$3,758	($10,813)	$12,748	$1,823	8,237	($3,874)	9,043	$3,068
Due From Related Organizations	739	739			806	806		
Other Assets	65			65	16			16
Total Current Assets	**4,562**	**(10,074)**	**12,748**	**1,888**	**9,081**	**(3,068)**	**9,065**	**3,084**
Noncurrent Assets								
Cash and Cash Equivalents	3,611		43	3,568	3,402		267	3,135
Pledges Receivable	6,121	(9,863)	14,372	1,612	3,498	(20,843)	23,292	1,049
Investments	297,055	(442,968)	707,752	32,271	250,769	(410,317)	632,717	28,369
Other Assets	1,270		1,217	53	51			51
Investment In Plant Net of Accumulated Depreciation	1,699		1,699		950		950	
Total Noncurrent Assets	**309,756**	**(452,831)**	**725,083**	**37,504**	**258,670**	**(431,160)**	**657,226**	**32,604**
Total Assets	**$314,318**	**($462,905)**	**$737,831**	**$39,392**	**$267,751**	**($434,228)**	**$666,291**	**$35,688**
LIABILITIES								
Current Liabilities								
Accounts Payable	$106	($406)	$487	$25	$177	($1,364)	$1,513	$28
Due To Related Organizations	625	(1,819)		2,444	1,535	(551)		2,086
Notes Payable	2		2					
Assets Held on Behalf of the University		(411,541)	411,541			(381,163)	381,163	
Assets Held on Behalf of Others	9,990		9,990					
Deferred Revenues and Credits	5,340		5,340		6,243		6,243	
Total Current Liabilities	**16,063**	**(413,766)**	**427,360**	**2,469**	**7,955**	**(383,078)**	**388,919**	**2,114**
Noncurrent Liabilities								
Notes Payable	618		618					
Other Liabilities	3,046	165	2,881		3,025	69	2,956	
Total Noncurrent Liabilities	**3,664**	**165**	**3,499**		**3,025**	**69**	**2,956**	
Total Liabilities	**$19,727**	**($413,601)**	**$430,859**	**$2,469**	**$10,980**	**($383,009)**	**$391,875**	**$2,114**
Net Assets:								
Invested in Capital Assets Net of Related Debt	$1,699	$1,699			$950	$950		
Restricted								
Nonexpendable	240,595	(49,304)	$255,957	$33,942	225,549	(51,219)	$245,121	$31,647
Expendable	48,127		45,468	2,659	41,033		38,102	2,931
Unrestricted	4,170	(1,699)	5,547	322	(10,761)	(950)	(8,807)	(1,004)
Total Net Assets	**$294,591**	**($49,304)**	**$306,972**	**$36,923**	**$256,771**	**($51,219)**	**$274,416**	**$33,574**

S-I

Combining Statements of Revenues, Expenses, and Changes in Net Assets for University Related Organizations

For the Years Ended June 30, 2010 and 2009

(in thousands of dollars)

Supplemental Schedule II

	Total June 30, 2010	Eliminations and Adjustments June 30, 2010	The University of Massachusetts Foundation, Inc. June 30, 2010	University of Massachusetts Dartmouth Foundation, Inc. June 30, 2010	Total June 30, 2009	Eliminations and Adjustments June 30, 2009	The University of Massachusetts Foundation, Inc. June 30, 2009	University of Massachusetts Dartmouth Foundation, Inc. June 30, 2009
EXPENSES								
Operating Expenses								
Educational and General								
Public Service	$10,388	($1,559)	$10,703	$1,244	$13,443	($378)	$11,615	$2,206
Depreciation	28		28		20		20	
Scholarships and Fellowships	782	(391)	649	524	544	(927)	1,122	349
Total Operating Expenses	**11,198**	**(1,950)**	**11,380**	**1,768**	**14,007**	**(1,305)**	**12,757**	**2,555**
Operating Income/(Loss)	**(11,198)**	**1,950**	**(11,380)**	**(1,768)**	**(14,007)**	**1,305**	**(12,757)**	**(2,555)**
NONOPERATING REVENUES/(EXPENSES)								
Gifts	10,498	(586)	9,617	1,467	15,929	(5,786)	18,146	3,569
Investment Income	19,676	(41,568)	59,889	1,355	(50,324)	25,769	(73,790)	(2,303)
Endowment Income	974	(5,402)	6,376		2,774	(10,918)	13,692	
Net Nonoperating Revenues	**31,148**	**(47,556)**	**75,882**	**2,822**	**(31,621)**	**9,065**	**(41,952)**	**1,266**
Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses	**19,950**	**(45,606)**	**64,502**	**1,054**	**(45,628)**	**10,370**	**(54,709)**	**(1,289)**
Additions to Permanent Endowments	13,003	3,292	7,416	2,295	12,892	2,811	8,382	1,699
Less: Amounts Earned/Received on Behalf of the University		23,033	(23,033)			(18,256)	18,256	
Less: Amounts Earned/Received on Behalf of Others	10		10					
Distribution to University		16,871	(16,871)			19,064	(19,064)	
Disposal of Plant Facilities					(16)		(16)	
Other Additions/Deductions	4,857	4,325	532		(8,407)	(12,126)	3,719	
Total Other Revenues, Expenses, Gains, and Losses	**17,870**	**47,521**	**(31,946)**	**2,295**	**4,469**	**(8,507)**	**11,277**	**1,699**
Total Increase/(Decrease) in Net Assets	**37,820**	**1,915**	**32,556**	**3,349**	**(41,159)**	**1,863**	**(43,432)**	**410**
NET ASSETS								
Net Assets at Beginning of Year	256,771	(51,219)	274,416	33,574	297,930	(53,082)	317,848	33,164
Net Assets at End of Year	**$294,591**	**($49,304)**	**$306,972**	**$36,923**	**$256,771**	**($51,219)**	**$274,416**	**$33,574**

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APPENDIX D

SUMMARY OF LEGAL DOCUMENTS

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SUMMARY OF CERTAIN PROVISIONS OF THE PROJECT TRUST AGREEMENT

The pledge and assignment made by the Authority in the Project Trust Agreement secures only bonds issued under the Project Trust Agreement and not bonds issued under any other Project Trust Agreement.

The following is a summary of certain provisions of the Project Trust Agreement. Such summary does not purport to be complete, and reference is made to the Project Trust Agreement for a complete statement of its provisions.

DEFINITIONS

Capitalized words or terms used in this Summary of Certain Provisions of the Trust Agreement and not defined shall have the meaning given to the applicable word or term elsewhere in this Official Statement.

"Account" shall mean any account created pursuant to the Agreement.

"Accreted Amount" shall mean, as of the date of computation and with respect to any Capital Appreciation Bond, the original principal amount of such Capital Appreciation Bond upon the initial issuance of the Series of Bonds of which such Bond is a part plus the interest accrued on such Bond compounded as provided in the applicable Series Resolution.

"Agreement," "Trust Agreement" or "Project Trust Agreement" shall mean the Trust Agreement dated as of November 1, 2000 between the Authority and State Street Bank and Trust Company, as Trustee (which has been succeeded as Trustee by U.S. Bank National Association), and each agreement supplemental thereto.

"Annual Series Requirement" as applied to a Series of Guaranteed Bonds shall mean one-twelfth of the largest amount of Principal and Interest Payments due on account of the Outstanding Guaranteed Bonds of such Series of Bonds in any calendar year after the calendar year in which such Series of Guaranteed Bonds was issued.

"Appropriations" shall mean amounts made available for expenditure by the University Trustees pursuant to appropriations or other spending authorizations in the Commonwealth's annual operating budgets, including without limitation supplementary and deficiency budgets and any tuition retention authorization, and amounts otherwise available for expenditure by the University Trustees.

"Architect" as applied to a Project shall mean the person or firm, if any, employed by the Authority as architect for such Project.

"Authorized Officer" shall mean the Chairman, Vice Chairman, Secretary-Treasurer, Assistant Secretary-Treasurer or Executive Director of the Authority or any other person so designated by resolution of the Authority.

"BMA Index" shall mean on any date a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Bond Market Association ("BMA") or any person acting in cooperation with or under the sponsorship of BMA and acceptable to the Remarketing Agent and effective from such date.

"Bond" or *"Bonds"* shall mean any bond or bonds or all bonds, as the case may be, issued under the Agreement and authorized by a Series Resolution.

"Capital Appreciation Bond" shall mean any Bond so identified in the Series Resolution applicable thereto and on which interest is compounded and is payable only at maturity or upon earlier redemption of such Bond.

"Code" shall mean the Internal Revenue Code of 1986, as amended. References to provisions of the Code include applicable successor provisions of the Code or applicable successor provisions of any recodification of the internal revenue laws of the United States.

"Commonwealth" shall mean The Commonwealth of Massachusetts.

"Commonwealth Guaranty" shall mean the guaranty by the Commonwealth pursuant to the Enabling Act of the payment of principal of and interest on Bonds so guaranteed. "Commonwealth Guaranty" shall not include a Credit Facility.

"Contract" shall mean each contract for financial assistance, management and services, and any amendments thereto, and each contract for management and services, and any amendments thereto, which may be entered into pursuant to the Enabling Act among the Authority, the Commonwealth, acting by and through the University Trustees, and the University Trustees with respect to the financing of one or more Projects or with respect to Bonds issued for the purpose of refunding and (a) in the case of a contract for financial assistance, management and services, providing financial assistance in the form of a Commonwealth Guaranty of the Bonds specified thereunder as entitled to the Commonwealth Guaranty or the pledge of Appropriations or Trust Funds, and (b) in the case of a contract for financial assistance, management and services or a contract for management and services, (i) providing, among other things, for the University Trustees to make available to the Authority the services of officers and employees of the University and office space and facilities in the University for billing and collecting rents, fees, rates and other charges for the use and occupancy of such one or more Projects (or the Project or Projects to which refunding Bonds pertain), or of any facility or service provided by such one or more Projects (or the Project or Projects to which refunding Bonds pertain), renting and leasing rooms and other accommodations in the buildings and structures included in such one or more Projects (or the Project or Projects to which refunding Bonds pertain) and cleaning, heating, operation of and repairs to and maintenance of and keeping books of account with respect to such one or more Projects (or the Project or Projects to which refunding Bonds pertain) or (ii) containing such other provisions pertaining to the management of or services with respect to such one or more Projects (or the Project or Project to which refunding Bonds pertain) as may be permitted by the Enabling Act.

"Cost of the Project" as applied to a Project shall mean and include, without intending hereby to limit or restrict any definition of such term under the Enabling Act (as in effect on the date of the Agreement and as it may be amended from time to time), the cost, whenever incurred, of carrying out the 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 the 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, surveys, estimates of cost and of revenues; other expenses necessary or incident to determining the feasibility or practicability of the Project; administrative expense, legal expense and such other expenses, including, but not limited to, the fees and expenses (including reasonable attorneys' fees and expenses) of the Trustee, 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, the cost of preliminary architectural and engineering services, plans, specifications, surveys, estimates of cost 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 University Trustees and premiums for policies of insurance, fidelity bonds and the like covering property and risks of and related to the Project, as may be necessary or incident to the aforesaid, to the financing or refinancing thereof and to the issuance therefor of notes or Bonds or both under the provisions of the Enabling Act and interest for such period as the Authority may deem advisable but ending not later than eighteen months after the University Trustees shall have accepted the project for occupancy on money borrowed to pay all or part of the Cost of the Project.

"Counsel" shall mean an attorney or firm of attorneys admitted to practice law in the highest court of any state in the United States of America or in the District of Columbia.

"Counsel's Opinion" shall mean an opinion signed by an attorney or firm of attorneys (who may be general or special counsel to the Authority or bond counsel to the Authority) selected by the Authority and satisfactory to the Trustee.

"Credit Facility" shall mean any instrument, including without limitation a letter of credit, guaranty, standby loan commitment, insurance policy or surety bond, or any combination thereof, under which the Authority or the Trustee is entitled to receive moneys for the payment of one or more of principal of, Redemption Price of and interest on any Bond, fees and expenses of the Trustee, amounts payable from any reserve fund established pursuant to the Agreement, amounts for the replenishment of any reserve fund established pursuant to the Agreement, the purchase price of Bonds tendered pursuant to the applicable Series Resolution and any other amounts which the Authority or the Trustee is entitled to receive under such instrument. "Credit Facility" shall not include the Commonwealth Guaranty or Derivatives.

"Current Expenses" as applied to a Project shall mean and include (a) the fees and expenses (including reasonable attorneys' fees and expenses) of the Trustee under the Agreement and of any escrow or like agent appointed by the Authority with respect to the payment of bonds or Bonds issued to finance the Project or to refund any bonds or Bonds issued for such purpose or for the purpose of refunding other refunding bonds or Bonds related to such Project, exclusive of such fees and expenses as are included in the Cost of the Project; (b) the rent, not included in the Cost of the Project, payable by the Authority under any lease of property included in the Project, as such lease may be amended or extended; (c) premiums (or accruals on account thereof), not included in the Cost of the Project, for policies of insurance maintained in force by the Authority with respect to the Project (or a proportionate part of such premiums in the event that a single policy or policies of insurance shall cover property or risks pertaining to more than one Project (or shall include one or more Other Projects) of the Authority); and (d) that portion of the general operating and administrative expenses of the Authority as the Authority shall deem properly allocable to the Project, which general operating and administrative expenses shall include, without limiting the generality of the foregoing, any amount required to be rebated by the Authority (or by any other entity with respect to moneys held by the Authority) to the United States of America by the Code or other applicable law and not provided by other moneys of the Authority available therefor, legal and other professional expenses of the Authority, expenses incurred under Section 207 of the Agreement and reasonable payments to governmental or other benefit or retirement funds for the benefit of its employees, provided, however, that the total amount which may be so allocated in any year shall not exceed such limitation, if any, as may be imposed by the Contract pertaining to the Project; but such term shall not include (x) Maintenance, Repair and Operating Expenses; (y) any reserves for extraordinary maintenance or repair of the Project or any allowance for depreciation, or (z) any deposits or transfers to the credit of the special funds created by the Agreement and designated "Debt Service Fund," "Rate Stabilization Fund," "Section 10 Reserve Fund" and "Property Fund" or to the credit of any reserve fund created pursuant to the Agreement by a Series Resolution

"Current Interest Bond" shall mean any Bond other than a Capital Appreciation Bond.

"Debt Service Reserve Fund" shall mean any fund established by a Series Resolution to provide a reserve for the payment of one or more of principal of, Sinking Fund Installments, premium and interest on a Series of Bonds and the purchase price of Bonds of such Series tendered pursuant to the applicable Series Resolution that is not a Section 10 Reserve Fund.

"Debt Service Reserve Requirement" shall mean, with respect to a Debt Service Reserve Fund, the Debt Service Reserve Requirement established for such Debt Service Reserve Fund by the Series Resolution creating such Debt Service Reserve Fund.

"Derivative" shall mean contracts that derive their value from the value, or changes in value, of another financial instrument or index and shall include without limitation (a) interest rate swaps, swaptions, forward swaps, interest rate caps, interest rate floors, options, puts, calls and other contracts to hedge payment, rate spread or similar exposure, (b) forwards and (c) contracts to exchange cash flows or a series of payments. "Derivatives" shall not include a Credit Facility.

"Enabling Act" shall mean Chapter 773 of the Acts of 1960 of the Commonwealth, as amended.

"Engineer" as applied to a Project shall mean the person or firm, if any, employed by the Authority as engineer for such Project.

"Expendable Fund Balance" shall mean the accumulation of excess unrestricted revenues over expenditures with respect to the University for all prior years and for each current year from the unrestricted current fund, the quasi endowment fund, the unexpended unrestricted plant fund and the unrestricted renewal and replacement plant fund. (now referred to as Unrestricted Net Assets; see definition of *"Unrestricted Net Assets").*

"Facilities Trust Agreement" shall mean the Trust Agreement dated as of December 1, 2000 between the Authority and State Street Bank and Trust Company (which has been succeeded as Trustee by U.S. Bank National Association).

"Favorable Opinion of Bond Counsel" shall mean, with respect to any action relating to the Series 2011-2 Bonds the occurrence of which requires such an opinion, a written legal opinion of bond counsel to the Authority addressed to the Authority, the Trustee, the Insurer and the Remarketing Agent to the effect that such action is permitted under the Series Resolution and the Trust Agreement and will not jeopardize the exclusion of interest on the Series 2011-2 Bonds from gross income for federal income tax purposes or the exemption from taxation of the Series 2011-2 Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, provided by the Enabling Act.

"Fiscal Year" shall mean the twelve-month period beginning on each July 1, or any other twelve-month period designated by the Authority from time to time as its fiscal year.

"Fixed Rate Bond" shall mean a Bond bearing interest at a rate fixed to the stated maturity of such Bond, including any such Bond the interest rate on which has been converted to a rate fixed to the maturity thereof from a rate that is subject to adjustment from time to time.

"Fund" shall mean any Fund created pursuant to the Agreement.

"Guaranteed Bonds" shall mean Bonds that are guaranteed by the Commonwealth Guaranty.

"interest" unless otherwise indicated, shall mean with respect to any Bond (a) the interest on any Current Interest Bond and (b) the interest on any Capital Appreciation Bond, which interest is expressed as the difference between the applicable Accreted Amount on any applicable date and the principal amount of such Capital Appreciation Bond on the date of initial issuance of the Series of Bonds of which such Capital Appreciation Bond is a part.

"interest rate," "rate of interest," "bear interest at the rate" or other like expressions shall mean the rate of interest on any Current Interest Bond and the rate (expressed as a yield to maturity) at which interest accrues on any Capital Appreciation Bond.

"Interest Rate Period" shall mean each Daily Interest Rate Period, Weekly Interest Rate Period, Windows Rate Period or Term Rate Period.

"Investment Obligations" shall mean and include any of the following: (a) direct obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America; (b) obligations of the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Financing Bank, the Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Federal Land Banks, Federal Home Loan Banks, Farmers Home Administration and Federal Home Loan Mortgage Corporation, or of any other agency or corporation which has been or is hereafter created pursuant to an act of the Congress of the United States as an agency or instrumentality thereof; (c) interest-bearing time deposits or certificates of deposit of banking institutions or trust companies (including the Trustee) organized under the laws of any state of the United States or any national banking association, provided that such deposits or certificates shall be continuously and fully (a) insured by the Federal Deposit Insurance Corporation or any successor thereof, or (b) secured by obligations described in clauses (a) and (b) having a market value, exclusive of accrued interest, at least equal to the aggregate amount of such deposits or certificates; (d) any of the securities described in clauses (a) and (b) which are subject to repurchase agreements with any bank or trust company organized under the laws of any state of the United States or any national banking association; (e) any other investment in which funds of the

Authority are permitted from time to time to be invested by the Enabling Act; and (f) any subcategories of any of the investments described in clauses (a), (b), (c), (d) or (e) above that may be required by the issuer of a Credit Facility.

"Maintenance, Repair and Operating Expenses" as applied to a Project or Other Project shall mean and include any reasonable and necessary expenses for services, facilities, supplies, materials and utilities necessary for or incident to the maintenance, repair and operation of the Project or Other Project and the facilities and services provided thereby, billing and collecting fees, rents, rates and other charges for the use of the Project or Other Project or any room or accommodation therein or facility or service provided thereby and keeping books of account with respect to such maintenance, repair and operation. The term may also, if the Contract with respect to a Project or Other Project shall provide for application of Revenues therefrom to pay for the following costs, include the costs incurred in maintaining those activities which, and associations and organizations which, or the activities of which, are a part of the activities at the University and are subject to regulation by the University Trustees and which take place, use or are performed in a building or structure included in such Project or Other Project or are a part of a general program of the University including such activities, associations or organizations which take place, use or are performed in such building or structure. The term shall also include reserves for the foregoing expenses and costs if and to the extent that the Contract in effect with respect to a Project, if any, or a resolution of the Authority with respect to a Project or Other Project provides for such reserves. The term shall not include Current Expenses.

"Maximum Lawful Rate shall mean the maximum rate of interest on the relevant obligation permitted by applicable law.

"Moody's" shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, *"Moody's"* shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority by notice to the Trustee, with the consent of the Insurer.

"Multi-Series Debt Service Reserve Fund" shall have the same meaning as the term Debt Service Reserve Fund, except that a Multi-Series Debt Service Reserve Fund shall secure more than one Series of Bonds (and any one or more of such Series so secured may be issued at different times or under different Series Resolutions from one or more other such Series so secured).

"Multi-Series Debt Service Reserve Requirement" shall mean, with respect to a Multi- Series Debt Service Reserve Fund, the Multi-Series Debt Service Reserve Requirement established for such Multi-Series Debt Service Reserve Fund by the Series Resolution creating such Multi-Series Debt Service Reserve Fund.

"*Non-Guaranteed Bonds*" shall mean Bonds that are not guaranteed by the Commonwealth Guaranty.

"Other Project" shall have the same meaning as the word "Project" except that Other Project shall apply to a project with respect to which a Series of Bonds shall not have been issued under the Agreement.

"Outstanding," when used with reference to Bonds, shall mean, as of any date, Bonds theretofore or thereupon being authenticated and delivered under the Agreement except: (a) any Bonds cancelled by the Trustee or surrendered to the Trustee for cancellation at or prior to such date; (b) 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 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 in accordance or provision satisfactory to the Trustee shall have been made for the giving of such notice; (c) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Agreement; and (d) Bonds deemed to have been paid as provided in the Agreement.

"Person" shall include associations, corporations and other entities, including public bodies, as well as natural persons.

"Pledged Funds" shall mean one or both of (a) Trust Funds of the University pledged to secure (i) all or a portion of one or more Series of Bonds and (b) the payment of other amounts specified in the Contract or other document by which such pledge is made as secured by such Trust Funds, and (b) Appropriations pledged to secure (i) all or a portion of one or more Series of Bonds and (ii) the payment of other amounts specified in the Contract or other document by which such pledge is made as secured by such Appropriations.

"principal" and *"principal amount,"* unless otherwise indicated, shall mean with respect to any Bond (a) the principal amount of any Current Interest Bond and (b) the principal amount on the date of initial issuance of the applicable Series of any Capital Appreciation Bond (and after such date of initial issuance the word "principal" and the term "principal amount" shall mean with respect to a Capital Appreciation Bond the portion of the applicable Accreted Amount not constituting interest). Without limiting the generality of the foregoing, when the word "principal" or the term "principal amount" is followed by a reference to the Accreted Amount, the word "principal" or the term "principal amount" shall mean the principal amount of any Current Interest Bond.

"principal" and the term *"principal amount"* shall mean, with respect to any obligation other than a Bond, any amount constituting principal, however expressed, of such obligation.

"Principal and Interest Payments" as applied to a Series of Bonds for a particular time period or as of a particular date shall mean the principal amount of and interest on the Bonds of such Series Outstanding which is due to be paid during such period or on such date, such amount to be determined in accordance with the following when applicable: if the Authority shall by the resolution authorizing the issue of a Series of Bonds authorize the issue of all or any of such Bonds as Term Bonds, such principal amount of Bonds as will be paid or prepaid from a Sinking Fund Installment shall be treated as if it matured on the date such Sinking Fund Installment is required to be made and not on the maturity date of such Bonds.

"Principal Office" or "principal office" shall mean, when used with respect to the Trustee, the principal corporate trust office of the Trustee in Boston, Massachusetts, or, if the Trustee shall no longer perform its duties under the Trust Agreement at such office, the corporate trust office where at the applicable time the Trustee performs its duties under the Trust Agreement.

"Project" or *"Projects"* shall mean the construction of new buildings or structures and the acquisition, addition to, alteration, enlargement, reconstruction, remodeling and other work 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, including buildings or structures owned by the Commonwealth, on land so acquired or interests in which are so acquired and site preparation, with respect to which a Series of Bonds shall be issued under the Agreement. The word shall also mean whenever appropriate, such land, buildings or structures and such appurtenances.

"*purchaser"* shall mean the person or persons, one or more, named as the purchaser or purchasers of a Series of Bonds in the Series Resolution and any successors to its or their business. If a named or successor purchaser shall discontinue its business without a successor, the word thereafter shall mean the remaining purchaser or purchasers, whether named or successor.

"Record Date" shall mean, for each Series of Bonds, such date or dates as may be set forth as a Record Date in the applicable Series Resolution.

"Redemption Price" shall mean, (a) with respect to any Current Interest Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the Agreement and the applicable Series Resolution, and (b) with respect to any Capital Appreciation Bond, the Accreted Amount thereof on the redemption date, plus the applicable premium, if any, payable upon redemption thereof pursuant to the Agreement and the applicable Series Resolution.

"Registered Owner" shall mean the person shown from time to time as registered owner of a Bond in the books kept by the Trustee as Bond Registrar.

"Remarketing Account" shall mean the Remarketing Account established within the Bond Purchase Fund pursuant to the Series Resolution.

"Revenues" as applied to a Project shall mean (a) all moneys received or receivable 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, the Project including, without limitation, the moneys which the University Trustees are required to remit to the Authority or the Trustee under a Contract, and all other income derived by the Authority from the operation, ownership or control thereof. The word Revenues shall also include any other revenues or Secondary Revenues pledged as security for the Bonds. The word Revenues shall not include (a) Pledged Funds, (b) any amount paid or payable under the Commonwealth Guaranty or (c) any amount paid or payable under a Credit Facility or a Derivative.

"Secondary Revenues" shall mean all revenues received by the Authority from Other Projects or other property financed by bonds issued by the Authority under the Enabling Act under a trust agreement other than the Agreement which revenues are pledged under such trust agreement, upon and after the payment in full of all bonds, including refunding bonds, issued under such trust agreement and of all other sums, if any, then payable to the trustee under the provisions of the trust agreement securing such bonds, or upon deposit by the Authority with such trustee of funds or securities sufficient and in trust to pay, or to provide for the payment when due, of such amounts.

"Section 10 Reserve Fund" shall mean the Section 10 Reserve Fund established by the Agreement.

"Section 19C Payments" shall mean any amount required by Section 19C of the Enabling Act to be paid by the Authority to the Treasurer and Receiver-General of the Commonwealth from Revenues.

"Senior Bonds" shall mean all Bonds of each Series that is a Senior Series.

"Senior Series" shall mean any Series designated as a Senior Series in the applicable Series Resolution.

"Series" shall mean the Bonds designated as a Series in a Series Resolution.

"Sinking Fund Installment" shall mean with respect to Bonds of any particular Series and maturity and any payment date on such Bonds, the principal amount thereof required to be redeemed prior to maturity on such payment date pursuant to the provisions of the applicable Series Resolution.

"S&P" shall mean Standard & Poor's, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority by notice to the Trustee.

"Special Record Date" shall have the meaning set forth in the Agreement.

"Subordinate Series" shall mean any Series designated as a Subordinate Series in the applicable Series Resolution.

"Term Bonds" shall mean Bonds subject to redemption prior to maturity by application of Sinking Fund Installments.

"Trustee" shall mean the Trustee appointed under the Agreement and its successor or successors.

"Trust Funds" shall mean any funds held by the University Trustees as trust funds under the provision of Section 11 of Chapter 75 of the Massachusetts General Laws and any funds administered by the University Trustees as gifts, grants or trusts under the provisions of clause (e) of the fifth paragraph of Section 1A of Chapter 75 of the Massachusetts General Laws.

"University" shall mean the University of Massachusetts continuing under Chapter 75 of the Massachusetts General Laws.

"University Trustees" shall mean the board of trustees established by and existing under Section 1A of Chapter 75 of the Massachusetts General Laws for the University or, if such board of trustees shall hereafter be abolished, the board, body, commission or other entity succeeding to the principal functions thereof or to which the powers given by said Chapter 75 with respect to the University shall be given by law.

"Unrestricted Net Assets" shall mean the accumulation of excess unrestricted revenues over expenditures with respect to the University for all prior years and for each current year from the unrestricted current fund, the quasi endowment fund, the unexpended unrestricted plant fund and the unrestricted renewal and replacement plant fund. (previously referred to as the "Expendable Fund Balance").

"Variable Rate Bond" shall mean a Bond the interest rate on which is subject to adjustment from time to time and shall include but not be limited to a so-called "multi-modal" Bond, i.e.. a Bond that provides that the intervals at which the interest rate on such Bond is adjusted may be changed from time to time.

<u>PLEDGE AND ASSIGNMENT OF THE AUTHORITY PURSUANT TO THE AGREEMENT</u>

Pursuant to the Agreement, the Authority assigns and pledges to the Trustee and grants to the Trustee a security interest in:

(a) all rights of the Authority, including such rights under any Contract, to receive all Revenues pledged under the Agreement;

(b) all moneys paid or payable for deposit in or on deposit in any Fund, Account or subaccount created under the Agreement, all investments received or receivable for deposit in or on deposit in any Fund, Account or subaccount created under the Agreement and all interest or other income on such investments paid or payable for deposit in or on deposit in any Fund, Account or subaccount created under the Agreement and all rights of the Authority to receive any such moneys, investments and interest or other income (except that moneys and securities on deposit in the Rebate Fund created under the Agreement and all interest or other income received thereon are held for the benefit of the United States of America and not for the benefit of the Registered Owners and do not secure the Bonds), subject to the application of amounts held in such Funds, Accounts and Subaccounts for the purposes and in the manner set forth in the Agreement;

(c) subject to clause (a) and clause (b) under "Particular Covenants - Payment of Lawful Charges" below, (i) the Revenues from each Project and (ii) the Revenues, including without limitation Secondary Revenues, derived from Other Projects and from such other property of the Authority, if any, as the Authority may hereafter designate by resolution; provided, however, that the assignment and pledge made by the Agreement of and the security interest granted by the Agreement in such Revenues from each Project and such Revenues, including Secondary Revenues, derived from Other Projects does not include any part thereof to be used for Current Expenses or reserves therefor, Maintenance, Repair and Operating Expenses or reserves therefor or Section 19C Payments or reserves therefor; and provided further that the assignment and pledge of and security interest in any such Secondary Revenues shall be, first, for (A) the reimbursement to the Commonwealth of any amounts theretofore paid by the Commonwealth on account of principal of or interest on any Guaranteed Bonds or other bonds of the Authority guaranteed by the Commonwealth under Section 10 of the Enabling Act and (B), if and only if the Commonwealth has made no such payments or has been reimbursed therefor, to the payment of the principal, interest and premium, if any, at maturity or upon redemption or purchase, for (1) all Bonds issued under the Agreement, or (2) all bonds of the Authority issued other than under the Agreement, or (3) all such Bonds and bonds of the Authority, as the Authority may determine, at the time any Revenues from an Other Project become Secondary Revenues, by resolution approved by the University Trustees with a view to achieving reasonable uniformity in charges for like rooms, accommodations and services at the University, to the extent provided in the Agreement; and

(d) (i) all Pledged Funds paid or payable and all rights of the Authority to receive such Pledged Funds, (ii) all amounts paid or payable under the Commonwealth Guaranty with respect to Guaranteed Bonds and all rights of the Authority to receive such amounts, (iii) all amounts paid or payable under any Credit Facility and all rights of the Authority to receive such amounts and (iv) all amounts paid or payable under any Derivative and all rights of the Authority to receive such amounts.

The assignment and pledge made by the Agreement and the security interest granted by the Agreement shall be for the equal and proportionate benefit and security of all the present and future Registered Owners of the Bonds issued and to be issued under the Agreement, without preference, priority or distinction as to lien or otherwise, except as otherwise provided in the Agreement, of any one Bond over any other Bond, and that the Revenues, including any Secondary Revenues, pledged as security for the Bonds shall immediately be subject to the lien of such pledge for the benefit of the Trustee and the Registered Owners of the Outstanding Bonds as provided in the Agreement without any physical delivery thereof to the Trustee or any further act.

BONDS PERMITTED TO BE ISSUED UNDER THE AGREEMENT; VARIOUS PROVISIONS OF BONDS

(a) Any bonds the Authority is authorized by the Enabling Act to issue may be issued under the Agreement. The Bonds of each Series may be Fixed Rate Bonds or Variable Rate Bonds, as set forth in the applicable Series Resolution.

(b) As provided in the applicable Series Resolution:

(i) Bonds may be issued as Guaranteed Bonds or Non-Guaranteed Bonds, but Guaranteed Bonds and Non-Guaranteed Bonds shall not be issued as part of the same Series;

(ii) some or all of the Bonds of a Series may be secured by one or more Credit Facilities, and any such Credit Facility may be replaced;

(iii) Bonds may be issued as Current Interest Bonds or Capital Appreciation Bonds, and a Series of Bonds may combine both Current Interest Bonds and Capital Appreciation Bonds;

(iv) a Series of Bonds may be (A) a Senior Series, which Senior Series shall not be subordinate to any other Series and shall be issued on a parity with each other, if any Senior Series previously, contemporaneously or subsequently issued, or (B) a Subordinate Series;

(v) a Subordinate Series shall be subordinate to all Senior Series, may be of any level of subordination to other Subordinate Series previously, contemporaneously or subsequently issued and shall be on a parity with each other, if any, Subordinate Series of the same level previously, contemporaneously or subsequently issued; a Subordinate Series shall bear as part of its designation (in the form provided in the Agreement) whichever of the following is applicable: (A) “Subordinate Series Level 2,” which Subordinate Series shall be (1) subordinate to each other, if any, Senior Series previously, contemporaneously or subsequently issued, (2) on a parity with each, if any, Subordinate Series Level 2 previously, contemporaneously or subsequently issued and (3) superior to each other, if any, Subordinate Series of a lower level previously, contemporaneously or subsequently issued, (B) “Subordinate Series Level 3,” which Subordinate Series shall be (1) subordinate to each other, if any, Senior Series and Subordinate Series Level 2 previously, contemporaneously or subsequently issued, (2) on a parity with each other, if any, Subordinate Series Level 3 previously, contemporaneously or subsequently issued and (3) superior to each other, if any, Subordinate Series of a lower level previously, contemporaneously or subsequently issued or (C) “Subordinate Series Level 4” or “Subordinate Series Level 5” and so on in ascending numerical order depending on the level or subordination of such Subordinate Series, and each such Subordinate Series shall be subordinate to, on a parity with and superior to other Series depending on its level of subordination in accordance with the pattern described in (A) and (B) above;

(vi) a Subordinate Series may be any level of subordination, and a Subordinate Series of a given level may be issued after or before one or more Series of higher levels of subordination or one or more Senior Series are issued (and it is not necessary that any such Series of any higher level of subordination or any Senior Series shall ever be issued), but any such Subordinate Series shall not be subordinate to any Series but each Senior Series and each Subordinate Series of a higher level of subordination previously, contemporaneously or subsequently issued, (e.g., a Subordinate Series Level 4 may be issued after or before the issuance of a Senior Series or any or all of a Subordinate Series Level 2, Level 3 or Level 5, but a Subordinate Series Level 4 shall not be subordinated to any Series except Senior Series and Subordinate Series Level 2 and Subordinate Series Level 3);

(vii) the interest on a Series of Bonds may be excludable from or includable in gross income for federal income tax purposes;

(viii) a Series of Bonds may be secured by a Debt Service Reserve Fund or a Multi- Series Debt Service Reserve Fund, and all Guaranteed Bonds shall be secured by the Section 10 Reserve Fund as provided in the Agreement or by whatever reserve fund may be required by the Enabling Act as in existence at the time of the issuance of the applicable Series of Guaranteed Bonds; provided, that if at the time a Series of Guaranteed Bonds is issued under the Agreement the Enabling Act does not require any reserve fund for such Series, such Series shall not be required to be (but may be) secured by a reserve fund;

(ix) a Series of Bonds may be secured by Pledged Funds;

(x) the Authority may enter into one or more Derivatives with respect to a Series of Bonds in connection with the initial issuance thereof; provided, however, that the Authority may also enter into Derivatives with respect to a Series of Bonds after the initial issuance thereof if bond counsel to the Authority delivers an opinion to the effect that such action is permitted by the Enabling Act, would not adversely affect the interest of any Registered Owner and would not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes; and

(xi) more than one Series of Bonds may be issued under a single Series Resolution,

(c) With respect to the Series of Bonds on a parity with each other:

If on any date one or more of principal, Sinking Fund Installments and interest are due on such Series of Bonds moneys in the applicable subaccount in the Interest Account, the Principal Account, or the Sinking Fund Account are insufficient to pay any such amount in full, taking account of any amounts deposited in any such subaccount from the Property Fund or the Optional Redemption Account as permitted by the Agreement, but without regard to any amount drawn from any Debt Service Reserve Fund, Multi-Series Debt Service Reserve Fund or Section 10 Reserve Fund to pay all or a portion of such deficiency or any amount drawn under a Credit Facility to pay all or a portion of such deficiency, moneys in any such subaccount in which a deficiency exists shall be applied to the applicable amount due from such subaccount pro rata, without regard to any amounts to be applied to such deficiency with respect to one or more such Series from any Debt Service Reserve Fund, Multi-Series Debt Service Reserve Fund, Section 10 Reserve Fund or Credit Facility; provided, however, that (a) any deficiency in any such subaccount resulting from any amount due under a Derivative not being paid in full when due shall be allocated only to the payment due on the Series of Bonds to which such Derivative pertains and shall not cause a deficiency in the payment due on any other Series of Bonds, (b) any moneys that would have been applied in accordance with such pro rata application to any Bonds secured by a direct pay Credit Facility that in fact pays all principal of, Sinking Fund Installments and interest then due on such Bonds shall be applied to reimburse the issuer of such direct pay Credit Facility for (but not in excess of) the amount paid thereunder, and (c) any moneys that would have been applied in accordance with such pro rata application to Bonds with respect to which all or a portion of the principal, Sinking Fund Installments or interest due on such Bonds was paid pursuant to a Derivative shall be applied pro rata to the payment of (i) any amount due from or on account of the Authority pursuant to such Derivative for any such payment of principal, Sinking Fund Installment or interest and (ii) the principal, Sinking Fund Installments or interest on such Bonds not paid pursuant to such Derivative.

Each Guaranteed Bond shall have the Commonwealth Guaranty endorsed thereon in the form set forth in the applicable Series Resolution and duly executed by the manual or facsimile signature of an officer of the University Trustees and shall be entitled to the benefit of the pledge by the Commonwealth of its full faith and credit for its guaranty of the payment of the principal of and interest on such Bonds as the same become due and payable.

As to any Bond, the Registered Owner thereof shall be deemed and regarded as the absolute owner thereof for all purposes, and, except as otherwise provided by law, no one of the Authority, the Trustee or the Bond registrar shall be affected by any notice to the contrary. Payment of or on account of the principal or Redemption Price of and interest on any Bond shall be made only to or upon the order of the Registered Owner, registered assigns or the legal representative of the Registered Owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond including the interest thereon to the extent of the sum or sums so paid.

All Bonds paid, redeemed or purchased, either at or before maturity, shall be delivered to the Trustee when such payment, redemption or purchase is made, and such Bonds shall thereupon be cancelled. All Bonds cancelled under any of the provisions of the Agreement shall be held by the Trustee until the Agreement shall be discharged; provided, however, that Bonds so cancelled may at any time be destroyed by the Trustee, if the Trustee shall execute a certificate of destruction in duplicate describing the Bonds so destroyed, and one executed certificate shall be filed with the Executive Director of the Authority and the other executed certificate shall be retained by the Trustee.

REDEMPTION OF BONDS

Redemption of Bonds of any Series

If and to the extent that the Authority shall so provide in a Series Resolution, the Bonds of any Series authorized thereunder may be made redeemable, by application of Sinking Fund Installments or otherwise, at the option of the Authority, prior to their respective maturities either in whole or in part, on any date or dates as may be fixed in such Series Resolution, from any moneys that may be made available for such purpose, at the Redemption Price or Redemption Prices fixed by the Authority in such Series Resolution, together with the interest accrued thereon to the date fixed for redemption.

No optional redemption of less than all of the Outstanding Bonds may be made unless all interest accrued on all Outstanding Bonds to the redemption date shall have been paid or set aside for payment.

If the moneys made available from time to time for the purpose of redeeming Bonds (other than by Sinking Fund Installments) are not sufficient to redeem all of the Outstanding Bonds at the Redemption Prices then in effect, they shall be applied to Bonds of such Series, maturity and tenor as the Authority, in its discretion, may select, unless otherwise provided in any Series Resolution. If less than all the Bonds of a particular Series, maturity and tenor are to be redeemed, the particular Bonds and portions of Bonds of such Series, maturity and tenor to be redeemed shall be selected at random by the Trustee in such manner as the Trustee in its discretion may determine; provided, however, that any Bond may be redeemed in a principal amount equal to the minimum denomination in which it may be issued under the applicable Series Resolution or any integral multiple thereof, and that, in selecting Bonds for redemption, the Trustee shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of each Bond by such minimum denomination.

Redemption Notice

The Trustee shall give notice of the redemption of any Bonds, specifying the date of redemption, the portions of the principal amounts thereof to be redeemed, the Redemption Price and any other matters specified in the applicable Series Resolution, by mailing, postage prepaid, not more than such number of days nor less than such number of days prior to the redemption date as shall be set forth in the applicable Series Resolution, copies thereof to the Registered Owners of any Bonds, or portions thereof, to be redeemed and to such other persons and at such times as may be set forth in the applicable Series Resolution; provided, however, that failure of any Registered Owner to receive such notice so mailed to such Registered Owner or any defect therein shall not affect the validity of proceedings for the redemption of any Bonds, and failure to mail such notice to any Registered Owner entitled thereto shall not affect the validity of the proceedings for the redemption of any Bonds as to which no such failure occurred. In case any Bond is to be redeemed in part only, the notice of redemption which relates to such Bond shall state also that on or after the redemption date, upon surrender of such Bond, a Bond or Bonds in aggregate principal amount equal to the unredeemed portion of such Bond will be issued described below under “Partial Redemptions.”

Effect of Calling for Redemption

Notice having been given in the manner and under the conditions described above under “Redemption Notice”, the Bonds or portions of Bonds so called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the Redemption Price of such Bonds or portions of Bonds on such date. On the date so designated for redemption, notice having been given and moneys for payment of the Redemption Price of and interest accrued to the date of redemption on the Bonds so called for redemption being available therefor, interest on such Bonds shall cease to accrue, such Bonds or portions of Bonds shall cease to be entitled to any lien, benefit or security under the Agreement, and the Registered Owners of such Bonds or portions of Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price thereof upon presentation and surrender of the same and interest accrued thereon to the date of redemption and, to the extent described above in "Redemption Notice," to receive Bonds for any unredeemed portions of Bonds.

Partial Redemptions

In case part but not all of an Outstanding Bond shall be selected for redemption, the Registered Owner thereof or the attorney or legal representative of such Registered Owner shall present and surrender such Bond to the Trustee for payment of the Redemption Price of the principal amount thereof so called for redemption, and the Authority shall execute (and, if any such Bond is a Guaranteed Bond cause the guaranty of the Commonwealth to be endorsed on) and the Trustee shall authenticate and deliver to or upon the order of such Registered Owner or the attorney or legal representative of such Registered Owner, without charge therefor, for the unredeemed portion of the principal amount of the Bond so surrendered, a Bond or Bonds aggregating in principal amount said unredeemed portion.

ESTABLISHMENT AND APPLICATION OF FUNDS AND ACCOUNTS

Funds and Accounts

The Agreement establishes the following Funds, Accounts and subaccounts to be held by the Trustee:

(1) Note Payment Fund

(2) Construction Fund

(3) Preliminary Expense Fund

(4) Revenue Fund

(5) Debt Service Fund

Interest Account (and within the Interest Account a single subaccount with respect to all Senior Bonds, and if and when the first Subordinate Series of a given level is issued, a single subaccount with respect to all Bonds of any Subordinate Series of such level)

Principal Account (and within the Principal Account a single subaccount with respect to all Senior Bonds, and if and when the first Subordinate Series of a given level is issued, a single subaccount with respect to all Bonds of any Subordinate Series of such level)

Sinking Fund Account (and within the Sinking Fund Account a single subaccount with respect to all Senior Bonds, and if and when the first Subordinate Series of a given level is issued, a single subaccount with respect to all Bonds of any Subordinate Series of such level)

Optional Redemption Account

(6) Section 10 Reserve Fund

(7) Property Fund

General Account

Insurance Proceeds Account

Capital Improvements Reserve Account (and within the Capital Improvements Reserve Account a separate subaccount for each Project or each group of Projects with respect to which the Authority by certificate of an Authorized Officer directs from time to time that a separate subaccount be established within the Capital Improvements Reserve Account)

Multi-Purpose Reserve Account

(8) Rate Stabilization Fund

(9) Rebate Fund

Other Funds, Accounts and subaccounts (including without limitation Accounts within the Funds established under the Agreement as set forth in the preceding paragraph and subaccounts within the Accounts established under the Agreement as set forth in the preceding paragraph) may from time to time be established under the Agreement as directed by a Series Resolution or other resolution of the Authority, and moneys shall be deposited in and disbursed from such Funds, Accounts and Subaccounts as provided in such Series Resolution or other resolution.

Without limiting the generality of the previous paragraph, a Series Resolution under which is issued one or more Series of Bonds subject to tender for purchase may establish an Account (a "Purchase Account") for each such Series into which moneys (which moneys may but need not include moneys in the Revenue Fund) shall be deposited as provided in such Series Resolution to be applied to the payment of the purchase price of Bonds of the applicable Series tendered as provided in the Series Resolution.

If a Series Resolution so provides, moneys (which moneys may but need not include Revenues) may be deposited in a Purchase Account prior to being deposited in the Revenue Fund or, if already on deposit in the Revenue Fund, prior to being deposited in the Debt Service Fund or in other Funds and Accounts as described below in "Revenue Fund." Moneys in a Purchase Account representing amounts received under a Credit Facility or under a Derivative or the proceeds of the remarketing of Bonds tendered for purchase as provided in the applicable Series Resolution shall be applied to pay the purchase price only of Bonds of the Series to which the applicable Purchase Account pertains. Other moneys in a Purchase Account shall be applied as follows: if, on any date on which such moneys in a Purchase Account are to be applied to pay the purchase price of Bonds of the Series to which such Purchase Account obtains, any one or more other Purchase Accounts pertaining to Bonds of the same level (e.g. Senior Series, Subordinate Series Level 2) does not contain sufficient moneys to pay the purchase price due on such date of Bonds to which such one or more other Purchase Accounts pertain, such moneys in all Purchase Accounts pertaining to Bonds of the same level shall be applied pro rata to the payment of the purchase price of such Bonds due on such date. In addition, if and to the extent permitted by the applicable Series Resolution, moneys in any Purchase Account may be applied to reimburse the issuer of a Credit Facility for amounts received by the Trustee pursuant to such Credit Facility to be applied to the payment of the purchase price upon tender as provided in the applicable Series Resolution of Bonds for which such Purchase Account was established or to pay any amount due from or on account of the Authority under a Derivative for payments made pursuant to such Derivative for the payment of the purchase price upon tender as provided in the applicable Series Resolution of Bonds for which such Purchase Account was established.

Note Payment Fund

For each Series of Bonds the proceeds of which are to be applied in whole or in part to the payment of notes of the Authority, deposits to the credit of the Note Payment Fund shall be made as required by the provisions of the applicable Series Resolution. Monies so deposited in the Note Payment Fund shall be held by the Trustee in trust and shall be applied to the payment of the notes referred to in the Series Resolution and, pending such application, shall be subject to a lien and charge in favor of the holders of the Bonds Outstanding under the Agreement until paid out or transferred as provided in the Agreement. Upon payment in full of such notes, the

Trustee shall withdraw any excess monies then on deposit in the Note Payment Fund and deposit or disburse the same as provided in the applicable Series Resolution.

Construction Fund

For each Series of Bonds the proceeds of which are to be applied in whole or in part to the Cost of a Project (or for moneys held under any other trust agreement entered into by the Authority to be applied to the Cost of a Project) there may be established within the Construction Fund a separate Account for each such Project (or for two or more or all of such Projects) to the credit of which such deposits shall be made as are required by the provisions of the applicable Series Resolution or other resolution of the Authority or as designated in a certificate of an Authorized Officer. Any moneys received, other than as Revenues, from any other source, including but not limited to all grants and loans received from the federal government or any agency thereof for or in aid of the planning, construction or financing of any such Project and all contributions of money, property, labor, or other things of value available under the terms of any such grant or contribution, for the carrying out of such Project may also be deposited to the credit of the appropriate Account within the Construction Fund (or a subaccount therein) or otherwise be held in trust and be disbursed and applied, all as the Authority may determine.

The moneys in each such Account within the Construction Fund shall be held by the Trustee in trust and shall be applied to the payment of the Cost of the Project and, pending such application, shall be subject to a lien and charge in favor of the Registered Owners of the Outstanding Bonds of the Series the proceeds of which are on deposit in such Account until paid out or transferred as provided in the Agreement. The Agreement contains various requirements for disbursement of moneys from Accounts or subaccounts within the Construction Fund, including without limitation requisitions containing certifications with respect to the use of such moneys in accordance with applicable requirements of the Code.

The Trustee shall upon receipt of written instructions from an Authorized Officer (which instructions and any prior modification thereof may be modified from time to time by further written instructions of an Authorized Officer delivered to the Trustee) and without requisition from the Authority or other further authority than is contained herein, on such date or dates as may be specified in the most recent such instructions delivered by such Authorized Officer, withdraw from any Account within the Construction Fund such amounts as may therein be specified to be withdrawn on the applicable date for payment of interest on the Bonds then Outstanding and shall deposit such amount to the credit of the applicable subaccount in the Interest Account.

Preliminary Expense Fund

For each Series of Bonds from the proceeds of which an amount is specified in the Series Resolution authorizing such Series of Bonds to be applied to the cost of architectural and engineering services, plans, specifications, surveys, estimates of cost and of revenues and other expenses necessary or incident to determine the feasibility or practicability of projects for which written requests shall have been made by authority of the University Trustees, the amount so specified shall be deposited to the credit of the Preliminary Expense Fund. The moneys in the Preliminary Expense Fund shall be held by the Trustee in trust and, pending the application thereof, shall be subject to a lien and charge in favor of the Registered Owners of the Bonds from the proceeds of which such deposits were made until paid out or transferred as provided in the Agreement.

Upon receipt of a certificate of an Authorized Officer directing that all or a portion of the moneys in the Preliminary Expense Fund be transferred to any Account or Accounts with the Construction Fund, accompanied by an opinion of bond counsel to the Authority to the effect that such transfer is permitted by the Enabling Act and will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes, the Trustee shall withdraw moneys then on deposit to the credit of the Preliminary Expense Fund in the amounts specified in such certificate and deposit the same to the credit of the appropriate Account or Accounts within the Construction Fund in the amount or amounts specified in such certificate.

Upon receipt of a certificate of an Authorized Officer stating that all or a portion of the moneys in the Preliminary Expense Fund are not needed either for the purposes specified in the first paragraph under "Preliminary Expense Fund" or for transfer to any Account or Accounts within the Construction Fund and directing the withdrawal of such moneys from the Preliminary Expense Fund for the payment or deposit for or other application to the purposes specified in such certificate, and upon receipt an opinion of bond counsel to the Authority to the effect that the application of the moneys to be withdrawn to the purposes set forth in such certificate is permitted by the Enabling Act and will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes, the Trustee shall withdraw from then the Preliminary Expense Fund the amount specified in such certificate and pay, deposit or apply the same as specified in such certificate.

Completion of a Project

When the construction of a Project the Cost of which shall have been paid in part or in whole from the proceeds of Bonds shall have been completed, or when for any other reason amounts on deposit in a particular Account within the Construction Fund are no longer needed to pay for the Cost of one or more Projects for which it was established, written notice thereof shall be promptly given to the Trustee by a certificate of an Authorized Officer. Any such notice with respect to the completion of a Project shall state the date of completion of the Project, the cost of the Project and the amount, if any, to be reserved for the payment of any remaining part of the Cost of the Project and the Cost of other Projects to be paid from such Account, and shall be accompanied by a Counsel's Opinion to the effect that there are no uncancelled mechanics', laborers', contractors' or materialmen's liens on any property pertaining to the Project in existence or on file in any public office where the same should be filed in order to be valid liens against any part of such property, and that, in the opinion of the signer, the time within which such liens can be created or filed has expired.

Upon receipt of such notice and, if applicable, such Counsel's Opinion, the balance in the applicable Account within the Construction Fund, not reserved by the Authority for the payment of any remaining part of the Cost of the Project or Projects, shall be withdrawn by the Trustee and applied or deposited as follows: (a) at the Authority's request, as set forth in such certificate, deposited in the amount set forth in such certificate to the credit of any other Account or Accounts existing within the Construction Fund for one or more Projects (including such an Account established simultaneously with the giving of such notice) which the applicable Series of Bonds was issued to finance, if the Authority shall by a certificate of an Authorized Officer certify that the amounts then on deposit in such other Account or Accounts are not sufficient to pay in full the projected costs of the applicable Project or Projects and if such certificate is accompanied by an opinion of bond counsel to the Authority to the effect that such deposit of such moneys is permitted by the Enabling Act and will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes; (b) deposited or applied in the amounts and for the purposes as otherwise set forth in such certificate, provided that such certificate is accompanied by an opinion of bond counsel to the Authority to the effect that the deposit or application of such moneys as provided in such certificate is permitted by the Enabling Act and will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes; and (c) so much thereof as is not deposited pursuant to (a) or (b) shall be deposited to the credit of the Optional Redemption Account.

Revenue Fund

All Revenues received by the Trustee shall be deposited in the Revenue Fund immediately upon receipt by the Trustee; provided, however, that Revenues designated in writing by an Authorized Officer to be applied to Current Expenses, Maintenance, Repair and Operating Expenses or Section 19C Payments may be deposited in any account of the Authority designated in writing by such Authorized Officer. The moneys in the Revenue Fund shall be held by the Trustee in trust and applied as provided below and, pending such application, so much thereof as is not held for Current Expenses or reserves therefor, Maintenance Repair and Operating Expenses or reserves therefor or Section 19C Payments or reserves therefor shall be subject to a lien and charge in favor of the Registered Owners of the Bonds issued and Outstanding under the Agreement.

Payments from the Revenue Fund shall be made at any time for Current Expenses, Maintenance, Repair and Operating Expenses or Section 19C Payments pursuant to requisitions as provided in the Agreement.

On the fifteenth day of each month (or if such fifteenth day is not a business day, on the next succeeding business day), and again on the last business day of each month preceding an Interest Payment Date, and on each other date provided in any Series Resolution, the Trustee shall withdraw from the Revenue Fund all moneys held for the credit of the Revenue Fund on the day of such withdrawal in excess of the amount required on the date of such withdrawal as a reserve for Current Expenses, Maintenance, Repair and Operating Expenses and Section 19C

Payments. The amount so required as a reserve for Current Expenses, Maintenance, Repair and Operating Expenses and Section 19C Payments shall be as directed by the Authority but not more than the excess of (a) the amount stated in the then current Annual Schedule for such Current Expenses, Maintenance, Repair and Operating Expenses and Section 19C Payments filed by the Authority with the Trustee as described below in "Particular Covenants - Annual Schedule of Projected Expenses," over (b) the aggregate of the payments made by the Trustee from the Revenue Fund on account of such amounts during the period commencing with the July 1 next preceding the applicable withdrawal pursuant to the preceding sentence and ending with the last day of the month preceding such withdrawal.

The Trustee shall deposit the moneys withdrawn from the Revenue Fund as aforesaid to the credit of the Accounts and Funds as follows:

first, with respect to the Senior Bonds, in the following order of priority:

(a) to the credit of the subaccount established for Senior Bonds in the Interest Account in the Debt Service Fund so much, or the whole if required, of the moneys so withdrawn from the Revenue Fund, until the amount on deposit in the such subaccount, plus any amount to be withdrawn from any Construction Fund as described above in the last paragraph in "Construction Fund" and deposited in such subaccount to be applied to the payment of interest due on any Series of Senior Bonds on the next following Interest Payment Date, shall equal (i) the interest payable on such Interest Payment Date on all Senior Bonds then Outstanding and (ii) the aggregate of all other amounts, if any, required to be on deposit in such subaccount on such Interest Payment Date by each Series Resolution containing such a requirement applicable to Outstanding Senior Bonds; provided, however, that no deposit need be made to the credit of such subaccount with respect to any amount of such interest payable pursuant to a Derivative;

(b) to the credit of the subaccount established for Senior Bonds in the Principal Account in the Debt Service Fund so much, or the whole if required, of the balance of the moneys so withdrawn from the Revenue Fund until the amount on deposit in such subaccount, (a) if the withdrawal is made during a six-month period next preceding a November 1, shall equal (i) the aggregate principal amount of Senior Bonds maturing on such November 1, plus (ii) one-half of the aggregate principal amount of Senior Bonds maturing on the next May 1, plus (iii) the aggregate of all other amounts, if any, required to be on deposit in such subaccount on such November 1 by each Series Resolution containing such a requirement applicable to Outstanding Senior Bonds, or (b) if the withdrawal is made during a six-month period preceding a May 1, shall equal (i) the aggregate principal amount of Senior Bonds maturing on such May 1, plus (ii) one-half of the aggregate principal amount of Senior Bonds maturing on the next November 1, plus (iii) the aggregate of all other amounts, if any, required to be on deposit in such subaccount on such May 1 by each Series Resolution continuing such a requirement applicable to Outstanding Senior Bonds;

(c) To the credit of the subaccount established for Senior Bonds in the Sinking Fund Account in the Debt Service Fund so much, or the whole if required, of the balance of moneys so withdrawn from the Revenue Fund until the amount, determined after taking into account as provided in the Agreement the principal amount of Term Bonds constituting Senior Bonds theretofore purchased, on deposit to the credit of such subaccount, (a) if the withdrawal is made during a six-month period next preceding a November 1, shall equal (i) the Sinking Fund Installments on Senior Bonds due on such November 1, plus (ii) one-half of the Sinking Fund Installments on Senior bonds due on the next May 1, plus (iii) the aggregate of all other amounts, if any required to be on deposit in such subaccount on such November 1, by each Series Resolution continuing such a requirement applicable to Outstanding Senior Bonds, or (b) if the withdrawal is made during a six-month period preceding a May 1, shall equal (i) the Sinking Fund Installments of Senior Bonds due on such May 1, plus (ii) one-half of the Sinking Fund Installments due on Senior Bonds on the next November 1, plus (iii) the aggregate of all other amounts, if any, required to be on deposit in such subaccount on such May 1 by each Series Resolution continuing such a requirement applicable to Outstanding Senior Bonds;

(d) in each calendar year commencing with the first full calendar year succeeding the calendar year in which the first Series of Guaranteed Bonds constituting Senior Bonds shall be issued under the Agreement, to the credit of the Section 10 Reserve Fund so much, or the whole if required, of the balance of the moneys so withdrawn from the Revenue Fund until the amount withdrawn and deposited to the credit of the Section 10 Reserve

Fund in such calendar year shall equal the aggregate of the Annual Series Requirements in effect for such calendar year in respect of all Series of Guaranteed Bonds constituting Senior Bonds Outstanding on the first day of such calendar year, plus, or, at the option of the Authority, minus, as the case may be, the deficiency or excess of the amount on deposit to the credit of the Section 10 Reserve Fund on the first day of such calendar year, including in such amount interest accrued but unpaid on Investment Obligations in which such amount may then be invested, under or over the aggregate of all Annual Series Requirements in effect for prior calendar years in respect of such Guaranteed Bonds constituting Senior Bonds. No deposit need be made with respect to any Annual Series Requirement or portion thereof deposited pursuant to the applicable Series Resolution out of the proceeds of a Series of Guaranteed Bonds constituting Senior Bonds. If there shall have been any prior application of moneys held in the Section 10 Reserve Fund to the payment of principal of or Sinking Fund Installments or interest on Guaranteed Bonds constituting Senior Bonds, the amount of any deficiency in the amount thereafter on deposit to the credit of the Section 10 Reserve Fund resulting from such application shall be taken into account in computing the amount required to be deposited to the credit of the Section 10 Reserve Fund in any calendar year thereafter only to the extent that it is, in the judgment of the Authority, practicable to do so. The Annual Series Requirement as to any Series of Guaranteed Bonds shall be in effect for and only for the twelve calendar years next succeeding the calendar year in which Guaranteed Bonds of such Series were initially issued; for each calendar year thereafter on the first day of which Guaranteed Bonds of such Series shall be Outstanding, the aggregate of such prior Annual Series Requirements shall be included in the measure of the amount required to be on deposit to the credit of the Section 10 Reserve Fund with respect to such calendar year but no additional deposit shall be required with respect to such prior Annual Series Requirements except as may be required to restore any deficiency as aforesaid. If on the first day of any calendar year the amount on deposit in the Section 10 Reserve Fund equals or exceeds the sum of (i) the aggregate of all Annual Series Requirements in effect for prior calendar years, plus (ii) the Annual Series Requirements for such calendar year, in each case in respect of all Series of Guaranteed Bonds constituting Senior Bonds of which Guaranteed Bonds are Outstanding, no deposit need be made under this clause (d) with respect to Guaranteed Bonds constituting Senior Bonds;

(e) pro rata. to the credit of each Debt Service Reserve Fund securing Senior Bonds and each Multi-Series Debt Service Reserve Fund securing Senior Bonds, (i) with respect to amounts other than amounts to replenish any withdrawal made for the payment of principal or Redemption Price of or interest on any Senior Bonds, so much, or the whole if required, of the balance of the moneys so withdrawn from the Revenue Fund until the amount deposited in each thereof in the fiscal year in which the applicable withdrawal from the Revenue Fund is made equals the amount, if any, required to be so deposited in such fiscal year by the one or more applicable Series Resolutions, and (ii) with respect to amounts to replenish any withdrawal made from any thereof for the payment of principal or Redemption Price of or Interest on any Senior Bonds, so much, or the whole if required, of the balance of the moneys so withdrawn from the Revenue Fund, until the amount on deposit in each thereof from which any withdrawal for such purpose has been made, equals the applicable Debt Service Reserve Requirement or Multi-Series Debt Service Reserve Requirement, as the case may be, of each thereof;

second, with respect to the Bonds, if any, of all Subordinate Series Level 2 ("Level 2 Bonds"), in the order of priority provided in first above (except that in depositing moneys under this second, the term "Level 2 Bonds" shall be substituted for the term "Senior Bonds" in first above; and

third, with respect to the Bonds, if any, of all Subordinate Series Level 3 ("Level 3 Bonds"), in the order of priority provided in first above (except that in depositing moneys under this third, the term "Level 3 Bonds" shall be substituted for the term "Senior Bonds" in first above;

and so on for the Bonds, if any, of each other Subordinate Series, in descending order, (i.e.. Subordinate Series Level 4, and then Subordinate Series Level 5 and so on), substituting in each case the appropriate designation of the Bonds (e.g.. "Level 4 Bonds" or "Level 5 Bonds") on account of which the deposit is being made for the term "Senior Bonds" in first above.

After deposits have been so made with respect to all Series of Bonds issued under the Agreement as provided above, the balance of moneys, if any, withdrawn from the Revenue Fund as aforesaid shall be deposited to the credit of the following Funds and Accounts in the following order of priority;

(f) so much, or the whole if required, of the balance of moneys so withdrawn from the Revenue Fund, to the credit of such Account or Accounts in the Property Fund as may have been established for any reserve or reserves mentioned below in clause (d) in "Particular Covenants - Rate Covenant," pro rata. until the amount deposited in each such Account in the fiscal year in which the applicable withdrawal is made from the Revenue Fund equals the amount, if any, set forth in a certificate of an Authorized Officer to be deposited in such Account or Accounts during such fiscal year;

(g) so much, or the whole if required, of the balance of moneys so withdrawn from the Revenue Fund, to the credit of each other Account in the Property Fund (other than the Multi-Purpose Reserve Account), pro rata until the amount on deposit in each such Account in the fiscal year in which the applicable withdrawal is made from the Revenue Fund equals the amount, if any, set forth in a certificate of an Authorized Officer to be on deposit in such Account during such fiscal year;

(h) so much, or the whole, if required, of the balance of the moneys so withdrawn from the Revenue Fund, to the credit of the Multi-Purpose Reserve Account, until the amount deposited in such Account in the fiscal year in which the applicable withdrawal is made from the Revenue Fund equals the amount, if any, set forth in a certificate of an Authorized Officer to be deposited in such Account during such fiscal year; provided, that the Authority may also deposit in the Multi-Purpose Reserve Account from time to time any other moneys of the Authority not required to be otherwise deposited;

(i) to the credit of the Rate Stabilization Fund, so much, or the whole if required, of the balance of moneys so withdrawn from the Revenue Fund as may be specified from time to time in a certificate of an Authorized Officer; and

(j) the remainder, if any, to the credit of the Optional Redemption Account.

Debt Service Fund

The moneys in each Account in the Debt Service Fund shall be held in trust and applied as provided in the Agreement and in the applicable Series Resolution and, pending such application, are pledged to, and shall be subject to a lien and charge in favor of, the Registered Owners of the Bonds issued and Outstanding under the Agreement. The Trustee shall apply the moneys held from time to time for the credit of the Accounts in the Debt Service Fund as follows:

(a) as to moneys held in each subaccount in the Interest Account, to the payment of interest on the Bonds with respect to which the applicable subaccount was established, on or after the date when due to each Registered Owner of such Bonds as of the applicable Record Date or Special Record Date, as such interest becomes due and payable;

(b) as to moneys held in each subaccount in the Principal Account, to the payment, on or after the date when due, of the principal of all matured Bonds with respect to which the applicable subaccount was established;

(c) as to moneys held in each subaccount in the Sinking Fund Account, to the application on the due date of each Sinking Fund Installment to the redemption of the Term Bonds with respect to which the applicable subaccount was established, to the extent the same are then subject to redemption by application of Sinking Fund Installments, in the manner provided by the applicable Series Resolution and the Agreement; and

(d) as to moneys held in the Optional Redemption Account, to the redemption or purchase of Bonds as provided below.

The Trustee upon the written direction of an Authorized Officer of the Authority shall apply moneys held in any subaccount in the Sinking Fund Account to the purchase of Term Bonds with respect to which the applicable subaccount was established whenever such Bonds may, with reasonable diligence, be purchasable at prices not exceeding the Redemption Price payable for such Bonds on the next Sinking Fund Installment due date for such

Bonds; provided, however, that no such purchase shall be made within the period of forty-five (45) days next preceding the next Sinking Fund Installment due date for such Bonds.

The Trustee upon the written direction of an Authorized Officer of the Authority shall also apply moneys held in the Optional Redemption Account to the purchase, arranged as is mutually agreeable to the Trustee and the Authority, of Bonds then Outstanding at a price not to exceed (a) the Redemption Price payable to the holders of such Bonds on the next redemption date if such Bonds shall have been called for redemption on such date, or, (b) if such Bonds have not been called for redemption on such date, (i) the Redemption Price applicable on such date to Bonds subject to optional redemption on such date, and (ii) as to Bonds not subject to optional redemption on such date, the Redemption Price applicable to such Bonds on the first date such Bonds are subject to optional redemption.

Notwithstanding the foregoing provision, no such purchase shall be made at any time when the amounts on deposit to the credit of the Interest Account, the Principal Account and the Sinking Fund Account are less then the amounts then respectively required to be on deposit therein, and provided further, that no such purchase of any Term Bond shall be made within the period of forty-five (45) days next preceding the next Sinking Fund Installment due date with respect to such Term Bond and no such purchase of any other Bond shall be made within the period of ten (10) days next preceding any date upon which notice of redemption of such Bonds is scheduled to be mailed.

The principal amount of all Term Bonds purchased as aforesaid shall be deemed to constitute deposits in the applicable subaccount in the Sinking Fund Account and shall be applied, first, against the amounts of such Sinking Fund Installments with respect to such Term Bonds theretofore due and not paid as the Authority shall designate by a certificate of an Authorized Officer, and second, against one or more such Sinking Fund Installments (including any portion of any such Sinking Fund Installment) not yet due as the Authority shall designate by a certificate of an Authorized Officer.

If a Series Resolution shall provide for the redemption at the option of the Authority of any Series of Bonds authorized thereunder, and if at any time on or after the earliest date specified in such Series Resolution for such redemption the amounts on deposit to the credit of the Interest Account, the Principal Account and the Sinking Fund Account shall be equal to or greater than the amounts then respectively required to be so on deposit with respect to any Series of which Bonds will be redeemed, and if the moneys held in the Optional Redemption Account shall equal or exceed (a) the Redemption Price of all Bonds theretofore called for redemption and not redeemed, plus (b) the Redemption Price payable at the next redemption date of Bonds in the aggregate principal amount or Accreted Amount equal to not less than the smallest authorized denomination of the Bonds subject to redemption, plus (c) all necessary and proper expenses to be incurred in connection with the redemption of Bonds on such date, the Trustee shall, if the Authority shall so direct by Certificate of an Authorized Officer (which certificate shall set forth the Series, maturities and principal amounts or Accreted Amounts of each maturity of the Bonds to be redeemed), call Bonds as set forth in such certificate for redemption on the next available redemption date; provided, however, that the aggregate principal amount and Accreted Amount of Bonds to be redeemed set forth in such certificate shall not be greater than the aggregate principal amount and Accreted Amount which will most nearly exhaust the moneys so held in the Optional Redemption Account; and provided further that Bonds shall not be designated for redemption in such certificate unless such Bonds are subject to redemption on the applicable redemption date. Such call and the redemption of Bonds and portions of Bonds so called shall be made pursuant to the provisions of the Agreement.

Interest on Bonds redeemed from moneys in the Optional Redemption Account shall be paid from moneys on deposit in the applicable subaccount in the Interest Account.

If on the date for application of moneys held in the Principal Account or in the Sinking Fund Account, the moneys so held are less then the amount required for application under whichever applies of clauses (b) or (c) of the first paragraph above in “Debt Service Fund,” or if by a Certificate of an Authorized Officer the Authority directs that some or all of the moneys in the Optional Redemption Account be applied to the payment of principal or Sinking Fund Installments due on the Bonds, the Trustee shall apply moneys then held in the Optional Redemption Account (except such moneys as to which notice of redemption has already been given) by transfer to the Principal Account or to the Sinking Fund Account, as the case may be, to the extent of the deficiency therein or as directed by such certificate, whichever is applicable; provided that bond counsel to the Authority delivers an opinion to the effect that such application of such moneys is permitted by the Enabling Act and will not jeopardize the exclusion of interest or the Bonds from gross income for federal income tax purposes.

Notwithstanding any other provision of the Agreement, if and to the extent permitted by the applicable Series Resolution, (a) moneys in any subaccount in the Interest Account, Principal Account or Sinking Fund Account may be applied to reimburse the issuer of a Credit Facility for amounts received by the Trustee pursuant to such Credit Facility to be applied to the payment of, respectively, interest on, principal of or any Sinking Fund Installment on the Bonds for which such subaccount was established or to pay any amount due from or on account of the Authority under a Derivative for payments made pursuant to such Derivative to be applied to the payment of, respectively, interest on, principal of or any Sinking Fund Installment on the Bonds for which such subaccount was established, and (b) moneys in the Optional Redemption Account may be applied to reimburse the issuer of a Credit Facility for amounts received by the Trustee pursuant to such Credit Facility to be applied to the payment of all or any potion of the Redemption Price of Bonds redeemed on account of moneys in the Optional Redemption Account or to pay any amounts due from or on account of the Authority under any Derivative for payments pursuant to such Derivative to be applied to the payment of all or any portion of the Redemption Price of bonds redeemed on account of moneys in the Optional Redemption Account.

Section 10 Reserve Fund; Other Reserve Funds; Moneys Received Pursuant to the Commonwealth Guaranty or a Credit Facility; Pledged Funds

(a) The moneys in the Section 10 Reserve Fund shall be held in trust and applied as provided below and, pending such application, are pledged to, and shall be subject to a lien and charge in favor of, the Registered Owners of the Guaranteed Bonds Outstanding.

The Trustee shall apply the moneys held from time to time for the credit of the Section 10 Reserve Fund to the payment to the appropriate subaccount in the Debt Service Fund of an amount equal to the excess of (a) the aggregate of amounts required at any Interest Payment Date to pay interest then due on Guaranteed Bonds and, if such date is also a maturity date or a Sinking Fund Installment due date for any Guaranteed Bonds, the principal of all such Guaranteed Bonds then matured or the amount of the Sinking Fund Installment then due with respect to Guaranteed Bonds, as the case may be, over (b) moneys then held for the credit of the appropriate subaccount or subaccounts in the Debt Service Fund, after any transfer thereto from the Optional Redemption Account, or from the Property Fund or from the Rate Stabilization Fund or from all of the foregoing, and available for the payment of such interest, principal or Sinking Fund Installment, respectively. If moneys in the Section 10 Reserve Fund are insufficient to pay in full the amounts specified above, such moneys shall be paid, first, to Guaranteed Bonds constituting Senior Bonds, and second to Guaranteed Bonds constituting Level 2 Bonds, and third to Guaranteed Bonds constituting Level 3 Bonds, and so on in descending level of subordination. If moneys in the Section 10 Reserve Fund are insufficient to pay in full the amounts to be paid with respect to all Guaranteed Bonds constituting Senior Bonds, or all Guaranteed Bonds of any applicable level of subordination, such moneys shall be applied to all Guaranteed Bonds of all Senior Series or all Guaranteed Bonds of all Series of the applicable level of subordination, as the case may be, as described below in “Defaults; Remedies - Application of Funds.”

If on the first day of any calendar year or at any other time the amount on deposit in the Section 10 Reserve Fund exceeds the aggregate of the Annual Series Requirements for the present year and all prior years with respect to all Guaranteed Bonds Outstanding, the Authority may by a certificate of an Authorized Officer direct that all or a portion of such excess (other than any part of such excess consisting of interest received and profits realized in excess of losses from investments of moneys held in the Section 10 Reserve Fund, which shall be applied as described below in “Security for Deposits and Investments of Funds - Investments”) be withdrawn from the Section 10 Reserve Fund and deposited in the Revenue Fund to be applied to the payment of interest coming due in such year on such Guaranteed Bonds, provided that such certificate is accompanied by an opinion of bond counsel to the Authority that such application or payment is permitted by applicable law and will not adversely affect the exemption from gross income for federal income tax purposes of the interest on the Bonds.

At any time when the amount on deposit in the Section 10 Reserve Fund equals or exceeds (a) the aggregate of the twelve Annual Series Requirements to be in effect with respect to any particular Series of Guaranteed Bonds of which Bonds are then Outstanding plus (b) all Annual Series Requirements in effect for all prior years and for the then current year with respect to all Series of Guaranteed Bonds of which Bonds are Outstanding, and when such aggregate plus any other moneys held under the Agreement available for the purpose shall equal or exceed the aggregate amount required to pay in full the principal and Redemption Price of and interest on all Bonds of such particular Series then Outstanding (and, if the Bonds of such particular Series are to be redeemed, the necessary and proper expenses to be incurred in connection with such redemption), the Authority may by a certificate of an Authorized Officer direct the Trustee to apply to such payment an amount from the Section 10 Reserve Fund not exceeding such aggregate; provided, however that moneys "available for the purpose" as such phrase is used above in this paragraph shall mean, (x) as to moneys in the subaccounts applicable to such particular Series in the Interest Account, Principal Account and Sinking Fund Account, moneys in excess of the amount then required to be on deposit in each of such subaccounts with respect to all outstanding Guaranteed Bonds to which such subaccounts apply other than Guaranteed Bonds of such particular Series and (y) as to moneys in the Optional Redemption Account, any Account in the Property Fund and the Rate Stabilization Fund, moneys in any such Fund or Account described in a Certificate of an Authorized Officer to be so applied (such direction to be in accordance with the provisions of the Agreement with respect to the use of the moneys in any such Fund, Account or subaccount).

All deposits to the Section 10 Reserve Fund shall be apportioned if directed by a certificate of an Authorized Officer to separate Accounts to be created therein, one account for each Series of Guaranteed Bonds Outstanding (the "Section 10 Series Accounts"), for purposes of compliance by the Authority with the Code and to such subaccounts, as so directed, as are necessary or desirable to comply with the Code. The portion of each deposit attributed to the Account of a particular Series will be the proportion of the total deposit that the Annual Series Requirement for such Series bears to the aggregate Annual Series Requirements for all Series of Guaranteed Bonds of the same level (i.e., Senior Bonds, Subordinate Series Level 2, etc.).

Any withdrawal from the Section 10 Reserve Fund shall be made in portions taken from all Section 10 Series Accounts in such proportion from each such Account as each such Account bears to the total balance of the Section 10 Reserve Fund prior to the making of such withdrawal, unless otherwise directed by a certificate of an Authorized Officer accompanied by an opinion of bond counsel to the Authority to the effect that the instructions for withdrawal set forth in such certificate will not adversely affect the exclusion from gross income for federal tax purposes of the interest on the Bonds.

(b) Moneys in any Debt Service Reserve Fund or Multi-Series Debt Service Reserve Fund shall be applied as set forth in the one or more applicable Series Resolutions.

(c) Moneys received pursuant to the Commonwealth Guaranty shall be held in a separate Account and applied as promptly as practicable to the payment of principal and interest due on the Guaranteed Bonds on account of which such moneys were received.

(d) Moneys received by the Trustee pursuant to a Credit Facility shall be held in a separate Account and shall be applied as provided in the one or more applicable Series Resolutions or in such Credit Facility.

(e) Pledged Funds received by the Trustee shall be held in a separate Account and applied as provided in the one or more applicable Series Resolutions.

Property Fund

In addition to the Accounts and subaccounts established in the Property Fund described above in "Funds and Accounts," the Agreement establishes and authorizes to be established Accounts in the Property Fund for such reserves as the Authority may establish as described below in clause (d) in "Particular Covenants - Rate Covenant." Subject to the following paragraph, the Trustee shall credit all moneys deposited in the Property Fund to such Account therein (or, as to the Capital Improvements Reserve Account, to such subaccount or subaccounts therein) as the Authority may by certificate of an Authorized Officer direct and, in the absence of such a certificate, to the General Account.

The Trustee shall deposit in the Insurance Proceeds Account all proceeds of an insurance policy or policies upon any Project paid by reason of any insured casualty, except that if the Project to which the proceeds apply has not yet reached completion, such proceeds shall be deposited to the related Account of the Construction Fund; provided, that any such proceeds which are proceeds of "use or occupancy" insurance, so-called, or any other insurance providing for payments in place of income or for operating expenses, in either case as certified by an Authorized Officer, shall be deemed Revenues and be deposited to the credit of the Revenue Fund.

The moneys held in each Account in the Property Fund shall be held in trust and applied as provided below and, pending such application, are pledged to, and shall be subject to a lien and charge in favor of, the Registered Owners of the Bonds issued and Outstanding under the Agreement.

The Trustee shall apply the moneys held from time to time for the credit of each Account in the Property Fund as follows:

(a) as to any Account created for a reserve as described below in clause (d) in "Particular Covenants - Rate Covenants," to the payment from time to time of amounts as provided by the pertinent resolution of the Authority and for the purposes therein provided in accordance with a certificate of an Authorized Officer;

(b) as to the General Account, to the payment from time to time as deemed appropriate by the Authority of Maintenance, Repair and Operating Expenses of any Project not otherwise provided for;

(c) as to the Insurance Proceeds Account, to payment, in accordance with the provisions described below in "Particular Covenants - Insurance on Projects," for the repair, restoration or reconstruction of the damage or destruction on account of which the funds were received, or for the doing of such other work in respect of such Project as the Authority may determine in accordance with the provisions described below under "Particular Covenants - Insurance on Projects";

(d) as to any subaccount in the Capital Improvements Reserve Account, to the payment from time to time of the costs of capital improvements or capital repairs with respect to any Project to which the applicable subaccount pertains;

(e) as to the Multi-Purpose Reserve Account, to any lawful purpose for which the Authority may expend funds (and the Trustee may rely on a statement to such effect in the certificate of an Authorized Officer directing such application that the amounts set forth in such certificate will be so applied);

(f) to the extent of moneys so held in any Account in the Property Fund which are not the proceeds of any insurance policy or policies or investment earnings on such proceeds, to transfer to any one or more subaccounts in the Interest Account, the Principal Account or the Sinking Fund Account, one or more, as the case may be, in the Debt Service Fund if and to the extent that moneys held in any such subaccount on a date for application thereof, together with money available in the Rate Stabilization Fund, shall be less than the amount then required for application from such subaccount; and

(g) to the extent of moneys so held in any Account in the Property Fund which are not the proceeds of any insurance policy or policies or investment earnings on such proceeds, to the redemption of Bonds as may be directed from time to time by a certificate of an Authorized Officer.

The Authority may, by a certificate of an Authorized Officer approved by the University Trustees and accompanied by an opinion of bond counsel to the Authority to the effect that the instructions in such certificate are permitted by the Enabling Act and will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes, direct that amounts be transferred from any one or more subaccounts in the Capital Improvements Reserve Account to any other one or more subaccounts in the Capital Improvements Reserve Account or to one or more Capital Improvements Reserve Accounts or like accounts (or, if applicable, one or more subaccounts in any such Capital Improvements Reserve Account or like account) established under any other trust agreement under which the Authority has issued bonds).

Rate Stabilization Fund

Amounts shall be deposited in the Rate Stabilization Fund from the Revenue Fund in the Authority's discretion as provided in the Agreement in order to minimize the variation over time in the fees, rents, rates and other charges fixed in accordance with the provisions described below in "Particular Covenants — Rate Covenant."

At any time, upon the direction of the Authority as evidenced by a Certificate of an Authorized Officer, amounts on deposit in the Rate Stabilization Fund may be withdrawn and deposited in the Revenue Fund or applied to the redemption of Bonds.

Notwithstanding the foregoing paragraph, if at any time the amounts on deposit and available therefor in the Debt Service Fund are insufficient to pay the principal and Redemption Price of and interest on the Bonds then due, the Trustee shall withdraw from the Rate Stabilization Fund and deposit in the appropriate subaccount within the Debt Service Fund the amount necessary to meet such deficiency.

Rebate Fund

For each Series of Bonds subject to the rebate requirements of the Code, there shall be established within the Rebate Fund a separate account, for the benefit of the United States of America, and such subaccounts therein as are provided in the applicable Series Resolution, as amended from time to time, or as may be directed by a certificate of an Authorized Officer.

The Trustee shall deposit in the applicable account in the Rebate Fund such amounts as are required pursuant to such Series Resolution, invest the same as set forth therein, and keep such records as shall enable the Authority to satisfy its rebate obligations for such Series under the Code. The Authority shall direct the Trustee to pay to the United States from the Rebate Fund on the Authority's behalf such amounts as are required to be paid pursuant to the Code, all as set forth in the applicable Series Resolution, provided that any deficiency in the amounts required to be deposited into the Rebate Fund, or in any required payment from the Rebate Fund to the United States, shall be made up by the Authority, and provided further that no amount in the Rebate Fund shall be paid to the Authority or transferred to any other Fund or Account except as permitted by the Agreement, the Series Resolution and the Code.

The provisions described in this paragraph, as modified by the applicable Series Resolution, shall survive the defeasance of the Agreement, or of any Series of Bonds to which such provisions apply, and such provisions and the provisions pertaining to rebate in any Series Resolution shall be subject to amendment without the consent of any Registered Owner to reflect any applicable amendment to the Code with respect to rebate.

SECURITY FOR DEPOSITS AND INVESTMENTS OF FUNDS

Deposits with Trustee

All moneys deposited under the Agreement with the Trustee shall be held in trust and applied in accordance with the provisions of the Agreement, and shall not be subject to lien or attachment by any creditor of the Authority or the Trustee.

All moneys deposited with the Trustee under the Agreement shall be continuously secured, for the benefit of the Authority and the Registered Owners of the Bonds in such manner as may then be required or permitted by applicable state or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Trustee to give security for any moneys which shall be invested in Investment Obligations.

All moneys deposited with the Trustee shall be credited to the particular Fund, Account or subaccount to which such moneys belong.

Investments

Moneys held for the credit of the Note Payment Fund shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee in Investment Obligations which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, not later than the day or days preceding the date or dates of payment of the notes for the payment of which such moneys in the Note Payment Fund are held.

Moneys held for the credit of each Account within the Construction Fund shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee in Investment Obligations which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates as set forth in a schedule furnished by an Authorized Officer of the Authority to the Trustee at the time moneys are first deposited in such Account, as such schedule may thereafter be amended, when moneys held for the credit of such Account will be required for the purposes intended.

Moneys held for the credit of the Revenue Fund shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee in Investment Obligations which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, as to moneys not in excess of the amount then required as the reserve for Current Expenses, not later than the day or days preceding the date or dates upon which moneys are to be applied to the payment of Current Expenses, Maintenance, Repair and Operating Expenses and Section 19C Payments as set forth in a schedule filed by the Authority with the Trustee, or, as to moneys held in the Revenue Fund and to be transferred to other Funds, Accounts and subaccounts as described above in "Establishment and Application of Funds and Accounts - Revenue Fund," not later than the day preceding the date of such transfer.

Moneys held for the credit of each subaccount in the Debt Service Fund shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee in Investment Obligations which shall mature, or which shall be subject to redemption at the option of the holder thereof, as to moneys so held in any subaccount in the Interest Account in an amount not in excess of the amount payable as interest from such subaccount at the next Interest Payment Date, not later than the day prior to such Interest Payment Date, or, as to moneys so held in any subaccount in the Principal and Sinking Fund Accounts, in amounts not respectively in excess of the amount payable from such subaccount as principal of Bonds maturing at the next maturity date or of the amount of the Sinking Fund Installment next falling due, not later than the day prior to the date of such maturity or such due date, as the ease may be, or, as to other moneys, if any, so held, not later than twelve (12) months after the date of any such investment.

Moneys held for the credit of the Section 10 Reserve Fund and the Rate Stabilization Fund shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee in Investment Obligations, provided that amounts on deposit in the Section 10 Series Account for any Series of Outstanding Guaranteed Bonds, or in any subaccounts, shall not be invested in excess of the yield or yields as set forth in the investment instructions delivered to the Trustee from time to time by an Authorized Officer, except as permitted by an opinion of bond counsel to the Authority to the effect that investments may be made at the yield or yields set forth in such opinion without adversely affecting the exclusion from gross income of the interest on such Series of Guaranteed Bonds or any other Bonds.

Moneys in any Debt Service Reserve Fund or Multi-Series Debt Service Reserve Fund shall be invested as provided in the one or more applicable Series Resolutions.

Moneys held for the credit of each Account or subaccount in the Property Fund shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee in Investment Obligations which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, on the dates specified from time to time in a certificate of an Authorized Officer delivered to the Trustee.

Notwithstanding any other provisions of the Agreement, the Authority may at any time deliver to the Trustee by a certificate of an Authorized Officer additional or different instructions from those set forth above regarding the investment of moneys held under the Agreement, provided that such instructions do not jeopardize the exclusion from gross income for federal income tax purposes of the interest on any Bond (as to which the Authority may rely on an opinion of bond counsel to the Authority), and provided that such additional or different instructions do not violate the requirements of the issuer of any Credit Facility with respect to the moneys to which such instructions apply. The Trustee shall comply with such instructions if (a) the Authority certifies in such certificate that such instructions do not jeopardize the exclusion from gross income for federal income tax purposes of the interest on any Bond; (b) no investment is directed to be made in any investments other than Investment Obligations; (c) the Authority certifies in such certificate that such instructions do not violate the requirements of the issuer of any Credit Facility with respect to the moneys to which such instructions apply; and (d) the Trustee's liability as set forth in the Agreement is not modified.

Investment Obligations purchased as an investment of moneys in any Fund, Account or subaccount may be purchased and held with Investment Obligations purchased as an investment of moneys in any other Fund, Account or subaccount as a part of a single investment fund but shall be deemed at all times to be a part of the Fund, Account or subaccount for which they were purchased, and the interest accruing thereon and any profit or loss realized from such investments shall be charged pro rata to each such Fund, Account or subaccount; provided, however, (a) that interest received and profits realized in excess of losses realized in any fiscal year from investments of moneys held in the Note Payment Fund shall be deemed to be proceeds of the corresponding Series of Bonds and, except to the extent provided in the Series Resolution authorizing the issuance of such Bonds to be applied to the payment of notes issued by the Authority, shall be transferred, upon the first to occur of (i) payment in full of the pertinent notes or (ii) the end of a fiscal year, to the corresponding Account within the Construction Fund, (b) that, subject to the provisions described above in "Establishment and Application of Funds and Accounts - Rebate Fund," all such interest and profits from the investment of moneys held in Construction Fund Accounts shall be retained in such Accounts, (c) that, subject to the provisions described above in "Establishment and Application of Funds and Accounts - Rebate Fund," all such interest and profits from the investment of moneys held in any Debt Service Reserve Fund or Multi-Series Debt Service Reserve Fund shall be applied as provided in the one or more Series Resolutions governing the application of moneys held in the applicable Debt Service Reserve Fund or Multi-Series Debt Service Reserve Fund and (d) that, subject to the provisions described above in "Establishment and Application of Funds and Accounts - Rebate Fund," such interest and profits from investments of moneys held in any other Fund, Account or subaccount, except as otherwise provided in a Series Resolution or in the Agreement, shall constitute Revenues and shall be transferred to the Revenue Fund. Such interest received and profits realized in excess of losses realized in any calendar year from investments of moneys held in the Section 10 Reserve Fund shall, subject to the provisions described above in "Establishment and Application of Funds and Accounts - Rebate Fund," and if and only if the amount on deposit to the credit of the Section 10 Reserve Fund on the first day of such calendar year (or on any other date of such calendar year if bond counsel to the Authority delivers an opinion to the effect that such is permitted by the Enabling Act) exceeds the aggregate of all Annual Series Requirements in effect for the Guaranteed Bonds then Outstanding for all calendar years through and including such calendar year, constitute Revenues to the extent of the amount of such excess and shall be transferred as received to the Revenue Fund to be applied to the payment of interest on Guaranteed Bonds, unless a certificate of an Authorized Officer directs that any such interest or profits be held in the Section 10 Reserve Fund. Interest and profits derived from the investment of moneys, which interest and profits are held in the Revenue Fund or which are not subject to being transferred thereto, shall, to the extent available, be deemed to be included among the amounts first requisitioned or otherwise withdrawn and expended from any Fund, Account or subaccount. The Trustee shall sell at the best price obtainable or present for redemption any obligations so purchased whenever it shall be necessary so to do in order to provide moneys to meet any payment or transfer from any such Fund, Account or subaccount. Neither the Trustee nor the Authority shall, in the absence of bad faith, be liable on account of or responsible for the results of any such investment.

In computing the amount in any Fund, Account or subaccount held by the Trustee under the Agreement, Investment Obligations shall be valued at par if purchased at par or at amortized value if purchased at other than par. Amortized value, when used with respect to an obligation 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 obligation was purchased by the number of days remaining to maturity on such 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 obligation purchased at a premium by deducting the product thus obtained from the purchase price; and (2) in the case of any obligation purchased at a discount by adding the product thus obtained to the purchase price. Valuation on any particular date shall include the amount of interest then earned or accrued to such date on any Investment Obligations.

Investment Advice

The Authority shall direct all investments of moneys held under the Agreement, or the Authority may, at its expense, appoint as an investment adviser a person registered under the federal Investment Advisers Act of 1940 and having a favorable reputation for competence and experience in investing in Investment Obligations to instruct the Trustee with respect to investment and reinvestment of all or a portion of the moneys held under the Agreement. The Trustee shall have no liability of any kind to the Authority, to any Registered Owner or to any other person for or on account of any investment transaction it shall carry out in accordance with investment instructions given as provided in the Agreement. The Trustee may carry out all investment transactions through its own facilities.

PARTICULAR COVENANTS

Rate Covenant

The Authority covenants that it will establish and revise rules and regulations to insure the use and occupancy of, and will fix, revise, adjust and collect fees, rents, rates and other charges for the use of, each Project and of all Other Projects and other property of the Authority the Revenues from which are pledged under the Agreement, in such manner and at such levels as may be necessary so that the aggregate of (i) the proceeds from such fees, rents, rates and other charges for the use of all Projects, Other Projects and other property the Revenues from which are pledged under the Agreement, (ii) all other Revenues from such Project, Other Projects and property and (iii) all appropriations, contributions, gifts and grants received by the Authority or made for the benefit of the Authority or any such Project, Other Project or property and available and applied for the purpose, will provide Revenues sufficient in each fiscal year

(a) to pay the Maintenance, Repair and Operating Expenses of such Projects, Other Projects and property, provided, that in the case of a Project with respect to which a Contract is in effect that includes undertakings by the University Trustees respecting maintenance, repair and operation thereof, such undertakings shall be deemed to fulfill the covenant of the Authority as to the sufficiency of Revenues therefor;

(b) (i) to provide for making deposits to the credit of the appropriate Accounts in the Debt Service Fund in amounts in such fiscal year equal in the aggregate to the total of (A) all interest becoming due and payable in such fiscal year on all Bonds then Outstanding, (B) the principal amount of all such Bonds maturing in such fiscal year, (C) the Sinking Fund Installments, if any, becoming due in such fiscal year in respect of all such Bonds and (D) other amounts, if any, payable in such fiscal year on the account of all such Bonds or required to be deposited in such Fiscal Year to any Account in the Debt Service Fund, and (ii) to provide for the payment of the purchase price of Bonds tendered as provided in the one or more applicable Series Resolutions;

(c) to pay the Current Expenses of the Authority properly allocable to such Projects, Other Projects and property;

(d) to create and maintain such funds, accounts and reserves, if any, as may be provided for in any Series Resolution authorizing the issuance of Bonds or in a resolution thereafter adopted;

(e) to pay the amounts of any Section 19C Payments to be paid in such fiscal year; and

(f) to provide for making deposits to the credit of (i) the Section 10 Reserve Fund in amounts which, together with amounts deposited in the preceding fiscal year for such purpose or to be deposited in the subsequent fiscal year for such purpose will equal in the aggregate the reserve required by Section 10 of the Enabling Act to be established and maintained in such Fund in respect of each calendar year constituting a portion of such fiscal year and (ii) each Debt Service Reserve Fund or Multi-Series Debt Service Reserve Fund in amounts, if any, required by the one or more applicable Series Resolutions;

except that

(g) as to any Project or Other Projects the Bonds or other indebtedness issued by the Authority to finance or refinance which shall have been paid or provided for in full, as described below in "Defeasance," such Revenues need only be sufficient to pay the amounts required under clauses (a), (c), (d) and (e) above;

and, so far as consistent with the foregoing requirements, so as to maintain reasonable uniformity of charges for like rooms or other accommodations, facilities and services at the University whether or not contained in or provided by a Project of the Authority.

The Authority covenants that if the amounts deposited to the credit of any Account in the Debt Service Fund, in the Section 10 Reserve Fund and any other reserve fund securing any Bonds in any fiscal year shall be less than the amounts respectively referred to above for such fiscal year, it will revise and adjust the aforesaid fees, rents, rates and other charges so as to provide funds sufficient, with all other moneys available for the purpose, to provide the payments and deposits specified above to be made from Revenues.

To the extent provided in the Enabling Act, any establishment or revision of said rules and regulations and any fixing, revision or adjustment of said fees, rents, rates or other charges by the Authority shall require the approval of the University Trustees, and the Authority covenants that it will use its best efforts to obtain such approval whenever required.

Annual Schedule of Projected Expenses

The Authority shall file with the Trustee an annual schedule of projected expenses (the "Annual Schedule of Projected Expenses" or "Schedule") as follows:

(a) With or before the first remittance to the Trustee of moneys to be deposited in the Revenue Fund, the Authority shall file with the Trustee an initial Schedule signed by an Authorized Officer setting forth the amount estimated by the Authority to be payable from the Revenue Fund as Current Expenses, Maintenance, Repair and Operating Expenses and Section 19C Payments during the period commencing with the date thereof and ending on the next following June 30.

(b) On or before each June 15, commencing with the June 15 next preceding the end of the period covered by said initial Schedule, the Authority shall file with the Trustee a Schedule similarly signed setting forth the amount estimated by the Authority to be payable from the Revenue Fund as Current Expenses, Maintenance, Repair and Operating Expenses and Section 20 Payments during the period commencing on the next following July 1 and ending twelve months thereafter.

(c) If at any time prior to June 30 in any period covered by the initial or any subsequent Schedule, as the same may have theretofore been amended, the aggregate of the amounts paid from the Revenue Fund since and including the next preceding July 1 as Current Expenses, Maintenance, Repair and operating Expenses and Section 19C Payments shall exceed the amount set forth in such Schedule, the Authority shall file an amended Schedule similarly signed increasing accordingly the estimated amount to be payable as Current Expenses, Maintenance, Repair and Operating Expenses and Section 19C Payments during the balance of such period. Each amended Schedule filed by the Authority under this clause shall supersede all initial, annual and amended Schedules filed prior thereto.

Debt Service Payments and Payment of Purchase Price

The Authority covenants that it will promptly pay the principal of and the interest on every Bond and the purchase price of every Bond tendered as provided in the applicable Series Resolution at the place, on the dates and in the manner provided in the Agreement and in said Bond and Series Resolution, 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 Agreement, such principal, interest, purchase price and premium are payable solely from Revenues and Funds pledged under the 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 each Contract providing for the Commonwealth Guaranty to the end that the Commonwealth Guaranty therein provided and the pledge of the full faith and credit of the Commonwealth for such Commonwealth Guaranty shall remain in full force and effect and binding upon the Commonwealth as authorized by the Enabling Act and provided by such Contract, said Commonwealth Guaranty and pledge being evidenced by the guaranty executed on each applicable Guaranteed Bond by an officer of the University Trustees.

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 that upon completion or occupancy of each Project financed by a Series of Bonds issued under the Agreement, if and to the extent that there is no obligation of the University Trustees under a Contract to undertake the operation and maintenance of any such Project, the Authority will thereafter operate and maintain, or otherwise provide for the operation and maintenance of, such Project.

Land Covenant

(a) The Authority covenants that each Project constructed or acquired by it is or will be located on lands as to which either (i) the same are leased by the Authority from the Commonwealth 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 of the Series pertaining to such Project, or (ii) good and marketable title to which is owned by the Authority in fee simple or the right to use and occupy which is vested in the Authority by valid franchises, licenses, easements, rights of way or other rights expiring not earlier than the last maturity of any such Bond.

(b) The foregoing covenant shall not apply to a Project consisting of the construction, 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 as lessee or sublessee and not involving the acquisition of such building, structure or facility by the Authority.

Compliance with Contracts

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 each Contract, and will use its best efforts to enforce like performance and observation on the part of the Commonwealth and the University Trustees, to the end that the obligation of the Commonwealth and the University Trustees thereunder, among other things, to remit to the Authority or to the Trustee Revenues, to operate and maintain the Project and to make necessary repairs to and restoration and reconstruction of the same shall continue in full force and effect. The Authority covenants that, from and to the extent of, but not in excess of, the Revenues of each Project owned by it and any other funds available to it for the purpose, it will cure any deficiencies in the maintenance of such Project and will make all necessary repairs, restoration and reconstruction not made by the Commonwealth pursuant to the applicable Contract and that it will observe and perform all of the terms and conditions contained in the Enabling Act.

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 Agreement, 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 in the foregoing provisions in this subsection shall (a) 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, or (b) prohibit (i) the University Trustees or the University from using any funds of the University in accordance with law and in compliance with any Contract or any other agreement applicable to the University Trustees or the University or (ii) the Expendable Fund Balance of the University from being used in accordance with law and in compliance with any Contract or any other agreement applicable to the University Trustees; and provided, further, that if on any date the Authority holds or there is held for the account of the Authority Revenues in excess of the Revenues required by the provisions described above in “Rate Covenant” for the remainder of the fiscal year in which such date occurs, the Authority may apply such excess to any lawful purpose of the Authority as the Authority may from time to time determine.

Use of Other Funds for Projects; Sale of Projects

Notwithstanding any other provision of the 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 of such Project whether pursuant to the pertinent Contract or otherwise.

The Authority may also, if and to the extent now or hereafter permitted by law, sell any Project owned by the Authority or any portion thereof; provided, that if such sale is of an entire Project, the proceeds therefrom shall be in an amount sufficient, with all other moneys then held by the Trustee hereunder and available for the purpose, (a) to pay or provide for the payment in full at the first date upon which such payment may be made of all amounts then required for the payment of the principal or Redemption Price of and interest on the Bonds then Outstanding issued to finance or refinance the cost of such Project (and the determination of which Bonds of the applicable Series were so issued shall be made by the Authority in any reasonable manner if the Project was financed or refinanced by Bonds issued as part of a Series that financed or refinanced more than one Project and shall be evidenced to the Trustee by a certificate of an Authorized Officer) and (b) to pay all necessary and proper expenses payable in connection with such payment; 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 Agreement and available for the purpose, (a) to pay or provide for the payment in full at the first date upon which such payment may be made of the principal or Redemption Price of and interest on a principal amount of Bonds then Outstanding of the Series issued to finance or refinance the Cost of such Project bearing the same proportion to the principal amount of all such Bonds then Outstanding that (as reasonably determined by the Authority and evidenced to the Trustee by a Certificate of an Authorized Officer) the Cost of the portion of such Project to be sold bore to the Cost of the Project and (b) to pay all necessary and proper expenses payable in connection with such payment. The proceeds of any such sale shall be deposited by the Authority with the Trustee and shall be deposited by the Trustee to the credit of the Optional Redemption Account.

Insurance on Projects

The Authority covenants that (a) during the construction, alteration, enlargement, reconstruction, rehabilitation or remodeling of or other work upon each Project it will carry such builder's risk insurance, if any, as it may deem reasonable therefor, and (b) from and after the time when the contractors or any of them engaged in constructing any part of each Project shall cease to be responsible, pursuant to the provisions of the respective contracts for the construction of such part, for loss or damage to such part occurring from any cause, it will insure and at all times keep such part insured with a responsible insurance company or companies, qualified to assume the risk thereof, against physical loss or damage however caused, with such exemptions as are ordinarily required by insurers of buildings, structures or facilities of similar type and in similar locations, 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 (i) 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 Agreement if the Authority shall maintain such insurance to the extent reasonably obtainable; (ii) 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; and (iii) the requirements set forth in clause (b) above of this paragraph shall not apply to any Project owned by the Commonwealth (but the Authority may from time to time provide such insurance of the kind described in such clause (b) for any Project owned by the Commonwealth as the Authority may determine in its discretion).

All such policies shall be for the benefit of the Trustee and the Authority as their interests shall 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 and all 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 therefor. The proceeds of any and all such insurance shall be deposited to the credit of the Insurance Proceeds Account in the Property Fund.

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 One Hundred Thousand Dollars ($100,000), it will, if necessary, prepare or cause the Architect or Engineer, as the case may be, for the Project to prepare plans and specifications for repairing, restoring or reconstructing the damaged or destroyed property, and in any event it will proceed with all reasonable promptness as may be required to 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 University Trustees.

The proceeds of all insurance referred to in this subsection 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 University Trustees, and shall be disbursed by the Trustee upon receipt of copies, certified by an Authorized Officer, 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 provided in the Agreement for payments from the Construction Fund. If such proceeds shall be insufficient for such purpose, the deficiency shall be supplied from any other moneys available for the purpose in the appropriate reserve Account or in the General Account in the Property Fund.

Upon completion of the work authorized by such resolution the Authority shall cause to be filed with the Trustee a notice and a Counsel's Opinion with respect thereto executed, approved and including statements substantially to the same effect as those provided in the Agreement for completion of construction of a Project.

Any balance of such proceeds remaining after such certificate shall have been filed shall be held by the Trustee in the Insurance Proceeds Account in the Property Fund and applied as provided herein or, if the Authority shall so direct by a certificate of an Authorized Officer, shall be transferred to one or more of the Revenue Fund, the Optional Redemption Account in the Debt Service Fund, to any Account within the Construction Fund or to the Multi-Purpose Reserve Account.

Use, Occupancy and Other Insurance

The Authority covenants that it will at all times carry with a responsible insurance company or companies or companies qualified to assume the risk thereof:

(a) use and occupancy insurance covering loss of Revenues from each Project by reason of necessary interruption, total or partial, in the use thereof 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 is sufficient to provide a full equivalent of Revenues for the fiscal year of the Authority 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 Agreement if the Authority shall carry such insurance to the extent reasonably obtainable; provided, however, that the Authority need not (but may) provide the insurance described in this subparagraph with respect to any Project owned by the Commonwealth; and

(b) such worker's 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 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. Any proceeds of use and occupancy insurance paid to the Trustee shall be deposited by it forthwith to the credit of the Revenue Fund.

Any appraisement or adjustment of any loss or damage under any policy payable to the Trustee and any settlement or payment of indemnity under any such policy shall be agreed upon between the Authority and any insurer and shall be evidenced to the Trustee by a certificate, signed by an Authorized Officer of the Authority, which certificate may be relied upon by the Trustee as conclusive. The Trustee shall in no way be liable or responsible for the collection of insurance moneys in case of any loss or damage.

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 Agreement and no contract or contracts will be entered into or any action taken which shall be inconsistent with the provisions of the 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 Agreement.

Records, Reports and Audits

The Authority covenants that it will keep an accurate record of the total cost of each Project, of the Revenues collected or derived from such Project, and of the application of such Revenues collected or derived from such Project. Such records shall be open at all reasonable times to the inspection of the Trustee. The Authority covenants that it will cause any reports or audits relating to each Project to be made as required by law and that it will furnish to the Trustee a copy of each such report and audit forthwith upon receipt thereof by the Authority.

Release of Land; Sale of Equipment

The Authority may from time to time (a) release to the University Trustees any land leased by the University Trustees to the Authority if permitted by a lease entered into between the University Trustees and the Authority and if such release will not adversely affect Revenues, (b) sell or otherwise dispose of any machinery, fixtures, apparatus, tools, instruments or other movable property acquired by it from the proceeds of Bonds or from the Revenues of a Project, if the Authority shall reasonably determine that such articles are no longer useful or appropriate in connection with the construction or operation and maintenance of such Project, and that such sale or disposition, taking account of the application of any proceeds received from such sale or disposition and any replacement to be made of or any substitution to be made for any of the properties so sold or disposed of, shall not adversely affect the Revenues from such Project.

Covenant as to Exclusion of Interest from Gross Income

The Authority covenants that it will not take any action or fail to take any action that would adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Notice of Default; Financial Statements

The Authority covenants that (a) 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” as defined in the Agreement, 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; (b) on or before the 15th day of each July it will file with the Trustee a certificate signed by an Authorized Officer stating that, so far as is known to the signer of the certificate, the Authority is not in default under any covenant, agreement or condition contained in the Agreement and that no event has occurred which constitutes or, after notice or lapse of time or both, would constitute such an event of default or, if the Authority shall be in default, or any such event has occurred, specifying each such default and event and the nature and period of existence thereof of which the signer may have knowledge and what action, if any, the Authority has taken, is taking or proposes to take with respect thereto; and (c) 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 Agreement to be made by independent certified public accountants and within one hundred eighty (180) 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.

Defaults; Remedies

Extended Interest

In case the time for the payment of the interest on any Bond shall be extended, whether or not such extension be by or with the consent of the Authority, such interest so extended shall not be entitled in case of default under the Agreement to the benefit or security of the Agreement except subject to the prior payment in full of the principal of all Bonds then Outstanding and of all interest the time for the payment of which shall not have been extended.

Events of Default

Each of the following events is an "event of default" under the Agreement:

(a) payment of the principal and premium, if any, of any of the Bonds shall not be made when the same shall become due and payable, either at maturity or by required proceedings for redemption or otherwise, or payment of the purchase price of any Bond tendered as provided in the applicable Series Resolution shall not be made when such purchase price shall become due and payable; or

(b) payment of any installment of interest on the Bonds shall not be made when due and payable; or

(c) the Authority shall for any reason be rendered incapable of fulfilling its obligations under the Agreement; or

(d) an order or decree shall be entered, with the consent or acquiescence of the Authority, appointing a receiver or receivers of any Project or any part thereof or of the Revenues thereof, or if such order or decree, having been entered without the consent or acquiescence of the Authority, shall not be vacated or discharged or stayed on appeal within one hundred and twenty (120) days after the entry thereof; or

(e) any proceeding shall be instituted, with the consent or acquiescence of the Authority, for the purpose of effecting a composition between the Authority and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable from the Revenues of any Project; or

(f) the Authority shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in the Agreement on the part of the Authority to be performed in connection with the Bonds or any Project financed or refinanced by the Bonds, and such default shall continue for thirty (30) days after written notice specifying such default and requiring 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 Registered Owners of not less than twenty per cent (20%) in principal amount of the Bonds then Outstanding.

For all purposes of the Agreement, any event of default specified in subparagraph (a) or subparagraph (b) of the preceding paragraph with respect to any one or more Bonds shall be deemed to be such an event of default on all other Outstanding Bonds of the same level or levels as the Bond or Bonds with respect to which such event of default occurred, i.e., any such event of default with respect to one or more Senior Bonds shall be deemed to be such an event of default on all other Outstanding Senior Bonds, any such event of default with respect to one or more Bonds of any Subordinate Series, Level 2 shall be deemed to be such an event of default on all Outstanding Bonds of all Subordinate Series, Level 2, and so on.

No Acceleration

Notwithstanding any other provision of the Agreement to the contrary, the Bonds shall not be subject to acceleration, and all provisions with respect to events of default under the Agreement and with respect to remedies available under the Agreement shall be subject to such prohibition.

Remedies

Upon the happening and continuance of any event of default under the Agreement, then and in every such case the Trustee may proceed, and upon the written request of the Registered Owners of not less than twenty per centum (20%) in principal amount of the Bonds then Outstanding (or, in the case of an event of default under clause (a) or clause (b) above in "Events of Default," not less than twenty per cent (20%) in principal amount of the Bonds Outstanding as to which such event of default has occurred) shall proceed, subject to being indemnified as provided in the Agreement, to protect and enforce its rights and the rights of the Registered Owners of the Bonds under the laws of the Commonwealth or under the Agreement by such suits, actions or proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the Agreement or in aid or execution of any power herein 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.

In the enforcement of any remedy under the 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 Agreement or of the Bonds, with interest on overdue payments at the rate or rates of interest borne by the applicable Bonds, together with any and all costs and expenses of collection and of all proceedings under the Agreement and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the Registered Owners, and to recover and enforce any judgment or decree against the Authority, but solely as provided in the Agreement and in the Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from moneys in the Debt Service Fund, the Section 10 Reserve Fund, any other reserve fund securing any Bond, the Rate Stabilization Fund and the Property Fund and any other moneys available for such purpose) in any manner provided by law, the moneys adjudged or decreed to be payable.

Application of Funds

(a) Anything in the Agreement to the contrary notwithstanding, if at any time the moneys in the Debt Service Fund, in the Section 10 Reserve Fund, in any other reserve fund securing any Bond, in the Rate Stabilization Fund and in the Property Fund, and any other moneys available for the purpose shall not be sufficient to pay the principal and Redemption Price of or the interest on the Bonds as the same shall become due and payable or the purchase price of any Bond tendered as provided in the applicable Series Resolution, such moneys, together with any moneys then available or thereafter becoming available for such purpose, whether through the exercise of the remedies described in this section of this Summary or otherwise, shall be applied as provided in paragraph (b) below, any such application to be made, first to all Outstanding Senior Bonds, until all principal, Redemption Price and interest then due on such Senior Bonds have been paid, and second, to all Outstanding Level 2 Bonds, until all principal, Redemption Price and interest then due on such Level 2 Bonds have been paid, and third, to all Outstanding Level 3 Bonds, until all principal, Redemption Price and interest then due on such Level 3 Bonds have been paid, and so on in descending order of subordination. Any such application shall also be subject to the following:

(i) moneys received under the Commonwealth Guaranty shall be applied only to the Guaranteed Bonds on account of which such moneys are received and shall not be applied to the payment of the fees and expenses of the Trustee;

(ii) moneys in the Section 10 Reserve Fund shall be applied only to Guaranteed Bonds and shall not be applied to fees and expenses of the Trustee;

(iii) moneys received under any Credit Facility or Derivative shall be applied only to the payment of amounts which are due on the Bonds secured by such Credit Facility or to which such Derivative applies and to which moneys received under such Credit Facility or such Derivative are permitted to be applied and shall be applied to the fees and expenses of the Trustee only if such application is explicitly permitted under the applicable Credit Facility or the applicable Derivative and only in amounts not in excess of the amounts permitted by such Credit Facility or such Derivative to be so applied;

(iv) moneys in any reserve fund other than the Section 10 Reserve Fund shall be applied only as provided in the one or more applicable Series Resolutions and shall be applied to fees and expenses of the Trustee only if such application is explicitly permitted by the applicable Series Resolution;

(v) amounts due to the issuer of a Credit Facility for reimbursement of any amount paid under such Credit Facility for payment of principal or Redemption Price of or interest on any Bond or the purchase price of any Bond tendered as provided in the applicable Series Resolution (but not including interest on any such amount) shall, to the extent and under the conditions set forth in the applicable Series Resolution or reimbursement agreement with the issuer of such Credit Facility, be deemed for purposes of paragraph (b) below to be payments of principal or Redemption Price of or interest on such Bond and shall be paid to such issuer in connection with the application of moneys under such paragraph, and

(vi) amounts due from or on account of the Authority under a Derivative for amounts paid under such Derivative for payment of principal or Redemption Price of or interest on any Bond (but not including interest on any such amount) shall, to the extent and under the conditions set forth in the applicable Series Resolution or in such Derivative, be deemed for purposes of paragraph (b) below to be payments of principal or Redemption Price of or interest on such Bond and shall be paid as provided in such Derivative in connection with the application of moneys under such paragraph.

(b) All such moneys shall be applied (subject to paragraph (a) above):

first: to the payment to the Trustee of its unpaid fees and expenses, to the extent of moneys available therefor as provided in paragraph (a) above;

second: to the payment to the persons entitled thereto of all installments of interest on Bonds then due, in the order of the maturity of the installments of such interest, and, if the amounts available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds and except as provided in paragraph (a) above;

third: to the payment to the persons entitled thereto of the unpaid principal and Redemption Price of any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Agreement), in the order of their due dates, with interest upon such Bonds from the respective dates upon which they became due, and the unpaid purchase price of any Bond tendered in accordance with the applicable Series Resolution, and, if the amount available shall not be sufficient to pay in full the principal and Redemption Price of Bonds due on any particular date, together with such interest, and such purchase price, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, Redemption Price and purchase price, ratably according to the amount of such principal and purchase price due on such date, to the persons entitled thereto, and in either case without any discrimination or preference, except as provided in paragraph (a) above; and

fourth: to the payment of the interest on and the principal and Redemption Price of the Bonds, to the purchase and retirement of Bonds and to the redemption of Bonds, all in accordance with the provisions described above under "Establishment and Application of Funds and Accounts" (and as provided in paragraph (a) above).

(c) Whenever moneys are to be applied by the Trustee pursuant to the above provisions, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future; and the Trustee shall incur no liability whatsoever to the Authority, to any Registered Owner or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Agreement as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue.

The Trustee shall give such notice as it may deem appropriate of the fixing of any such date, and shall not be required to make payment to the Registered Owner of any Bond until such Bond shall be surrendered to the Trustee for appropriate endorsement, or for cancellation if fully paid.

Discontinuance of Proceedings

In the event that any proceeding taken by the Trustee on account of any default under the Agreement shall have been discontinued or abandoned for any reason, then and in every such case the Authority, the Trustee and the Registered Owners shall be restored to their former positions and rights under the Agreement, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

Control of Proceedings

Anything in the Agreement to the contrary notwithstanding, the registered Owners of a majority in principal amount of the Bonds then Outstanding (or, with respect to an event of default described in clause (a) or clause (b) above in “Events of Default,” the Registered Owners of a majority in principal amount of the Bonds Outstanding as to which such event of default has occurred) shall have the right, subject to the Trustee's being indemnified as provided in the Agreement, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Agreement in connection with the Bonds, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Agreement.

Restrictions upon Actions by a Registered Owner

No Registered Owner shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Agreement or for any other remedy under the Agreement unless such Registered Owner previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Registered Owners of not less than twenty per cent (20%) in principal amount of the Bonds then Outstanding (or, with respect to an event of default described in clause (a) or clause (b) above in “Events of Default,” the Registered Owners of not less than twenty per cent (20%) principal amount of the Bonds Outstanding as to which such event of default has occurred) shall have made written request of the Trustee after the right to exercise such powers of right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Agreement or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in such every case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Agreement or for any other remedy under the Agreement. No one or more Registered Owners of the Bonds shall have any right in any manner whatever by action of such Registered Owner or Owners to affect, disturb or prejudice the security of the Agreement, or to enforce any right under the Agreement except in the manner provided in the Agreement, that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Agreement and for the benefit of all Registered Owners of the Outstanding Bonds, and that any individual rights of action or other right given to one or more of such Registered Owners by law are restricted by the Agreement to the rights and remedies provided in the Agreement.

Nothing in the Agreement or in the Bonds shall, however, affect or impair the absolute, unconditional and unalterable obligation of the Authority to pay when due (whether due on account of stated maturities, scheduled payments, call for redemption or otherwise) the principal and Redemption Price of and interest on the Bonds and the purchase price of any Bond tendered as provided in the applicable Series Resolution, or affect the right of any Registered Owner of a Bond to institute or require the institution of any action or proceeding against the Authority for the enforcement of such payment, or against the Commonwealth for the enforcement of its guaranty of Guaranteed Bonds.

Actions by Trustee

All rights of action under the Agreement or under any of the Bonds, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof on the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all of the Registered Owners, subject to the provisions of the Agreement.

No Remedy Exclusive

No remedy conferred by the Agreement upon or reserved to the Trustee or to the Registered Owners is intended to be exclusive of any other remedy or remedies provided by the Agreement, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Agreement.

No Delay or Omission Construed as Waiver

No delay or omission of the Trustee or of any Registered Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Agreement to the Trustee and the Registered Owners of the Bonds, respectively, with respect to events of default, may be exercised from time to time as often as may be deemed expedient.

The Trustee may, and upon written request of the Registered Owners of not less than a majority in principal amount of the Bonds then Outstanding shall, waive any default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Agreement or before the completion of the enforcement of any other remedy under the Agreement, but no such waiver shall extend to or affect any other existing or any subsequent default of defaults or impair any rights or remedies consequent thereon.

Notice of Default

The Trustee shall mail to all Registered Owners of Bonds then Outstanding at their addresses as they appear on the registration books written notice of the occurrence of any event of default described in clause (a) or clause (b) above in “Events of Default” promptly upon the occurrence thereof and of any other event of default described under “Events of Default” within thirty (30) days after the Trustee shall have received written notice that any such event of default has occurred and any applicable grace period shall have expired. The Trustee shall not, however, be subject to any liability to any Registered Owner by reason of its failure to mail any such notice.

CONCERNING THE TRUSTEE

Indemnity

The Trustee shall be under no obligation to institute any suit, or to take any remedial proceeding under the Agreement, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts created by the Agreement or in the enforcement of any rights and powers under the Agreement, until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and disbursements and other reasonable disbursements, and against all liability; the Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without indemnity, and in such case the Authority shall reimburse the Trustee from the Revenues of any Project for all costs and expenses, outlays and counsel fees and disbursements and other reasonable disbursements properly incurred in connection therewith. If the Authority shall fail to make such reimbursement, the Trustee may reimburse itself from any moneys in its possession under the provisions of the Agreement from which the payment of fees and expenses of the Trustee is not prohibited by the Agreement and shall have a first and prior lien on such moneys for that purpose over any of the Bonds Outstanding under the Agreement.

Limitation on Obligations

The Trustee shall be under no obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the Authority, or to report, or make or file claims or proof of loss for, any loss or damage insured against or which may occur, or to keep itself informed or advised as to the payment of any taxes or assessments, or to require any such payment to be made. The Trustee shall have no responsibility in respect of the construction or operation of any Project, the validity or sufficiency of the Agreement or the due execution or acknowledgment thereof, or in respect of the validity of the Bonds or the due execution or issuance thereof except as represented by its own authentication, or in respect of the validity or enforceability of the guaranty by the Commonwealth executed on any Guaranteed Bond. The Trustee shall be under no obligation, except as otherwise expressly required in the Agreement, to see that any duties herein imposed upon the Authority, the Architect, the Engineer, any investment adviser appointed by the Authority, or any party other than itself, or any covenants in the Agreement on the part of any party other than itself to be performed, shall be done or performed, and the Trustee shall be under no obligation for failure to see that any such duties or covenants are so done or performed.

Notice of Default

In addition to any other notices required to be given by the Trustee under the Agreement, if on the fifteenth day of the month (or, if such fifteenth day is not a business day, on the next succeeding business day) before the date which shall be one or more of a due date for a payment of interest on Guaranteed Bonds or of a Sinking Fund Installment respecting Guaranteed Bonds or a maturity date for Guaranteed Bonds then Outstanding, the moneys held by the Trustee for or to be deposited prior to such due date to the credit of any subaccount of the Interest Account, any subaccount of the Sinking Fund Account or any subaccount of the Principal Account shall be less than the amount required on such date respectively to pay in full such interest then due, to pay such Sinking Fund Installment then due or to pay the principal of all such Guaranteed Bonds then maturing, all as the case may be, the Trustee shall on such fifteenth day (or next succeeding business day) deliver or cause to be delivered to the offices of the Secretary of Administration and Finance and of the Treasurer and Receiver-General of the Commonwealth a notice addressed to said officials and shall give copies thereof to the Authority and to the purchasers in the manner provided in the Agreement. Such notice shall state (a) the amount or amounts to become due, the nature thereof and the due date, (b) the amount or amounts of moneys held by the Trustee on such business day for the credit of the pertinent Account or Accounts and subaccount or subaccounts, (c) the amount or amounts of moneys held by the Trustee on such business day for the credit of the Section 10 Reserve Fund, each Debt Service Reserve Fund or Multi-Series Debt Service Reserve Fund, the Optional Redemption Account, the Rate Stabilization Fund, and any Account in the Property Fund which are available for the payment of such interest, such Sinking Fund Installment or such maturing principal amount, all as the case may be.

If the University Trustees shall be obligated to pay any such amount from Pledged Funds, the Trustee shall include in its notice a request that the University Trustees transfer or cause to be transferred applicable Pledged Funds forthwith, unless such request is otherwise required to be made by any applicable Series Resolution. If (a) the University Trustees shall be obliged by the Contract or Contracts respecting Outstanding Guaranteed Bonds to give a notice respecting the availability of moneys for said purposes by said dates and (b) such notice has been given and (c) such notice states that moneys are not expected to be available by said dates in amounts sufficient to meet such purposes in full and (d) the moneys held by the Trustee as stated in the last sentence of the first paragraph above in "Notice of Default" are not sufficient, when added to whatever available amount is stated in such notice from the University Trustees, to meet such purposes in full, then the Trustee shall include in the notice to be given by it a request that the Commonwealth make funds available to honor the Commonwealth Guaranty under all such Contracts.

Except as provided above, the Trustee shall not be obliged to take notice or be deemed to have notice of any prospective event of default under the Agreement. The Trustee shall not be obliged to take notice or be deemed to have knowledge of any event of default under the Agreement, except for events of default described in clause (a) or clause (b) above in "Defaults; Remedies - Events of Default," unless an officer in the corporate trust department of the Trustee has received written notice of such event of default by the Authority or the Registered Owners of not less than twenty per cent (20%) in principal amount of the Bonds Outstanding.

Resignation

The Trustee may resign at any time and thereby become discharged from the trusts created by the Agreement by notice in writing to be given to the Authority and the Registered Owners at least thirty (30) days before such resignation is to take effect, but such resignation shall take effect immediately upon the appointment of a new Trustee under the Agreement, if such new Trustee shall be appointed before the time limited by such notice and shall then accept the trusts of the Agreement.

Removal

The Trustee may be removed at any time by an instrument or concurrent instruments in writing, signed by the Registered Owners of not less than a majority in principal amount of the Bonds then Outstanding and filed with the Authority (and the Authority shall promptly deliver to the Trustee a reproduction copy of each such instrument) or by resolution of the Authority.

The Trustee may also be removed at any time for any breach of trust or violation of the Agreement by any court of competent jurisdiction upon application by the Registered Owners of not less than five per cent (5%) in principal amount of the Bonds then Outstanding.

Appointment of Successor Trustee

If at any time the Trustee shall resign, be removed, be dissolved or otherwise become incapable of acting, or the bank or trust company acting as Trustee shall be taken over by any governmental official, agency, department or board, the position of Trustee shall thereupon become vacant. If at any time moneys on deposit with the Trustee shall not be secured as required by the Agreement, a vacancy in the position of Trustee may be declared by a resolution duly passed by the Authority. If the position of Trustee shall become vacant for any of the foregoing reasons or for any other reason, the Authority shall appoint a Trustee to fill such vacancy. The Authority shall send written notice of any such appointment to the Registered Owners, and the Trustee whose position is being filled shall make available to the Authority at all times during normal business hours its registration books and permit the Authority to copy such registration books.

At any time within one year after any such vacancy shall have occurred, the Registered Owners of a majority in principal amount of the Bonds then Outstanding, by an instrument or concurrent instruments in writing, signed by such Registered Owners or their attorneys in fact or legal representatives and filed with the Authority, may appoint a successor Trustee which shall supersede any Trustee theretofore appointed by the Authority. Copies of such instrument shall be delivered promptly by the Authority to the predecessor Trustee and to the Trustee so appointed by the Registered Owners.

If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions, the Registered Owner of any Outstanding Bond or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Any Trustee hereafter appointed shall be a bank or trust company within the Commonwealth (as the words "within the Commonwealth" are used in the Enabling Act) duly authorized to exercise corporate trust powers and subject to examination by federal or state authority, of good standing, having a combined capital and surplus aggregating not less than One Hundred Million Dollars ($100,000,000).

The Trustee shall not be required to be "within the Commonwealth" if the Enabling Act no longer contains such requirement.

SUPPLEMENTAL AGREEMENTS

Supplemental Agreements without Consent of Registered Owners

The Authority and the Trustee may, from time to time and at any time, without the consent of the Registered Owners, enter into agreements supplemental to the Agreement as shall not be inconsistent with the terms and provisions of the Agreement (which supplemental agreements shall thereafter form a part of the Agreement)

(a) to cure any ambiguity or formal defect or omission in the Agreement or in any supplemental agreement, or

(b) to grant to or confer upon the Trustee for the benefit of the Registered Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Registered Owners or the Trustee, or

(c) to add to the covenants and agreements of the Authority other covenants and agreements thereafter to be observed by the Authority which shall not be inconsistent with the terms and provisions of the Agreement or to surrender any right or power reserved to or conferred upon the Authority in the Agreement, or

(d) any amendment described in "Establishment and Application of Funds and Accounts — Rebate Fund," or

(e) for any other purpose, provided that (i) such supplemental agreement (A) does not adversely affect the interest of any Registered Owner and (B) does not make any change in the Agreement prohibited by clauses (a) through (e) below in "Modification of Agreement" and (ii) the Authority and the Trustee receive an opinion of bond counsel to the Authority to the effect that such supplemental agreement complies with subclauses (A) and (B) of this clause.

If the interest on obligations issued in bearer form should at any time qualify for exclusion from gross income for federal income tax purposes, or if the Authority desires to issue obligations the interest on which is not excludable from gross income for federal income tax purposes, and if in either case applicable law permits the issuance by the Authority of obligations in bearer form, the Agreement may be amended without the consent of the registered Owners to permit the issuance under the Agreement of obligations in such form, provided that the Authority and the Trustee receive an opinion of bond counsel to the Authority to the effect that applicable law permits the issuance by the Authority of obligations in bearer form and that such amendment will not affect the exclusion from gross income for federal income tax purposes of the interest on any Bond previously issued under the Agreement.

Any provision of the Agreement with respect to any Series of Bonds secured by a Credit Facility may be amended by the Series Resolution authorizing such Series to take into account the requirements or reasonable requests of the issuer of such Credit Facility. Such amendments may include, but not be limited to, amendments with respect to the exercise of rights of the Registered Owner of the Bonds of such Series by the issuer of such Credit Facility and subrogation of the issuer of such Credit Facility to the rights of such Registered Owners.

Modification of Agreement

The Registered Owners of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution by the Authority and the Trustee of such agreement or agreements supplemental to the Agreement as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Agreement or in any supplemental agreement; provided, however, that nothing contained in the Agreement shall permit, or be construed as permitting (a) an extension of the maturity of the principal of, the due date of any Sinking Fund Installment or respecting the due date of any interest payment due on any Bond, or (b) a reduction in the principal amount of any Bond or the Redemption Price thereof or the rate of interest thereon, or (c) the creation of a lien or pledge of Revenues ranking prior to or on a parity with the lien or pledge created by the Agreement, or (d) a preference or priority of any Bond or Bonds over any other Bond or Bonds other than as provided in the Agreement or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental agreement. Nothing contained in the Agreement, however, shall be construed as making necessary the approval by Registered Owners of the execution of any supplemental agreement or agreements described above in "Supplemental Agreements without Consent of Registered Owners."

If the Registered Owners of not less than fifty-one per cent (51%) in aggregate principal amount of the Bonds Outstanding at the time of the execution of such supplemental agreement shall have consented to and approved the execution thereof as provided in the Agreement, no Registered Owner shall have any right to object to the execution of such supplemental agreement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof.

Responsibilities of Trustee

In each and every case provided for in this section "Supplemental Agreements", the Trustee shall be entitled to exercise its discretion in determining whether or not any proposed supplemental agreement, or any term or provision therein contained, is proper or desirable, having in view the purposes of such instrument, the needs of the Authority, the rights and interests of the Registered Owners, and the rights, obligations and interests of the Trustee, and the Trustee shall not be under any responsibility or liability to the Authority or to any Registered Owner or to anyone whomsoever for its refusal in good faith to enter into any such supplemental agreement if such agreement is deemed by it to be contrary to the provisions of this section. The Trustee shall be entitled to receive, and shall be fully protected in relying upon, the opinion of any counsel approved by it, who may be counsel for the Authority, as conclusive evidence that any such proposed supplemental agreement does or does not comply with the provisions of the Agreement, and that it is or is not proper for it under the applicable provisions of the Agreement, to join in the execution of such supplemental agreement.

DEFEASANCE

Release of Agreement

If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Registered Owners of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Agreement, or if all Outstanding Bonds shall be deemed to be paid as provided in the following paragraph, and if all other sums, if any, then payable to the Trustee under the shall be paid, or the payment of such sums shall be provided for to the reasonable satisfaction of the Trustee, then the pledge of any Revenues and other moneys and securities pledged under the Agreement and all covenants, agreements and other obligations of the Authority to the Registered Owners, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting for such period or period as shall be requested by the Authority to be prepared and filed with the Authority and, upon the request of the Authority, shall execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the Authority all moneys or securities held by it pursuant to the Agreement which are not required for the payment of principal or Redemption Price, if applicable, of or interest on Bonds not theretofore surrendered for such payment or redemption, and for the payment of such other amounts. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Registered Owners of any Outstanding Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Agreement, or if any Outstanding Bonds shall be deemed to be paid as provided in the following paragraph, such Bonds shall cease to be entitled to any lien, benefit or security under the Agreement, and all covenants, agreements and obligations of the Authority to the Registered Owners of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Any Outstanding Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the previous paragraph if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the trustee in form satisfactory to it irrevocable instructions to give notice of redemption of such Bonds on said date, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment Obligations (including any Investment Obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States, which are irrevocably payable to the Trustee and in form satisfactory to the Trustee) the principal of and the interest on which when due will provide the Trustee with moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal 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, and (c) in the event said Bonds will not be redeemed within the next succeeding sixty (60) days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to give notice, in the manner and at the time specified in the Agreement, that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this paragraph and stating such maturity or redemption date or dates upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. None of Investment Obligations, moneys deposited with the Trustee pursuant to this paragraph or principal or interest payments on any such Investment Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Investment Obligation deposited with the Trustee, if not needed for such purpose, shall, to the extent practicable, be reinvested in Investment Obligation maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date, as the case may be, and interest earned from such reinvestment shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien or pledge. For the purposes of this paragraph, Investment Obligations shall mean and include only such securities as are described in clause (a) of the definition of "Investment Obligations" in "Definitions" which shall not be subject to redemption prior to their maturity.

Anything in the Agreement to the contrary notwithstanding, the Trustee shall notify the Authority in writing of any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed six months prior to the date when such moneys would escheat under applicable law and shall, at the written request of the Authority, pay such moneys to the Authority as its absolute property and free from trust, or, if the Authority does not so request in writing, or if such payment is not permitted under applicable escheat law, shall apply such moneys as provided by such applicable law, and the Trustee shall upon such payment or application be released and discharged with respect thereto and the Registered Owners shall look only to the Authority or as such applicable law may provide for the payment of such Bonds, the Authority or any other entity being liable only to the extent of funds received from the Trustee (without regard to any interest thereon received from the Trustee) and having no liability for interest on any such funds.

MISCELLANEOUS PROVISIONS

Rights under Agreement

Except as otherwise expressly provided in the Agreement, nothing in the Agreement expressed or implied is intended or shall be construed to confer upon any person, firm or corporation other than the parties hereto and the Registered Owners any right, remedy or claim, legal or equitable, under or by reason of the Agreement or any provisions hereof, the Agreement and all its provisions being intended to be and being for the sole and exclusive benefit of the parties hereto and the Registered Owners.

Effect of Partial Invalidity

In case any one or more of the provisions of the Agreement or of the Bonds shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of the Agreement or of the Bonds, but the Agreement and the Bonds shall be construed and enforced as if such illegal or invalid provision has not been contained therein. In case any covenant, stipulation, obligation or agreement contained in the Bonds or in the Agreement shall for any reason be held to be in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Authority to the full extent permitted by law.

Effect of Covenants, etc.

All covenants, stipulations, obligations and agreements of the Authority contained in the Agreement shall be deemed to be covenants, stipulations, obligations and agreements of the Authority to the full extent permitted by law. No covenant, stipulation, obligation or agreement contained in the Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, officer, agent or employee of the Authority in his individual capacity, and neither any member of the Authority nor any officer thereof executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability by reason of the issuance thereof. No member, officer, agent or employee of the Authority shall incur any liability in acting or proceeding or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of the Agreement and the Enabling Act.

The Agreement is executed with the intent that the laws of the Commonwealth shall govern its construction.

Reference to Interest as Excludable from Gross Income

All references in the Agreement with respect to the exclusion, excludability, inclusion or includability or the like of interest from gross income for federal income tax purposes shall apply only to Bonds and the interest thereon as to which an opinion of counsel has been rendered to the effect that interest on such Bonds is excludable from gross income for federal income tax purposes.

SUMMARY OF CERTAIN PROVISIONS OF THE CONTRACT

Except as otherwise expressly provided herein, capitalized terms shall be used as defined in the Trust Agreement dated as of November 1, 2000 by and between the Authority and the trustee named therein or its successor (the "Trust Agreement"). Bonds issued pursuant to the Project Trust Agreement are referred to herein as "Project Revenue Bonds." The trustees named in each Trust Agreement are referred to herein as the "Bond Trustee."

<u>Issuance of Bonds; Projects</u> (Section 2)

The Authority shall issue the Bonds, consisting of Refunding Revenue Bonds, Senior Series 2011-1 (the "2011-1 Bonds") and Senior Series 2011-2 (the "2011-2 Bonds" or the "Guaranteed Bonds" and together with the 2011-1 Bonds, the "Bonds") to achieve its corporate purposes in undertaking the Projects and related expenses. The Authority shall apply the proceeds of the Bonds as set forth in the Act, the applicable Trust Agreement, the applicable Series Resolution and the Contract, including the refunding of the Refunded Bonds.

<u>Credit of the Commonwealth; Commonwealth Guaranty</u> (Section 3)

The Commonwealth agrees to guarantee to the Owners of all Guaranteed Bonds and to the Trustee, as trustee for such Owners, the payment of the principal of and interest on all of the Guaranteed Bonds as the same become due and payable, and in case the Authority shall default in making any such payment as and when the same shall be due and payable, the Commonwealth hereby agrees to make such payment as the same becomes due and payable and hereby pledges its full faith and credit for the performance of this guaranty, provided that the total amount of bonds and notes issued by the Authority and guaranteed by the Commonwealth under the Act shall not exceed the amount from time to time authorized by the Act to be so guaranteed, exclusive of such bonds and notes as the Act may permit to be excluded from such amount. Such guaranty shall be executed on each of the Guaranteed Bonds in the following form:

GUARANTY

For consideration paid, The Commonwealth of Massachusetts, acting pursuant to the power conferred upon it by Chapter 773 of the Acts of 1960, as amended, and by every other enactment thereunto it enabling, hereby unconditionally guarantees to the registered owner of this bond and to the trustee under the trust agreement referred to therein, as trustee for such registered owner, the punctual payment, in all respects in accordance with the provisions of said bond and said trust agreement, of the principal thereof and the interest thereon as the same shall respectively become due and payable and, in the case of the failure of the University of Massachusetts Building Authority to make any such payment of either principal or interest as the same shall become due and payable, The Commonwealth of Massachusetts hereby agrees itself to make such payment punctually and hereby pledges its full faith and credit for the performance of this guaranty.

IN WITNESS WHEREOF, THE COMMONWEALTH OF MASSACHUSETTS has caused this guaranty to be signed in its name and on its behalf by an officer of the Trustees of the University of Massachusetts thereunto duly authorized, as of the date of said bond.

THE COMMONWEALTH OF MASSACHUSETTS

By [facsimile signature]
Authorized Officer
Trustees

However, the faith and credit of the Commonwealth are not and shall not be pledged to the payments required under the provisions of Section 12 or in respect of any other obligation assumed by the Commonwealth hereunder. The financial assistance provided pursuant to Section 12 shall be provided solely from the sources identified therein. No provision of the Contract shall create or be deemed to create any obligation by the Commonwealth to appropriate funds for any purposes under the Contract other than performance of the Commonwealth Guaranty on the Guaranteed Bonds.

Operation, Maintenance and Repair of Projects (Section 5)

The Authority shall administer and operate each of the Projects in accordance with the Act, the Contract and the Trust Agreement. The Authority shall establish and revise rules and regulations to insure the use (and, where applicable, occupancy) of, and fix and revise fees, rents, rates and other charges for the use of, the Projects as set forth in the Contract.

Such rules and regulations and such fees, rents, rates and other charges shall be so fixed and adjusted in respect of the aggregate of all revenues from the Projects and from any other projects or property the revenues from which are pledged under the Trust Agreements (collectively, the "Revenues") (1) so as to maintain, so far as consistent with the requirements of the Contract, a reasonable uniformity in charges for like rooms and other accommodations at the University whether or not contained in a project of the Authority and (2) so as to provide Revenues sufficient to:

(a) pay the cost of maintaining, repairing and operating the Projects and such other projects and property, if any, to the extent that the Trustees have not undertaken to provide such maintenance, repair and operation,

(b) pay the fees and expenses of the Bond Trustee, fees and expenses of any paying or fiscal agent appointed by the Authority in connection with the issuance of the Bonds or any other notes or bonds secured or provided for under the Trust Agreements, premiums of insurance maintained by the Authority with respect to the Projects and such other projects and property and rentals payable by the Authority under any lease or leases of land on which the Projects or any other such project or property may be located,

(c) pay the principal of (including Sinking Fund Installments) and the interest on the Bonds and notes and bonds issued to finance or refinance such other projects or property, as such principal and interest shall become due and payable,

(d) pay such portions of the operating and administrative expenses of the Authority (which shall include any amount (the "Rebate Amount") required by the Internal Revenue Code of 1986, as amended or other applicable law to be rebated by the Authority with respect to the Bonds to the United States of America and not provided from other funds of the Authority) as the Authority shall deem properly allocable to the Projects and such other projects and property,

(e) pay amounts payable by the Authority under the Series Resolutions, any Derivatives, any Liquidity Facility, any Credit Facility or any other contract or other arrangement with respect to the Bonds,

(f) create or maintain reserves, if any, for such of the foregoing purposes as may be provided for in any resolution of the Authority as required or permitted by either Trust Agreement,

(g) pay the amount, if any, required by Section 19C of the Enabling Act to be paid to the Treasurer and Receiver-General of the Commonwealth out of such revenues, and

(h) in the case of the Guaranteed Bonds, create the Section 10 Reserve Fund.

Without limiting the generality of the foregoing paragraph (the "General Paragraph"), with respect to Specific Revenue Projects, such rules and regulations and such fees, rents, rates and other charges shall be so fixed and adjusted so as to provide Revenues for each such Project at least sufficient to (a) pay the reasonable and necessary costs of (i) services, facilities, supplies, materials and utilities necessary for or incident to the maintenance, repair (including reconstruction, rehabilitation, replacement and restoration) and operation of each such Project and the facilities and services provided thereby, (ii) billing and collecting fees, rents, rates and other charges for the use of each such Project or any facility or service provided thereby and (iii) keeping books of account with respect to such maintenance, repair and operation (such costs hereinafter collectively referred to as "Specific Revenue Projects Expenses"), and (b) pay such amounts described in clause (b), clause (c), clause (d) clause (e), clause (f), clause (g), and clause (h) of the General Paragraph as the Authority shall deem properly allocable to each such Project. If the Authority should on any one or more occasions determine that all or any portion of any amount described above in this paragraph shall be paid from University Eligible Gifts, Authority Eligible Gifts, other available Authority revenues or all funds of the University permitted by law to be applied thereto, the Authority may deduct from the amount of such Revenues required to be provided as described above in this paragraph the amount that the Authority has determined shall be so paid.

The foregoing paragraph is subject to the qualification that any of the amounts referred to therein that are payable from amounts receivable by the Authority pursuant to the Prior Contracts need not be included in the fees, rents, rates and other charges with respect to the Projects fixed and adjusted pursuant to the Contract.

Any establishment or revision of rules and regulations insuring use and occupancy and any fixing, revising or adjustment of fees, rents, rates or other charges by the Authority as aforesaid shall require the approval of the Trustees as provided in the Act.

With respect to the fixing of fees, rents, rates or other charges in respect of the maintenance, repair and operation of the Projects, other than the Specific Revenue Projects, the undertakings by the Trustees herein to perform such maintenance, repair and operation shall constitute such fees, rents, rates and other charges.

The Authority shall at all times conduct its business and affairs in such manner that:

(1) each of the Projects will be separately and distinctly accounted for relative to any other project or enterprise developed, administered or engaged in by the Authority;

(2) such portion of the office and general administrative expenses of the Authority as is charged to each of the Projects and the basis upon which the same is apportioned can be readily determined; and

(3) all revenues, income, reserves and funds, from whatever source, received or held by the Authority for purposes of or in connection with the undertaking, completion, operation or maintenance of the Projects or for any of the purposes set forth in any resolution authorizing the issue of the Bonds or in the Bonds or in the Trust Agreements or received by or for the account of the Authority as proceeds of insurance upon or as damages award for the taking or condemnation of any of the Projects or any portion thereof, shall at

all times be separately accounted for from all funds of the Authority allocable to projects and property of the Authority respecting which the Authority has issued notes or bonds or other than bonds issued under either Trust Agreement and notes to be refunded by bonds issued under either Trust Agreement; provided that the Authority may, except as the Trust Agreements or any resolution of the Authority authorizing any issue of notes to be refunded by bonds to be issued under the Trust Agreements may otherwise provide as to proceeds of such notes or of bonds issued thereunder, mingle all revenues, income, reserves and funds, from whatever source, received or held by the Authority for the purposes of or in connection with the undertaking, completion, operation or maintenance of any project financed or to be financed or refinanced by bonds secured by the Trust Agreements or for like purposes of or in connection with any other project or property of the Authority the revenues from which are pledged or assigned by the Trust Agreements.

The Authority hereby authorizes and directs the Trustees to make and revise rules and regulations concerning the conduct of persons while on or in the Projects and the bringing into or onto, keeping in or on and removal from the Projects of property of others than the Authority, to enforce such rules and regulations and to establish and impose penalties for violation of the same. All such rules, regulations and penalties shall be subject to the approval of the Authority, which shall not be reasonably withheld, shall comply with the Act, the Contract, any other contract or agreement between the Authority and the Trustees relating to the Projects and the Trust Agreements, and, shall be made and revised so as to be nearly identical as possible with rules, regulations and penalties from time to time promulgated by the Trustees respecting other like facilities under their control.

The obligation of the Trustees hereunder to operate the Projects, keep them in good order and repair and maintain them shall include, but not be limited to, the furnishing of all supplies and materials needed or desirable for such operation, keeping in good order and repair, and maintenance, the making of all interior and exterior repairs to the buildings and structures included in the Projects and all repairs to other improvements and to equipment and furnishings included in the Projects, the maintenance of the Projects and the replacement, restoration and reconstruction of any structure, improvement or item of equipment or furnishings or portion thereof worn out, damaged or destroyed by whatever cause.

Expenses incurred by the Trustees in connection with the repair and maintenance of the Projects shall be paid for or reimbursed to the Trustees from Revenues. The Authority, in its discretion, may (a) authorize the Trustees to deduct from Revenues, prior to remittance of Revenue to the Bond Trustee, amounts equal to amounts budgeted by the Authority for such expenses, or (b) instruct the Trustees to certify to the Authority the amount of such expenses, if any, incurred by the Trustees and not authorized to be deducted, such amounts to be reimbursed to the Trustees from Revenues transmitted to the Bond Trustee. Any amount deducted by the Trustees pursuant to (a) and not expended for such expenses during the period for which it was budgeted by the Authority shall be certified to the Authority by the Trustees within 30 days and shall be retained by the Trustees and used solely for expenses of repair and maintenance of the Projects. In the event the Authority incurs an expense for repair or maintenance of the Projects, the Trustees shall remit to the Authority such portion of the Revenues deducted under (a) as is necessary to reimburse the Authority.

Taking or Condemnation of the Projects (Section 6)

The Commonwealth hereby assigns to the Authority all of the rights which it may now or hereafter have on account of any taking or condemnation of any Project owned by the Authority or leased by the Authority as lessee or sublessee from any entity other than the Commonwealth or any taking or condemnation of any portion of any such Project.

Authority's Annual Certification to Trustees (Section 7)

On or before July 1, 2011 (for the period through October 31, 2010), and each March 1 thereafter for the twelve-month period commencing the next succeeding November 1, the Authority shall certify in writing to the Trustees (and provide a copy to the Bond Trustee) the amount estimated for each component of the

Projects, detailing (i) the Authority's projected debt service costs and fees and expenses related to the Bonds, including without limitation any payments with respect to any Liquidity Facility, Credit Facility or Derivatives, (ii) the Authority's projected operating and administrative costs, (iii) any projected required deposits to reserves, including without limitation the Section 10 Reserve Fund, Capital Improvements Reserve Fund and the General Reserve Fund, (iv) any projected payments to the Commonwealth pursuant to Section 19C of the Act, (v) any additional reserves it may propose to create or augment consistent with the Trust Agreements and (vi) the amount, if any, payable to the Trustees to reimburse Specific Revenue Project expenses incurred by the Trustees (collectively, the "Certified Amount"). Such certificate, which may be revised from time to time as necessary, shall state the dates within such period when any portion of the Certified Amount shall be due, the portion of the Certified Amount due on such dates, the payee of such amount and payment instructions, the source of such payments and the amount payable from each source. The Certified Amount shall also detail the fees, rents, rates and other charges proposed for the use of the Projects, which shall be fixed so as to be sufficient, in the aggregate, together with other available moneys, to cover all of the costs and transfers to reserves as aforesaid allocable to the Projects.

Pledge of Trust Funds and Other Available Funds (Section 8)

The Trustees, in the name and on behalf of the Commonwealth, hereby pledge to the making of payments required by Section 12 any funds held as trust funds under the provisions of Section 11 of Chapter 75 of the Massachusetts General Laws and any funds administered by the Trustees as gifts, grants or trusts under the provisions of clause (e) of the fifth paragraph of Section 1A of Chapter 75 of the Massachusetts General Laws permitted by law to be pledged for such purpose (collectively, "Trust Funds"). The Trustees hereby pledge to the making of payments required by Section 12 all available funds of the University (collectively with the Trust Funds, the "Pledged Funds").

All Revenues collected or received by the University or the Commonwealth, from whatever source, as payment of fees, rents, rates or other charges for the use and occupancy of a Project, including without limitation Revenues from Specific Revenue Projects and from the Unrestricted Net Assets shall be held in trust for the Authority separate from all other moneys, held by the University or the Commonwealth. Such Pledged Funds shall be applied solely as provided in the Act, the Contract (including the Certified Amount), the Series Resolutions or the Trust Agreements and shall be remitted by the Trustees to the Bond Trustee under the Trust Agreements at such times and in such amounts as may be directed in writing by the Authority in accordance with the Authority's annual Certified Amount.

General Reserve Fund (Section 9)

The Authority shall deposit into the General Reserve Fund from time to time, amounts received by the University on account of the Derivatives related to the Bonds, which amount shall be set forth in the certifications provided to the Trustees pursuant to Section 7 hereof, initially based on an amount equal to .19875% per annum of the notional amounts thereof. Amounts on deposit in the General Reserve Fund may be invested in any investment by which the Authority is from time to time permitted by law to invest its moneys. Moneys and investments in the General Reserve Fund shall be held separately from all other moneys and investments of the Authority. Moneys in the General Reserve Fund may be applied to any lawful purpose of the Authority. Moneys may be withdrawn from the General Reserve Fund by any authorized officer of the Authority. The Authority may, but is not required to, certify to the Trustees from time to time an amount (a "Replenishment Amount") to replenish all or a portion of amounts previously withdrawn from the General Reserve Fund.

Capital Improvements Reserve Account (Section 10)

A Capital Improvements Reserve Account shall be funded in connection with Specific Revenue Projects in an amount determined by the Authority, in consultation with the Vice President for Management and Fiscal Affairs, Treasurer and Deputy Chief Operating Officer of the University, and set forth in the certifications provided to the Trustees pursuant to Section 7. Moneys in the Capital Improvements Reserve Account may applied to any lawful purpose of the Authority. Moneys may be withdrawn from the Capital Improvements Reserve Account by any authorized officer of the Authority. The Authority may, but is not required to, certify to the Trustees from time to time an amount (a "Replenishment Amount") to replenish all or a portion of amounts previously withdrawn from the Capital Improvements Reserve Account.

Pledged Funds (Section 11)

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 by the Contract and the Trustees shall take all actions necessary to protect and effectuate such pledge provided, however, that nothing described in this paragraph shall be deemed to limit the right of the Trustees, to the extent permitted by law, to create a pledge, lien or other charge on any or all such Pledge Funds junior and subordinate to the pledge created hereby.

Payments from Pledged Funds (Section 12)

The Certified Amount shall be paid from Revenues generated from Specific Revenue Projects, University Eligible Gifts, Authority Eligible Gifts, other available Revenues of the Authority and, in the case of Projects financed by the 2011-1 Bonds, all funds of the University permitted by law to be applied thereto, including without limitation amounts available in the University's Unrestricted Net Assets.

"University Eligible Gifts" shall consist of gifts, grants and other contributions made to the University, the University of Massachusetts Foundation, Inc. (or its successors), the University of Massachusetts Dartmouth Foundation, Inc. (or its successors), the University of Massachusetts Amherst Foundation, Inc. (or its successors) or any other entity (other than the Authority) on behalf of the University required or permitted to be applied to pay all or a portion of the Certified Amount and determined by the University from time to time to be so applied (any such determination to be in compliance with any requirements of the University Eligible Gifts and to designate for each Project all or a portion of the Certified Amount allocable which is to be paid from one or more University Eligible Gifts and the amount of each University Eligible Gift to be applied to the payment of the Certified Amount allocable to each such Project).

"Authority Eligible Gifts" shall consist of gifts, grants and other contributions made to the Authority or any other entity on behalf of the Authority required or permitted to be applied to pay all or a portion of the Certified Amount and determined by the Authority from time to time to be so applied (any such determination to be in compliance with any requirements of the Authority Eligible Gifts and to designate for each Project all or a portion of the Certified Amount allocable which is to be paid from one or more Authority Eligible Gifts and the amount of each Authority Eligible Gift to be applied to the payment of the Certified Amount allocable to each such Project).

"Unrestricted Net Assets" means the accumulation of excess unrestricted revenues over expenditures with respect to the University for all prior years and for each current year from the unrestricted current fund, the quasi endowment fund, the unexpended unrestricted plant fund and the unrestricted renewal and replacement plant fund. Prior to fiscal year 2002, such amounts were referred to as the "Expendable Fund Balance."

The University shall cause to be available in the Unrestricted Net Assets at all times amounts sufficient to pay such portion of the Certified Amount required to be paid therefrom and to provide for any other payments required under the Prior Contracts or under the HEFA Financing Agreements.

On or before June 1, 2011, and on or before April 1 of each year thereafter, the President of the University or the Vice President for Management and Fiscal Affairs, Treasurer and Deputy Chief Operating Officer of the University shall certify in writing to the Authority whether or not there are sufficient funds in the Unrestricted Net Assets to pay the amounts so required to be paid therefrom and, if so, that such funds will be held in trust in the Unrestricted Net Assets for the equal and ratable benefit of the Authority and each other person or entity for whose benefit amounts will be applied to the payment of amounts required to be paid therefrom and will not be expended for any other purpose. Such funds will be so held and not expended for any other purpose; provided, however, that if any portion of the Certified Amount is paid from University Eligible Gifts, Authority Eligible Gifts, other Authority revenues or Revenues from Specific Revenue Projects, then after any such payment an amount equal to such portion so paid need no longer be held in the Unrestricted Net Assets.

In the event of the absence or inability of the President of the University or the Vice President for Management and Fiscal Affairs, Treasurer and Deputy Chief Operating Officer of the University, or in the event that either such office should no longer exist, such certification may be made by any other officer of the University knowledgeable about the financial affairs of the University. The Trustees hereby authorize and, pursuant to Chapter 3A of Chapter 75 of the Massachusetts General Laws and every other authority thereunto the Trustees enabling, delegate power to the President of the University, the Vice President for Management and Fiscal Affairs, Treasurer and Chief Operating Officer of the University and any such other officer to deliver the certificate described in the preceding paragraph and to do all other acts and things necessary or desirable to cause the University to comply with its obligations described in this section.

If such certification states that sufficient funds are not available in the Unrestricted Net Assets to pay such amounts, such certification shall state the amount of funds in the Unrestricted Net Assets that are available to pay a portion of such amounts and a ratable portion of such funds in the Unrestricted Net Assets shall be held in trust for the benefit of the Authority to be applied to the payment pro rata of all amounts payable to or for the account of the Authority from the Unrestricted Net Assets. The University will continue to be obligated to pay any portion (or, if applicable, all) of the Certified Amount payable from all funds of the University permitted by law to be applied thereto notwithstanding any shortfall in amounts available in the Unrestricted Net Assets.

If such certification states that sufficient funds are not available in the Unrestricted Net Assets to pay such amounts, or if the Authority has not received such certificate as required herein, the Authority will promptly adopt or revise mandatory fees, rates, rents and other charges for the use of the Projects and any portion thereof to be charged and billed to and collected from students in the University and provide for the billing, collection and remittance of such fees rates, rents and other charges by the Trustees at such times and in such manner as in the judgment of the Authority will produce moneys sufficient and available to meet the requirements hereof. The Authority shall promptly notify the Trustees in writing of the matters set forth in the foregoing sentence. The Trustees hereby approve, and agree to confirm such approval from time to time, all fees, rents, rates and other charges adopted or revised by the Authority as described in this paragraph and agree to cause the same to be billed to and collected from students in the University as the Authority may provide and remitted as the Authority may provide.

Amounts payable to the Authority pursuant to the Contract from any funds of the University permitted by law to be applied thereto shall be paid from an account of the University, unless the Authority shall give its prior written consent to another source of payment.

<u>The University</u> (Section 13)

The Trustees shall make available to the Authority the services of officers and employees of and facilities in the University for the performance of activities with respect to the Projects, including the following, in each case, as applicable to the Projects or portions thereof:

(a) renting, leasing, or otherwise making available rooms, accommodations or other facilities in such Projects for use by students or others provided in the Act, the activities of which are a part of the activities at the University and are subject to regulation by the Trustees;

(b) purchasing, preparing, selling and serving food, beverage or other concession items and such other items as may from time to time be appropriate or desirable to be offered for sale in conjunction with food, beverages or other concessions;

(c) operating any dining, kitchen, dishwashing and like facilities, any parking facilities and any extra-curricular use facilities included in the Projects and procuring all equipment, materials and supplies necessary therefor and consumed thereby;

(d) billing and collecting rents, fees, rates and other charges as provided in the Contract, which billing and collecting may be performed in such manner, and in combination with any other charges in such amounts, as the Trustees in their discretion may deem appropriate, subject to the provisions of Section 12;

(e) within 20 days after the end of each month, certifying in writing to the Authority the aggregate amount of Revenues remitted by the Trustees to the Bond Trustee or otherwise expended by the Trustees from Revenues during the prior month and cumulatively for the then current fiscal year, including in particular, with respect to Revenues related to Specific Revenue Projects;

(f) cleaning the Projects, heating such buildings, and structures therein or portions thereof as may require for heat for use, and furnishing steam service, electricity, water, gas and other utilities to the Projects as required;

(g) operating the Projects; and

(h) keeping the Projects in good order and repair, and maintaining the same, in at least the same manner and to at least the same extent as other comparable properties at the University owned by the Commonwealth or operated by the Trustees at the University or, as to any structure or facility not comparable to any other such property, in good and safe order and condition.

In performing the foregoing services the Trustees may act in the name of the Commonwealth or in their name, as may be consistent with law, and, subject to the provisions of Section 12, in their discretion as to the manner, method and time of performance.

During the period the Projects are being undertaken and completed the Trustees shall also furnish to the site thereof (a) steam for temporary heating purposes, (b) electricity for temporary light and power and (c) water for construction purposes, such utilities to be furnished at such points and in such manner as is set forth in the working drawings and detail specifications approved by the Trustees for the doing of work upon the Projects.

The University acknowledges that use of the Projects or portions thereof by any individual or entity that is not a state, a political subdivision thereof or an integral part of a state or political subdivision thereof may jeopardize the tax-exempt status of interest on the Bonds. The University will follow the guidelines to avoid such private use of the Projects, as set forth in the University Tax Certificate delivered in connection with the issuance of the Bonds, which would jeopardize the tax-exempt status of the Bonds. During the time that any Bond is outstanding, the University will consult with the Authority and with bond counsel to the Authority regarding the impact of any private use of the Projects on the tax-exempt status of the Bonds and will not enter into any transaction which might result in a private use without notifying the Authority.

<u>Defaults by the Authority; Rights of the Commonwealth; Defaults by the Trustees; Rights of the Authority</u>. (Section 14)

Upon the failure of the Authority to pay debt service on any Bond (other than as a result of the failure of the Trustees hereunder) or to observe or perform any other agreement or condition hereunder (or failure to cure the same), after 15 days notice thereof to the Authority by the Trustees, the Authority shall be deemed to be in default hereunder. Thereupon, the Commonwealth may, acting by and through the Trustees, take immediate possession of the Projects and possess and operate the same with all the rights and powers, and subject to all the obligations, of the Authority, in the premises until such time as the Trustees may declare the default to be cured.

Upon the failure of the Authority or the Trustees to make any payment required under the provisions of the Contract, or to observe any other covenant or requirement imposed by the Contract, the Authority or the Trustees, as the case may be, shall be deemed in default hereunder. 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 provisions of the Contract 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, in the case of an Authority default, the Commonwealth may, acting by and through the Trustees, take immediate possession of the Projects and possess and operate the same with all the rights and powers, and subject to all the obligations, of the Authority in the premises until such time as the Trustees may declare the default to be cured, and, in the case of a Trustees default, the Authority may itself undertake to perform such obligations, and may employ such persons or entities and make such expenditures as are reasonably necessary for the performance thereof, until such time as the Authority may declare the default to be cured.

No action by the Authority to enforce the Contract, or any other action of the Authority under the Contract, and no default or breach by the Trustees, shall in any way affect the obligations of the Trustees hereunder. No action by the Trustees hereunder, and no default or breach by the Authority, shall in any way affect the obligations of the Commonwealth hereunder. Whenever a breach of the Contract, whether substantial or otherwise, and whether before or after notice of the breach has been given to the Authority or the Trustees, has been corrected, the obligations and rights hereunder shall be reinstated and performance of the Contract shall continue as if such breach had never occurred.

Insurance (Section 15)

The Authority shall purchase and maintain in effect with respect to each of its Projects policies of insurance and fidelity bonds against such risks and losses and in such amounts as it shall deem to be reasonable. Subject to 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.

Notices and Demands (Section 16)

Any notice or demand permitted or required under the Contract to be given or served by any of the parties hereto to or upon another party hereto shall be in writing and shall be signed in the name of the party giving or serving the same. Such notice or demand shall be mailed by registered mail (postage and registry charges prepaid) or served on the President of the University, if such notice is to the Commonwealth or the Trustees, or otherwise on the Executive Director of the Authority. Notice shall be deemed to have been received at the time of actual service or three days after the date of the mailing by registered mail properly addressed. The principal office of the President of the University shall be deemed to be 225 Franklin Street, 12th Floor, Boston, Massachusetts 02110 or such other place as the Trustees may designate by written notice to the Authority. The principal office of the Authority shall be deemed to be 333 South Street, Suite 450, Shrewsbury, Massachusetts 01545 or such other place as the Authority may designate by written notice to the President of the University.

Non-Assignability. (Section 20)

The Contract is not assignable except that if by act of the General Court the powers, functions, duties and property of the University 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 hereunder and to enforce the provisions of the Contract may be assigned to the Bond Trustee.

Amendments. (Section 21)

The Contract may be amended only by the execution of an Amendment in writing by the Authority, the Trustees and the Commonwealth, acting by and through the Trustees, or their successors.

PROPOSED FORM OF OPINION OF BOND COUNSEL

MINTZ LEVIN

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[Closing Date]

University of Massachusetts Building Authority
333 South Street, 4th Floor
Shrewsbury, Massachusetts 01545

Re: University of Massachusetts Building Authority (the "Authority") Refunding Revenue Bonds, Senior Series 2011-2 (the "Series 2011-2 Bonds")

We have acted as bond counsel to the Authority in connection with the issuance by the Authority of the Series 2011-2 Bonds pursuant to (i) Chapter 773 of the Acts of 1960, as amended (the "Act"), (ii) the Trust Agreement dated as of November 1, 2000 (the "Trust Agreement") between the Authority and U.S. Bank National Association, as successor trustee (the "Trustee"), and (iii) the Series Resolution authorizing the issuance of the Series 2011-2 Bonds adopted by the Authority on May 19, 2011 (the "2011-2 Series Resolution"). 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 June 9, 2011 (the "Contract"), among the Authority, the University of Massachusetts, acting by and through the Board of Trustees (the "University Trustees"), and The Commonwealth of Massachusetts (the "Commonwealth"), acting by and through the University Trustees. Capitalized terms used herein shall, unless otherwise specified, have the meanings set forth in the Trust Agreement and the 2011-2 Series Resolution.

Under the Trust Agreement, the Authority has pledged certain revenues (the "Revenues") for the payment of the principal of and interest on the Series 2011-2 Bonds when due.

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

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

1. The Authority is validly existing as a body politic and corporate and public instrumentality of the Commonwealth with the power to enter into the Trust Agreement and the 2011-2 Series Resolution, perform the agreements on its part contained therein and issue the Series 2011-2 Bonds.

2. The Trust Agreement, the 2011-2 Series Resolution 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 2011-2 Bonds issued thereunder on a parity with other bonds issued under the Trust Agreement.

5. The Series 2011-2 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. The Commonwealth has guaranteed the payment of principal of or premium, if any, or interest on the Series 2011-2 Bonds, including the purchase price thereof and the full faith and credit of the Commonwealth is pledged to the payment of the principal of or redemption premium, if any, or interest on the Series 2011-2 Bonds, including the purchase price thereof.

6. Interest on the Series 2011-2 Bonds will not be included in the gross income of the holders of the Series 2011-2 Bonds for federal income tax purposes. This opinion is expressly conditioned upon the Authority's compliance with certain requirements of the Internal Revenue Code of 1986, as amended, which must be satisfied subsequent to the date of issuance of the Series 2011-2 Bonds in order to assure that the interest thereon is and continues to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Series 2011-2 Bonds to be included in the gross income of holders thereof, retroactive to the date of issuance of the Series 2011-2 Bonds. While interest on the Series 2011-2 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 2011-2 Bonds will be included in the "adjusted current earnings" of corporate holders of the Series 2011-2 Bonds and therefore will be taken into account in computing the alternative minimum tax imposed on certain corporations. We express no opinion regarding other federal tax consequences of holding the Series 2011-2 Bonds.

7. Interest on the Series 2011-2 Bonds, and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Series 2011-2 Bonds are exempt from Massachusetts personal property taxes. We express no opinion as to other Massachusetts tax consequences arising with respect to the Series 2011-2 Bonds nor as to the taxability of the Series 2011-2 Bonds or the income therefrom under the laws of any state other than Massachusetts.

It is to be understood that the rights of the holders of the Series 2011-2 Bonds and the enforceability of the Series 2011-2 Bonds, the Trust Agreement and the Contract may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

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

Very truly yours,

[Intentionally Left Blank]

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKINGS

The Authority and University Continuing Disclosure Agreement

In the Authority and University Continuing Disclosure Agreement, the University will undertake to provide to the Authority no later than 270 days after the end of each fiscal year of the University, commencing with the fiscal year ending June 30, 2011, the annual financial information described below, together with audited financial statements of the University for such fiscal year if audited financial statements are then available; provided, however, that if audited financial statements of the University are not then available, such audited financial statements shall be delivered to the Authority when they become available (but in no event later than 350 days after the end of such fiscal year (the "prior fiscal year")). The University's annual financial statements for each fiscal year will be prepared on an accrual basis in accordance with generally accepted accounting principles as in effect from time to time (or as otherwise may be required or permitted by law) and will consist of a combined balance sheet, a combined statement of changes in net assets and a combined statement of current net assets, revenues, expenses and other changes (or such other items as may be required or permitted by law or by generally accepted accounting principles as in effect from time to time or by other accounting principles as in effect from time to time in accordance with which the financial statements of the University may be prepared). Such financial statements will be audited by a group of certified public accountants appointed by the University. The annual financial information regarding the University to be provided to the Authority shall consist of financial and operating data, in each case updated through the last day of the prior fiscal year unless otherwise noted, relating to the following information in Appendix A – "Letter from the University" to this Official Statement and in each case substantially in the same level of detail as is found under the subheading under such caption referenced in parentheses after each item:

(a) number of full-time equivalent undergraduates and graduates at each campus of the University as of the fall of the prior fiscal year ("Amherst Campus," "Boston Campus," "Dartmouth Campus," "Lowell Campus," "Worcester Campus," "UMassOnline");

(b) degrees and programs offered at each campus of the University ("Amherst Campus," "Boston Campus," "Dartmouth Campus," "Lowell Campus," "Worcester Campus,"and "UMassOnline");

(c) organizations related to the University ("University Related Organizations");

(d) number and members of the Trustees or other chief governing body of the University and general governmental structure ("Board of Trustees");

(e) number of faculty members and the number of full-time faculty members, the percentage of tenured faculty members and the full-time equivalent student to the full-time equivalent faculty ratios for each campus of the University (except the Worcester campus)("Faculty and Staff");

(f) academic programs (to the extent not covered under (b) above) and accreditation ("Academic Programs and Accreditation");

(g) applicants, acceptances and matriculations each fall on a five-year comparative basis through the fall of the prior fiscal year for first year applicants and transfer students and opening fall head count enrollment for each campus shown on a five-year comparative basis through the fall of the prior fiscal year and total head count enrollment and total full-time equivalent enrollment shown on a five-year comparative basis ("Enrollment");

(h) tuition and fees shown on a five-year comparative basis through the prior fiscal year for each campus of the University ("Tuition and Fees");

(i) student financial aid amounts ("Student Financial Aid");

(j) sources of revenues of the University ("University Revenues and Budgeting", "General Operations," "Sales and Services (Designated Funds)," and "Restricted Funds");

(k) modifications to the University's five-year capital plan and status of completion of the University's five-year capital plan ("Current and Future Capital Plans");

(l) modifications to the budget process ("Budget Process");

(m) management of appropriated funds, including appropriations received by the University shown on a five-year comparative basis and management of non-appropriated funds ("Management of Appropriated Funds" and "Management of Non-Appropriated Funds");

(n) combined statement of revenues and expenses, including current fund revenues and expenditures and other changes (accrual basis) on a five-year comparative basis through the prior fiscal year ("Summary of Operations" and "Summary of Financial Results, Fiscal Years 2007 Through 2009");

(o) University and Foundation endowment assets shown on a five-year comparative basis ("Endowment and Fundraising");

(p) indebtedness of the University ("Indebtedness of the University");

(q) unrestricted net assets (formerly expendable fund balances ("Unrestricted Net Assets");

(r) additional indebtedness ("Additional Indebtedness");

(s) capitalized leases ("Capitalized Leases");

(t) insurance ("Insurance");

(u) technological initiatives ("Technological Initiatives");

(v) litigation ("Litigation"); and

(w) employee relations ("Employee Relations").

The University will undertake to provide to the Municipal Securities Rulemaking Board ("MSRB"), through its Electronic Municipal Market Access ("EMMA") system, updates to the third paragraph and the table entitled "Certain Cash, Cash Equivalents, and Investments" in the section of this Official Statement entitled "POTENTIAL FUNDS AVAILABLE FOR PAYMENT OF THE PURCHASE PRICE ON A WINDOWS MANDATORY TENDER DATE." Such updates shall be made on a quarterly basis, beginning with the quarter ending June 30, 2011, and shall be provided to EMMA no later than the final day of the subsequent quarter.

The Authority and University Continuing Disclosure Agreement also requires the Authority to transmit the financial statements of the University and the annual financial information regarding the University to the MSRB through its EMMA system promptly upon the receipt thereof from the University and will give notice to EMMA of any failure by the University to provide such financial statements or annual financial information by the dates set forth in the Authority and University Continuing Disclosure Agreement.

In the Authority and University Continuing Disclosure Agreement, the Authority will undertake to provide to EMMA no later than 270 days after the end of each fiscal year of the Authority, commencing with the fiscal year ending June 30, 2011, the annual financial information described below, together with audited financial statements of the Authority for such fiscal year if audited financial statement 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 via EMMA when they become available (but in no event later than 350 days after the end of such fiscal year (the "prior fiscal year of the Authority")). The Authority's annual financial statements for each fiscal year will be prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with generally accepted accounting principles as in effect from time to time (or as otherwise may be required or permitted by law) and will consist of a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows (or such other items as may be required or permitted by law or by accounting principles as in effect from time to time in accordance with which the financial statements of the Authority may be prepared). Such financial statements will be audited by a group of certified public accountants appointed by the Authority. The annual financial information to be provided by the Authority shall consist of financial and operating data, updated through the last day of the prior fiscal year of the Authority unless otherwise noted, relating to the following information contained in this Official Statement and substantially in the same level of detail as is found in the section of this Official Statement referenced in parentheses after each item:

(a) any material change in the provisions of the Contract ("Security and Sources of Payment for the Bonds – Pledge of Revenues and the Contract");

(b) annual debt service requirements on the Series 2011-2 Bonds ("Annual Debt Service Requirements");

(c) any material change in the Enabling Act or other law of the Commonwealth with respect to the Authority ("The Authority – General");

(d) members, officers and staff of the Authority ("The Authority – Members, Officers and Staff"); and

(e) any amendment to the Project Trust Agreement made with the consent of the registered owners of the Series 2011-2 Bonds and any other amendment to the Project Trust Agreement which, in the opinion of the firm of attorneys serving as bond counsel to the Authority at the time the Authority submits the information required by the University and Authority Continuing Disclosure Agreement, is material to the interests of the registered owners of the Series 2011-2 Bonds ("Appendix D -- Summary of Legal Documents").

The Authority and University Continuing Disclosure Agreement will also require the Authority to submit in a timely manner to the MSRB via EMMA, notice of any of the following events with respect to the Series 2011-2 Bonds:

(f) principal and interest payment delinquencies;

(g) non-payment related defaults;

(h) unscheduled draws on debt service reserves reflecting financial difficulties;

(i) unscheduled draws on credit enhancements, if any, reflecting financial difficulties;

(j) substitution of credit or liquidity providers, if any, or their failure to perform;

(k) adverse tax opinions 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 Series 2011-2 Bonds, or other material events affecting the tax-exempt status of the Series 2011-2 Bonds;or events affecting the tax-exempt status of the Series 2011-2 Bonds;

(l) modifications to rights of holders of the Series 2011-2 Bonds, if material;

(m) bond calls, if material;

(n) defeasances;

(o) release, substitution, or sale of property, if any, securing payment of the Series 2011-2 Bonds, if material;

(p) rating changes;

(q) Bankruptcy, insolvency, receivership or similar event of the Authority (For the purposes of this event, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer of the Authority in a proceeding under the U.S. Bankruptcy Code or in any other 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 or officers in possession but subject to the supervision and orders of a court or governmental authority, or 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 the assets or business of the Authority);

(r) The consummation of a merger, consolidation, or acquisition involving the Authority 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

(s) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

To the extent permitted by law, the provisions of the Authority and University Continuing Disclosure Agreement shall be enforceable against the University with respect to the obligations of the University thereunder, and against the Authority with respect to the obligations of the Authority thereunder, in accordance with the terms thereof by any owner of a Series 2011-2 Bond, including any beneficial owner acting as a third party beneficiary (upon proof of its status as a beneficial owner reasonably satisfactory to the University or the Authority, 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 2011-2 Bonds, by mandamus or other suit or proceeding at law or in equity, to enforce its rights against the University or the Authority, as applicable, and to compel the University or the Authority as applicable, and any of the officers, agents or employees of, as applicable, the University or the Authority, to perform and carry out their duties under such provisions of the Authority and University Continuing Disclosure Agreement; provided, however, that the sole remedy for a violation of the Authority and University Continuing Disclosure Agreement shall be limited to an action to compel specific performance of the obligations of the University or the Authority, as applicable, under the Authority and University Continuing Disclosure Agreement and shall not include any rights to monetary damages. The Authority and University Continuing Disclosure Agreement shall terminate if no Series 2011-2 Bonds remain outstanding (without regard to an economic defeasance) or if the provisions of the Rule concerning continuing disclosure are no longer in effect, whichever occurs first.

The Authority and University Continuing Disclosure Agreement may be amended, changed or modified by the parties thereto, without the consent of, or notice to, any owners of the Series 2011-2 Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the SEC or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided pursuant to the Authority and University Continuing Disclosure Agreement by the University or the Authority and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the University or the Authority for the benefit of the owners of the Series 2011-2 Bonds, (d) to modify the contents, presentation and format of the annual financial information of the University or the Authority 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 duties of the University or the Authority in the Authority and University Continuing Disclosure Agreement in a manner consistent to 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 duties of the University or the Authority, as amended, would have complied with the requirements of the Rule at the time of the offering of the Series 2011-2 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 2011-2 Bonds, as determined either by a party unaffiliated with the University or the Authority (such as the firm serving at the time as bond counsel to the Authority) or by the vote or consent of the Registered Owners of a majority in outstanding principal amount of the Series 2011-2 Bonds affected thereby at or prior to the time of such amendment, which consent shall be obtained as provided in the Trust Agreement with respect to consents of Registered Owners. Any amendment, change or modification to the Authority and University Continuing Disclosure Agreement shall be in writing.

If the Authority and University Continuing Disclosure Agreement is amended with respect to the annual financial information to be submitted by the Authority or the University thereunder, the annual financial information containing the amended financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of financial information being provided. If the Authority and University Continuing Disclosure Agreement is amended with respect to the accounting principles to be followed in preparing financial statements of the University or the Authority, the annual financial information of the University or the Authority as applicable, for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and the financial statements or information prepared on the basis of the former accounting principles. Such comparison will include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the University or the Authority, as applicable, to meet its obligations with respect to the Series 2011-2 Bonds. To the extent reasonably feasible, the comparison will also be quantitative. The University will give notice of any change in its accounting principles to the Authority as promptly as practicable after such change has been determined and the Authority will submit such information to EMMA promptly upon the receipt thereof. The Authority will give notice of any change in its accounting principles to the MSRB via EMMA as promptly as practicable after such change has been determined.

The Commonwealth Disclosure Agreement

Prior to the issuance of the Series 2011-2 Bonds, the Authority and the Commonwealth, acting by and through the Treasurer and Receiver-General of the Commonwealth, will undertake for the benefit of the owners of the Series 2011-2 Bonds to provide the MSRB through its EMMA system pursuant to the requirements of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), no later than 270 days after the end of each fiscal year of the Commonwealth, commencing with the fiscal year ending June 30, 2011, (i) the annual financial information described below relating to such fiscal year, together with audited financial statements of the Commonwealth for such fiscal year if audited financial statements are then available; provided, however, that if audited financial statements of the Commonwealth are not then available, such audited financial statements shall be delivered to EMMA when they become available (but in no event later than 350 days after the end of such fiscal year) or (ii) notice of the Commonwealth's failure, if any, to provide any such information. The annual financial information to be provided 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 the Commonwealth Information Statement described in the section of this Official Statement entitled "INTRODUCTORY STATEMENT – Purpose and Content of Official Statement" and substantially in the same level of detail as is found in the referenced section of the Commonwealth Information Statement:

	Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
1.	Summary presentation on statutory accounting and five-year comparative basis of selected budgeted operating funds operations, revenues and expenditures, concluding with prior fiscal year, plus estimates for current fiscal year	"COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS – Statutory Basis Distribution of Budgetary Revenues and Expenditures"
2.	Summary presentation on GAAP and five-year comparative basis of governmental funds operations, concluding with prior fiscal year	"SELECTED FINANCIAL DATA – GAAP Basis"
3.	Summary presentation on a five-year comparative basis of lottery revenues and profits	"COMMONWEALTH REVENUES AND EXPENDITURES – Federal and Other Non-Tax Revenues; *Lottery Revenues*"
4.	Summary presentation of payments received pursuant to the tobacco master settlement agreement	"COMMONWEALTH REVENUES AND EXPENDITURES – Federal and Other Non-Tax Revenues; *Tobacco Settlement*"
5.	So long as Commonwealth statutes impose limits on tax revenues, information as to compliance therewith in the prior fiscal year	"COMMONWEALTH REVENUES AND EXPENDITURES – Limitations on Tax Revenues"

	Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
6.	Summary description of the retirement systems for which the Commonwealth is responsible, including membership and contribution rates.	"PENSION AND OPEB FUNDING – Retirement Systems" and "PENSION AND OPEB FUNDING – Employee Contributions."
7.	Summary presentation of the then-current, statutorily imposed funding schedule for future Commonwealth pension liabilities, if any	"PENSION AND OPEB FUNDING – Funding Schedule."
8.	Summary presentation on a five-year comparative basis of actuarial valuations of pension fund assets, liabilities and funding progress.	"PENSION AND OPEB FUNDING – Actuarial Valuations."
9.	Summary presentation on a five-year comparative basis of annual required pension contributions under GAAP and pension contributions made.	"PENSION AND OPEB FUNDING – Annual Required Contributions."
10.	Summary presentation on a five-year comparative basis of PRIT Fund asset allocation and investment returns.	"PENSION AND OPEB FUNDING – PRIT Fund Investments."
11.	Summary presentation of actuarial valuations of OPEB assets, liabilities and funding progress.	"PENSION AND OPEB FUNDING – Other Post-Retirement Employee Benefit Obligations (OPEB)."
12.	If and to the extent otherwise updated in the prior fiscal year, summary presentation of the size of the state workforce	"STATE WORKFORCE"
13.	Five-year summary presentation of actual capital project expenditures	"COMMONWEALTH CAPITAL INVESTMENT PLAN"
14.	Statement of general and special obligation long-term debt issuance and repayment analysis on a five-year comparative basis through the end of the prior fiscal year	"LONG-TERM LIABILITIES – General and Special Obligation Long-Term Debt Issuance and Repayment Analysis"
15.	Statement of outstanding Commonwealth debt on a five-year comparative basis through the end of the prior fiscal year	"LONG-TERM LIABILITIES – Outstanding Long Term Commonwealth Debt"
16.	Annual fiscal year debt service requirements for Commonwealth general obligation and special obligation bonds, beginning with the current fiscal year	"LONG-TERM LIABILITIES – Debt Service Requirements"

Financial Information and Operating Data Category		Reference to Information Statement for Level of Detail
17.	Annual fiscal year contract assistance requirements for Commonwealth general obligation contract assistance, beginning with the current fiscal year	"LONG-TERM LIABILITIES – General Obligation Contract Assistance Liabilities"
18.	Annual fiscal year budgetary contractual assistance liabilities for Commonwealth, beginning with the current fiscal year	"LONG-TERM LIABILITIES – Budgetary Contract Assistance Liabilities"
19.	Five-year summary presentation of authorized but unissued general obligation debt	"LONG-TERM LIABILITIES – Authorized But Unissued Debt"
20.	So long as Commonwealth statutes impose a limit on the amount of outstanding "direct" bonds, information as to compliance therewith as of the end of the prior fiscal year	"LONG-TERM LIABILITIES – General Authority to Borrow; *Statutory Limit on Direct Debt*"
21.	Summary presentation of the then-current, Commonwealth interest rate swap agreements	"LONG-TERM LIABILITIES – Interest Rate Swaps"
22.	Summary presentation of the then-current, Commonwealth liquidity facilities	"LONG-TERM LIABILITIES – Liquidity Facilities"

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 Commonwealth, which have been submitted to EMMA. The Commonwealth's annual financial statements for each fiscal year shall consist of (i) combined financial statements prepared in accordance with a basis of accounting that demonstrates compliance with the Massachusetts General Laws and other applicable state finance laws, if any, in effect from time to time and (ii) general purpose financial statements prepared in accordance with generally accepted accounting principles in effect from time to time and audited by a firm of certified public accountants appointed by the Commonwealth.

The Commonwealth Disclosure Agreement also will provide that the Treasurer and Receiver-General of the Commonwealth on behalf of the Commonwealth, undertakes for the benefit of the registered owners and Beneficial Owners of the Bonds to provide in a timely manner to EMMA notice of any change in the credit rating of outstanding general obligation bonds of the Commonwealth.

To the extent permitted by law, the foregoing provisions of this Series 2011-2 Bond related to the above-described undertakings to provide information shall be enforceable against the Commonwealth in accordance with the terms thereof by any owner of a Series 2011-2 Bond, including any beneficial owner acting as a third-party beneficiary (upon proof of its status as a beneficial owner reasonably satisfactory to the Treasurer and Receiver-General). To the extent permitted by law, any such owner shall have the right, for the equal benefit and protection of all owners of Bonds, by mandamus or other suit or proceeding at law or in equity, to enforce its rights against the Commonwealth and to compel the Commonwealth and any of its officers, agents or employees to perform and carry out their duties under the provisions of the Commonwealth Disclosure Agreement, provided; however, that the sole remedy in connection with such Commonwealth Disclosure Agreement shall be limited to an action to compel specific performance of the obligations of the Commonwealth in connection with the Commonwealth Disclosure Agreemen and shall not include any rights to monetary damages. The Commonwealth's obligations in respect of the Commonwealth Disclosure Agreement shall terminate if no Series 2011-2 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 this Series 2011-2 Bond relating to the Commonwealth Disclosure Agreement may be amended by the Treasurer and Receiver-General of the Commonwealth, without the consent of, or notice to, any owners of the Series 2011-2 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 Commonwealth for the benefit of the owners of 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 Commonwealth Disclosure Agreement in a manner consistent with the provisions of state legislation establishing a state information depository or otherwise responding to 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 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 Bonds, as determined either by a party unaffiliated with the Commonwealth (such as Commonwealth disclosure counsel or Commonwealth bond counsel) or by the vote or consent of owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment.

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University of Massachusetts Building Authority • Refunding Revenue Bonds, Senior Series 2011-2 (7 Month Window) (Commonwealth Guaranteed)