NEW ISSUES – BOOK-ENTRY ONLY

Ratings: ***Fitch:*** **"AA"**
Moody's: **"Aa2"**
S&P: **"AA-"**

In the opinion of Bond Counsel, under existing law, assuming continued compliance with certain provisions of the Internal Revenue Code of 1986, as amended, interest on the Series 2014-1 Bonds will not be included in the gross income of holders of the Series 2014-1 Bonds for federal income tax purposes. While interest on the Series 2014-1 Bonds will not constitute a preference item for the purposes of computation of the alternative minimum tax imposed on certain individuals and corporations, interest on the Series 2014-1 Bonds will be included in the "adjusted current earnings" of corporate holders of the 2014-1 Bonds and therefore will be taken into account in computing the alternative minimum tax imposed on certain corporations. Interest on the Series 2014-2 Bonds will be included in the gross income of holders thereof for federal income tax purposes. In the opinion of Bond Counsel, interest on the Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. See "TAX MATTERS" herein.

$293,890,000
University of Massachusetts Building Authority
Project Revenue Bonds, Senior Series 2014-1

$14,085,000
University of Massachusetts Building Authority
Project Revenue Bonds, Senior Series 2014-2
(Federally Taxable)

Dated: Date of Initial Delivery **Due: As shown on the inside cover**

The Project Revenue Bonds, Senior Series 2014-1 (the "Series 2014-1 Bonds") and Project Revenue Bonds, Senior Series 2014-2 (Federally Taxable) (the "Series 2014-2 Bonds" and together with the Series 2014-1 Bonds, 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 the denominations of $5,000 or any integral multiple thereof. No physical delivery of the Bonds will be made to purchasers. So long as Cede & Co. is the registered owner of the Bonds, principal and semiannual interest (payable May 1 and November 1, commencing May 1, 2014) are payable to DTC by U.S. Bank National Association, Boston, Massachusetts, as Trustee. See "BOOK-ENTRY ONLY SYSTEM" herein. The Series 2014-1 Bonds, but not the Series 2014-2 Bonds, are subject to redemption prior to maturity as more fully described herein.

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 Resolutions (defined herein), including payments made by the University of Massachusetts (the "University"), all as more fully described under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

THE BONDS SHALL NOT BE DEEMED TO CONSTITUTE A GENERAL OBLIGATION OF THE AUTHORITY OR A DEBT OR LIABILITY OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE 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 BONDS. THE AUTHORITY DOES NOT HAVE TAXING POWER.

The Bonds are offered when, as and if issued by the Authority and received by the Underwriters, subject to the approval of legality by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel. Certain legal matters will be passed upon for the University by its Disclosure Counsel, Nixon Peabody LLP, Boston, Massachusetts, and for the Underwriters by their counsel, McCarter & English, LLP, Boston, Massachusetts. It is expected that the Bonds in definitive form will be available for delivery through DTC in New York on or about February 25, 2014.

Barclays **Citigroup**

BofA Merrill Lynch	**Cabrera Capital Markets, LLC**	**Jefferies**
Fidelity Capital Markets	**Janney Montgomery Scott LLC**	**Morgan Stanley**
Lebenthal & Co., LLC	**Loop Capital Markets**	**Roosevelt & Cross, Inc.**
Ramirez & Co., Inc.	**Raymond James**	**Drexel Hamilton, LLC**
J.P. Morgan	**Piper Jaffray & Co.**	**Wells Fargo Securities**

Dated: February 5, 2014.

AMOUNTS, MATURITIES, INTEREST RATES AND PRICES OR YIELDS

$293,890,000
University of Massachusetts Building Authority
Project Revenue Bonds, Senior Series 2014-1

$23,435,000 Serial Bonds

Due November 1	Amount	Interest Rate	Yield	CUSIP*
2015	$425,000	3.000%	0.320%	914440PD8
2016	450,000	3.000	0.480	914440PE6
2017	525,000	4.000	0.780	914440PF3
2018	600,000	4.000	1.120	914440PG1
2019	680,000	4.000	1.520	914440PH9
2020	3,655,000	5.000	1.880	914440PJ5
2021	3,890,000	5.000	2.210	914440PK2
2022	4,135,000	5.000	2.500	914440PL0
2023	4,400,000	5.000	2.700	914440PM8
2024	4,675,000	5.000	2.840	914440PN6

$118,425,000 5.000% Term Bonds due November 1, 2039 to yield 4.180%** CUSIP*: 914440PP1
$150,770,000 5.000% Term Bonds due November 1, 2044 to yield 4.280%** CUSIP*: 914440PR7
$1,260,000 4.375% Term Bonds due November 1, 2044 to yield 4.405% CUSIP*: 914440PQ9

$14,085,000
University of Massachusetts Building Authority
Project Revenue Bonds, Senior Series 2014-2
(Federally Taxable)

$14,085,000 Serial Bonds

Due November 1	Amount	Interest Rate	Price	CUSIP*
2015	$2,755,000	0.440%	100%	914440PS5
2016	2,775,000	0.855	100	914440PT3
2017	2,805,000	1.185	100	914440PU0
2018	2,845,000	1.809	100	914440PV8
2019	2,905,000	2.109	100	914440PW6

---

* The CUSIP (Committee on Uniform Securities Identification Procedures) numbers on the inside cover of this Official Statement have been assigned by an organization not affiliated with the Authority or the Trustee, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of Bondholders and no representation is made as to the correctness of the CUSIP numbers printed on the inside cover hereof. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including but not limited to the refunding or defeasance of such issue or the use of secondary market financial products. Neither the Authority nor the Trustee has agreed to, nor is there any duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers printed on the inside cover hereof.

** Yield determined to the earliest optional redemption date of November 1, 2024.

UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY

225 Franklin Street, 12^{th} Floor
Boston, Massachusetts 02110
Telephone: (617) 287-3200

Authority Members

Executive/Senior Staff

Katherine Craven, *Executive Director*
Patricia Filippone, *Chief Financial Officer and Assistant Secretary-Treasurer*
Joanna Aalto, *Treasurer and Director of Construction Audits*
Joseph Naughton, *Director of Capital Projects*
Mary Kaitlin McSally, *General Counsel*

Trustee
U.S. Bank National Association
Boston, Massachusetts

Bond Counsel
Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
Boston, Massachusetts

Financial Advisor
First Southwest Company
Boston, Massachusetts

Independent Accountants
for the Authority and the University
Grant Thornton LLP
Boston, Massachusetts

Disclosure Counsel
Nixon Peabody LLP
Boston, Massachusetts

No dealer, broker, salesman or other person has been authorized by the University of Massachusetts Building Authority (the "Authority"), The Commonwealth of Massachusetts (the "Commonwealth"), the University of Massachusetts (the "University") or the Underwriters to give any information or to make any representation with respect to the Bonds other than as contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information contained herein has been obtained from the Authority, the University, The Depository Trust Company and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of the Authority, the Commonwealth, the University or the Underwriters. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

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

All quotations from and summaries and explanations of provisions of laws, the Project Trust Agreement, the Contract, the Bonds, the Series Resolutions and other documents herein do not purport to be complete; reference is made to said laws, the Project Trust Agreement, the Bonds 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.

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC rule 15c2-12.

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

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT: THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

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.

TABLE OF CONTENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT

$293,890,000 University of Massachusetts Building Authority Project Revenue Bonds, Senior Series 2014-1	$14,085,000 University of Massachusetts Building Authority Project Revenue Bonds, Senior Series 2014-2 (Federally Taxable)

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 $293,890,000 Project Revenue Bonds, Senior Series 2014-1 (the "Series 2014-1 Bonds") and its $14,085,000 Project Revenue Bonds, Senior Series 2014-2 (Federally Taxable) (the "Series 2014-2 Bonds," and together with the Series 2014-1 Bonds, the "Bonds"). Unless otherwise defined herein, capitalized terms used herein shall have the meanings set forth in Appendix D – "Summary of Legal Documents."

The Bonds are issued pursuant to Chapter 773 of the Acts of 1960 of The Commonwealth of Massachusetts, as amended (the "Enabling Act") and the Trust Agreement dated as of November 1, 2000 (the "Project Trust Agreement"), between the Authority and U.S. Bank National Association, Boston, Massachusetts, as successor trustee (the "Trustee"). The Series 2014-1 Bonds are issued pursuant to the Series Resolution Authorizing the Issuance of Project Revenue Bonds, Senior Series 2014-1 (the "2014-1 Series Resolution"), adopted by the Authority on September 12, 2013. The Series 2014-2 Bonds are issued pursuant to the Series Resolution Authorizing the Issuance of Project Revenue Bonds, Senior Series 2014-2 (Federally Taxable) (the "2014-2 Series Resolution," and together with the 2014-1 Series Resolution, the "Series Resolutions"), adopted by the Authority on September 12, 2013.

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."

The Bonds are being issued to finance certain projects set forth in the University's capital plan. See "THE PROJECTS." The proceeds of the Bonds will be used to finance the costs of such projects, to repay outstanding commercial paper bond anticipation notes issued for a portion of such projects, to fund capitalized interest on a portion of the Bonds and to pay costs of issuing the Bonds.

The Enabling Act prohibits the Authority from initiating any project except upon request made by the University and upon written approval from the Secretary of the Executive Office for Administration and Finance of the Commonwealth. In connection with the Bonds, such requests have been made and all such approvals shall be obtained prior to the issuance of the Bonds.

The Bonds will be special obligations of the Authority payable solely from funds provided under the Enabling Act, the Project Trust Agreement and the Series Resolutions, including payments made by the University under the Amended and Restated Master Contract for Financial Assistance, Management and Services dated as of February 25, 2014 (the "Contract") among the Commonwealth, acting by and through the University, the University and the Authority.

Under the Contract, the University is obligated to pay debt service on the Bonds and other costs of the Authority related thereto with respect to the Projects from all available funds of the University. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

The obligations of the University in connection with the Bonds do not constitute a general obligation of the University or a debt or obligation of the Commonwealth, and (a) the Commonwealth shall not 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 with respect to the Bonds. The Authority does not have taxing power.

Purpose and Content of Official Statement

This Official Statement describes the terms and use of proceeds of, and security for, the Bonds. This introduction is subject in all respects to the additional information contained in this Official Statement, including Appendices A through G hereto. 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, as of and for the fiscal years ended June 30, 2013 and 2012 are set forth in Appendices B and C. A summary of certain provisions of the Project Trust Agreement and the Contract are included as Appendices D-1 and D-2, respectively. The proposed form of opinions of Bond Counsel is included in Appendix E. Appendix F includes a summary of the Continuing Disclosure Agreement with respect to the Authority and the University. Appendix G includes information about The Depository Trust Company and the book-entry only system.

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. 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 Bonds at the offices of the Authority, located at 225 Franklin Street, 12th Floor, Boston, Massachusetts 02110, and subsequent to the date of issuance of the Bonds, at the principal corporate trust office of the Trustee.

THE AUTHORITY

General

The Authority was created in 1960 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 and described herein. In 1995, the Authority was consolidated with and assumed the obligations of the Southeastern Massachusetts Building Authority and the University of Lowell Building Authority, following the University of Lowell and Southeastern Massachusetts University, respectively, being made the University's Lowell Campus and Dartmouth Campus in 1991.

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 for (i) the use of the University, its students, staff and their dependents, (ii) 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, (iii) a research foundation or other research organization the operation of which is approved by the University or (iv) any other entity the activities of which are approved by the University as furthering the purposes of the University.

The Enabling Act prohibits the Authority from refunding outstanding bonds except upon approval of the University.

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 Authority's outstanding debt has primarily been issued under the Project Trust Agreement. This includes bonds that refunded debt previously issued by the Authority, the University of Lowell Building Authority and the Southeastern Massachusetts University Building Authority. The Authority also has issued bonds under the Trust Agreement dated as of December 1, 2000 (the "Facilities Trust Agreement"), between the Authority and the Trustee. Such bonds are designated Facilities Revenue Bonds and are secured by amounts pledged therefor under the Facilities Trust Agreement and under contracts with the University executed in connection with the issuance of such bonds. Facilities Revenue Bonds, unlike bonds issued under the Project Trust Agreement, are not secured by all available funds of the University.

For information about outstanding indebtedness of the Authority, including the Authority's $200 million commercial paper program, see Appendix A under the heading "INDEBTEDNESS OF THE UNIVERSITY – Bonds Issued by the Authority." See Appendix B for a copy of the Authority's audited financial statements as of and for the years ended June 30, 2013 and 2012.

Under the Enabling Act, the Authority may have up to $200 million principal amount of notes and bonds issued by the Authority that are outstanding and guaranteed by the Commonwealth. As of January 1, 2014, $126,505,000 principal amount of Commonwealth guaranteed bonds were outstanding, including all outstanding bonds issued under the Facilities Trust Agreement ($27,370,000 par amount) and $99,135,000 of bonds issued under the Project Trust Agreement.

The Bonds are not guaranteed by the Commonwealth.

The Enabling Act requires approval by the Treasurer and Receiver General of the Commonwealth and the Secretary of the Executive Office for Administration and Finance 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 Bonds.

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 Board of Trustees of the University and may, but need not, be graduates of the University, and two others who shall be graduates of the University. Members from the Board of Trustees of the University serve while they are Trustees of the University; 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. There is currently one vacancy in the members 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	Term Expires
Philip W. Johnston,* Chair, Marshfield President, Philip W. Johnston Associates	September 13, 2017
Paul J. Carney, Vice Chair, Breckenridge, Colorado	June 30, 2014
Karen G. Courtney, Secretary-Treasurer, Winchester President, K Courtney & Associates, Inc.	June 30, 2017
Francis X. Callahan, Jr., Member, Arlington President, Massachusetts Building Trades Council, AFL-CIO	June 30, 2015
Richard P. Campbell,* Member, Cohasset Attorney, Campbell Campbell Edwards & Conroy, P.C.	September 1, 2016
Edward W. Collins, Jr.,* Member, Springfield International Representative, International Brotherhood of Electrical Workers	September 13, 2017
William F. Kennedy, Member, Quincy Attorney, Nutter McClennen & Fish, LLP	June 30, 2016
Paul Lonergan, Member, Cambridge President, Congress Wealth Management	June 30, 2019
Jeffrey B. Mullan,* Member, Milton Attorney, Foley Hoag LLP	September 1, 2016
Henry M. Thomas, III,* Member, Springfield President and Chief Executive Officer, Urban League of Springfield, Inc.	September 13, 2017

* University Trustee member of Authority Board. Pursuant to the Enabling Act, the members who are appointive members of the University Trustees shall continue in office as members of the Authority so long as they continue in office as University Trustees. The date indicated is the expiration date of such member's term as a University Trustee.

Katherine Craven is the Executive Director of the Authority and Assistant Vice President for Capital Finance of the University and assumed such positions in December 2011. Previously, Ms. Craven was the First Deputy State Treasurer for the Commonwealth. Ms. Craven also served as the founding Executive Director of the Massachusetts School Building Authority (the "MSBA") from 2004 until 2011. Prior to that, Ms. Craven worked for ten years in the Massachusetts House of Representatives in various positions, including Director of Policy for the Office of the Speaker, Deputy Budget Director and Budget Analyst. She received her A.B. from Harvard University.

Ms. Craven is leaving the Authority to become Chief Administrative Officer of Babson College. Upon Ms. Craven's departure, Patricia Filippone will become Interim Executive Director of the Authority.

Patricia Filippone is the Chief Financial Officer and Assistant Secretary-Treasurer of the Authority. Prior to joining the Authority in June 2012, Ms. Filippone served in various positions at The Broad Institute since 2008, including Chief Financial Officer and Assistant Treasurer, Senior Financial Officer and Controller. Previously, she was Director of Allston Finance at Harvard University. Prior to that, Ms. Filippone was at the Massachusetts Water Resources Authority for 12 years in various positions, including as Director of Finance and Chief Financial Officer, Treasurer and Controller. She began her career at Coopers & Lybrand and has been a Certified Public Accountant since 1991. She received a B.S. from Babson College.

Joanna Aalto is Treasurer and Director of Construction Audits of the Authority. Prior to joining the Authority in June 2013, Ms. Aalto was the Controller/Director of Audits of the MSBA since January 2005. Prior to joining the MSBA, Joanna was a Manager at PriceWaterhouseCoopers LLP in the Audit and Business Assurance Group where she planned, supervised and executed multiple audit engagements for public and private technology clients. Joanna also worked previously as an Analyst at Painewebber Inc., where she participated in the structuring, marketing and pricing of initial public offerings and secondary offerings. Joanna is a graduate of the Kellogg School of Management, a *cum laude* graduate of Harvard University, and is a Certified Public Accountant.

Joseph Naughton is the Director of Capital Projects of the Authority. Previously, Mr. Naughton worked for the University's President's Office since 2006 in various positions, including as Director of Budget and Planning and Assistant Budget Director and Manager of Capital Planning. Prior to that, he was the Bond Fund Manager of the Capital Expenditure and Program Office for the Commonwealth's Department of Transportation. Mr. Naughton received a B.S. in Accounting from the Carroll School of Management at Boston College.

Mary Kaitlin McSally is the General Counsel of the Authority. Prior to joining the Authority in April 2012, Ms. McSally worked at the Commonwealth's Division of Capital Asset Management and Maintenance as Deputy General Counsel since 2004. Previously, after clerking for the Supreme Court of Rhode Island, she was in private practice and in-house counsel in the Washington, D.C. area from 1993 to 2001 and then in private practice in Massachusetts from 2001 to 2004. She received her J.D. from Suffolk University and her B.S. from Boston College.

The Authority maintains offices at 225 Franklin Street, 12th Floor, Boston, Massachusetts 02110. The Authority's telephone number is (617) 287-3200. Its website can be found at http://www.massachusetts.edu/buildingauthority/bahome.html.

THE BONDS

General

The Bonds will be issued as fully registered bonds in the aggregate principal amounts as set forth on the inside cover page hereof, will be dated the date of delivery and will bear interest from that date to their respective maturities as set forth on the inside cover page hereof, subject to redemption as described below. Ownership interests in the Bonds will be available in denominations of $5,000 and integral multiples thereof. Interest on the Bonds will be payable on May 1, 2014 and on each May 1 and November 1 thereafter or, if any such day is not a Business Day, the next Business Day.

So long as Cede & Co. is the registered owner of Bonds, all payments of principal and interest on the Series Bonds are payable by wire transfer by the Trustee to Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will, in turn, remit such amounts to the DTC Participants for subsequent disposition to Beneficial Owners. See Appendix G – "Book-Entry Only System" herein.

Series 2014-1 Bonds

General

The Series 2014-1 Bonds will be issued in the aggregate principal amount of $293,890,000. The Series 2014-1 Bonds will be dated the date of initial delivery thereof, will mature (unless redeemed prior to maturity) on November 1 of each of the years and will bear interest from their date at the rates per annum, all as set forth on the inside cover page of this Official Statement. The Series 2014-1 Bonds are subject to optional and mandatory sinking fund redemption as described below.

Redemption Provisions

Redemption by Sinking Fund Installments. The Series 2014-1 Bonds stated to mature on November 1, 2039 shall be redeemed as provided in the 2014-1 Series Resolution by mandatory Sinking Fund Installments on November 1 at their principal amounts without premium, plus accrued interest to the redemption date as follows:

Year	Amount
2035	$21,375,000
2036	22,475,000
2037	23,625,000
2038	24,840,000
2039†	26,110,000

†Final Maturity

The Series 2014-1 Bonds bearing interest at a rate of 5.000% and stated to mature on November 1, 2044 shall be redeemed as provided in the 2014-1 Series Resolution by mandatory Sinking Fund Installments on November 1 at their principal amounts without premium, plus accrued interest to the redemption date as follows:

Year	Amount
2040	$27,215,000
2041	28,610,000
2042	30,080,000
2043	31,620,000
2044†	33,245,000

†Final Maturity

The Series 2014-1 Bonds bearing interest at a rate of 4.375% and stated to mature on November 1, 2044 shall be redeemed as provided in the 2014-1 Series Resolution by mandatory Sinking Fund Installments on November 1 at their principal amounts without premium, plus accrued interest to the redemption date as follows:

Year	Amount
2040	$230,000
2041	240,000
2042	250,000
2043	265,000
2044†	275,000

†Final Maturity

Optional Redemption. The Series 2014-1 Bonds maturing on or after November 1, 2039 are subject to optional redemption prior to their stated maturity date on or after November 1, 2024 at the option of the Authority, in whole or in part, at any time, at a Redemption Price equal to the principal amount of the Series 2014-1 Bonds or portion thereof to be redeemed, without premium, plus interest accrued thereon to the date fixed for redemption. Any optional redemption may be stated to be conditional, and shall be conditioned upon the Trustee's receipt of funds sufficient to pay the Redemption Price of the Series 2014-1 Bonds to be redeemed on or prior to the Redemption Date.

Notice of Redemption. The Trustee is required to give notice of redemption of any Series 2014-1 Bonds, specifying the date of redemption, the portions of the principal amounts thereof to be redeemed and the redemption price, by mail, not more than sixty (60) days nor less than thirty (30) days prior to the redemption date, to the registered owners of any Series 2014-1 Bonds, or portions thereof, to be redeemed. Notice of redemption will be mailed to DTC or its nominee, as registered owner of the Series 2014-1 Bonds. The Trustee will not be responsible for mailing notices of redemption to anyone other than DTC or its nominee. The Authority is not responsible for mailing any notice of redemption.

Selection of Series 2014-1 Bonds To Be Redeemed Upon Partial Redemption. If less than all of the Series 2014-1 Bonds are to be redeemed, the particular maturities or Sinking Fund Installments of the Series 2014-1 Bonds to be redeemed at the option of the Authority will be determined by the Authority in its sole discretion.

If the Series 2014-1 Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of such Series 2014-1 Bonds, if less than all of the Series 2014-1 Bonds of a maturity are called for prior redemption, the particular Series 2014-1 Bonds or portions thereof to be redeemed shall be selected on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Series 2014-1 Bonds are held in book-entry form, the selection for redemption of such Series 2014-1 Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Series 2014-1 Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

The Authority intends that redemption allocations made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, neither the Authority nor the Underwriters can provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of Series 2014-1 Bonds on such basis.

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 such purpose, the Series 2014-1 Bonds so called for redemption shall become due and payable on the redemption date, and interest thereon shall cease to accrue and the owners of the Series 2014-1 Bonds so called for redemption shall thereafter no longer have any security or benefit under the Project Trust Agreement except to receive payment of the redemption price for such Series 2014-1 Bonds.

Series 2014-2 Bonds

General

The Series 2014-2 Bonds will be issued in the aggregate principal amount of $14,085,000. The Series 2014-2 Bonds will be dated the date of initial delivery thereof, will mature on November 1 of each of the years and will bear interest from their date at the rates per annum, all as set forth on the inside cover page of this Official Statement.

Redemption Provisions

Optional Redemption with Make-Whole. The Series 2014-2 Bonds are subject to optional redemption prior to their stated maturity date at the option of the Authority, in whole or in part (on a pro rata basis as described below), at any time, at a Redemption Price equal to the greater of (i) and (ii) below, plus interest accrued thereon:

(i) 100% of the principal amount of the Series 2014-2 Bonds to be redeemed; or

(ii) the sum of the present values of the remaining scheduled payments of principal of and interest on the Series 2014-2 Bonds to be redeemed (exclusive of interest accrued and unpaid as of the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 10 basis points, plus accrued and unpaid interest on the Series 2014-2 Bonds being redeemed to the date fixed for redemption.

For the purpose of determining the Treasury Rate, the following definitions will apply:

"Comparable Treasury Issue" means, with respect to any redemption date for a particular Taxable Bond, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the applicable Series 2014-2 Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series 2014-2 Bonds to be redeemed.

"Comparable Treasury Price" means, with respect to any redemption date for a particular Taxable Bond, (a) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Deal Quotations, or (b) if the Designated Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Designated Investment Banker" means one of the Reference Treasury Dealers appointed by the Authority.

"Reference Treasury Dealer" means each of not less than four firms, specified by the Authority from time to time, that are primary U.S. Government securities dealers in the City of New York (each a "Primary Treasury Dealer"); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the Authority shall substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a particular Taxable Bond, the average, as determined by the Designated Investment Banker, of the bid and ask prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date for a particular Taxable Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

Any optional redemption may be stated to be conditional, and shall be conditioned upon the Trustee's receipt of funds sufficient to pay the Redemption Price of the Series 2014-2 Bonds to be redeemed on or prior to the Redemption Date.

Notice of Redemption. The Trustee is required to give notice of redemption of any Series 2014-2 Bonds, specifying the date of redemption, the portions of the principal amounts thereof to be redeemed and the redemption price, by mail, not more than sixty (60) days nor less than thirty (30) days prior to the redemption date, to the registered owners of any Series 2014-2 Bonds, or portions thereof, to be redeemed. Notice of redemption will be mailed to DTC or its nominee, as registered owner of the Series 2014-2 Bonds. The Trustee will not be responsible for mailing notices of redemption to anyone other than DTC or its nominee. The Authority is not responsible for mailing any notice of redemption.

Selection of Series 2014-2 Bonds To Be Redeemed Upon Partial Redemption. If less than all of the Series 2014-2 Bonds are to be redeemed, the particular maturities of the Series 2014-2 Bonds to be redeemed at the option of the Authority will be determined by the Authority in its sole discretion.

If the Series 2014-2 Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of such Series 2014-2 Bonds, if less than all of the Series 2014-2 Bonds of a maturity are called for prior redemption, the particular Series 2014-2 Bonds or portions thereof to be redeemed shall be selected on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Series 2014-2 Bonds are held in book-entry form, the selection for redemption of such Series 2014-2 Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Series 2014-2 Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

The Authority intends that redemption allocations made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, neither the Authority nor the Underwriters can provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of Series 2014-2 Bonds on such basis.

Effect of Redemption. Notice of redemption having been given in the manner provided above, money sufficient for the redemption being held by the Trustee for such purpose, the Series 2014-2 Bonds so called for redemption shall become due and payable on the redemption date, and interest thereon shall cease to accrue and the owners of the Series 2014-2 Bonds so called for redemption shall thereafter no longer have any security or benefit under the Project Trust Agreement except to receive payment of the redemption price for such Series 2014-2 Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The 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 Resolutions, including payments received from the University under the Contract.

Pursuant to the Contract, the University is obligated to make payments to the Authority to pay debt service on the Bonds and other costs related to the Bonds and the Projects. Such payments are secured by a pledge of the University of all available funds of the University, including trust funds and other funds administered by the University as gifts, grants or trusts, or as provided in the University enabling act. Further, under the Contract, the University is obligated to cause to be available in its Unrestricted Net Assets at all times amounts sufficient to pay such costs.

However, the obligations of the University in connection with the Bonds do not constitute a general obligation of the University or a debt or obligation of the Commonwealth, and (a) the Commonwealth shall not 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 with respect to the Bonds. The Authority does not have taxing power.

Contract

The following is a brief overview of the terms of the Contract. For more details, see Appendix D-2 – "Summary of Certain Provisions of the Contract."

In connection with the issuance of the Bonds, the Authority and the University are entering into the Contract. The Contract amends and restates contracts for management and services and contracts for financial assistance, management and services (the "Prior Contracts"), on substantially identical terms as the Contract, for bonds and notes (the "Prior Bonds") issued under the Project Trust Agreement and the Facilities Trust Agreement. Future bonds and notes issued by the Authority may become subject to the terms of the Contract, if so certified by the Authority, the University and the Commonwealth.

Under the Contract, the University has agreed to remit to the Trustee amounts sufficient to pay debt service on the Authority bonds and notes that are secured by the Contract, including the Bonds and the Prior Bonds, and to maintain, repair and operate the projects financed or refinanced by such bonds or notes.

The Contract also sets forth the Authority's and the University's respective obligations with respect to the projects that are the subject of the Contract, including, as applicable, acquisition, planning, construction, completion, operation, management, maintenance and repair thereof.

Under the Contract, the Authority shall annually certify by March 1 to the University for the twelve-month period commencing the next succeeding November 1, the amount estimated to cover the costs of debt service and other related expenses, including amounts to be funded under the Project Trust Agreement or Facilities Trust Agreement, as applicable, and costs related to the projects that are the subject of the Contract, in each case detailed by component of the financed projects. Such certificate, which may be revised from time to time as necessary, shall include the date on which such amounts are due and the source of such payments. For any project operated by the Authority for which the Authority sets rates and charges for such project, such certificate shall detail the fees, rents, rates and other charges proposed for the use of such projects, which shall be fixed so as to be sufficient, in the aggregate, together with other available moneys, to cover all of the costs allocable to such projects.

Under the Contract, the University pledges to the making of payments required thereunder from all available funds of the University, including trust funds and other funds administered by the University as gifts, grants or trusts. In addition, the University shall cause to be available in the Unrestricted Net Assets at all times amounts sufficient to pay such portion of the amounts certified by the Authority required to be paid therefrom and to provide for any other payments required under the MDFA Financing Agreements (as defined in Appendix D and referred to below under "Additional Indebtedness"). This pledge of the general obligation of the University does not apply to certain projects, referred to in the Contract as "Specific Revenue Projects" and bonds or notes related thereto. See Appendix D-2.

By April 1 of each year, the University Treasurer 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 amount to be paid to the Authority is paid from gifts or trust funds or funds generated by the Authority from 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 so available and ratably portion of such funds and hold them in trust for the benefit of the Authority to be applied pro rata. Notwithstanding any shortfall, the University will continue to be obligated to make payments in full. Further, under the Contract, the Authority is authorized to adopt or revise fee and other charges for the use of its projects and to bill and collect from students in the University the amounts necessary to cover any such shortfall. To date, there has never been such a shortfall.

Pledge of Revenues Under the Project Trust Agreement

The following is a brief overview of certain terms of the Project Trust Agreement. For more details, see Appendix D-1 – "Summary of Certain Provisions of the Project Trust Agreement."

The Project Trust Agreement assigns, pledges and grants to the Trustee a security interest in all rights of the Authority under the Contract and the Prior Contracts to receive amounts payable to the Authority thereunder and pledged under the Project Trust Agreement.

The Project Trust Agreement pledges to the Trustee for the benefit of the holders of the 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 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) subject to the Project Trust Agreement, (a) 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 as set forth in the Project Trust Agreement.

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. Following the issuance of the Bonds, there will be 2,436,395,000 principal amount of bonds outstanding under the Project Trust Agreement.

Rate Covenant

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

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."

For a description of the Authority's indebtedness, see Appendix B.

Pursuant to certain financing agreements between the University, acting in the name and on behalf of the Commonwealth, and the Massachusetts Health and Educational Facilities Authority and its successor, the Massachusetts Development Finance Agency, in connection with the issuance of other debt for the University, 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 proposed 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 University's indebtedness, see Appendix A.

Annual Debt Service Requirements

The following table sets forth for each fiscal year ending June 30 the debt service on Outstanding bonds under the Project Trust Agreement and the Facilities Trust Agreement, following the issuance of the Bonds, including principal (whether at maturity or by mandatory sinking fund redemption), interest and total debt service.

Fiscal Year Ended June 30	Debt Service on Outstanding Authority Bonds*	Principal of Series 2014-1 Bonds	Interest on Series 2014-1 Bonds	Principal of Series 2014-2 Bonds	Interest on Series 2014-2 Bonds	Total Debt Service Requirements for the Bonds	Total Debt Service on Authority Bonds
2014	$ 156,609,804	$ -	$ 2,686,030	$ -	$ 33,334	$ 2,719,364	$ 159,329,168
2015	157,839,691	-	14,651,075	$ -	181,820	14,832,895	172,672,586
2016	156,547,389	425,000	14,644,700	2,755,000	175,759	18,000,459	174,547,848
2017	154,311,477	450,000	14,631,575	2,775,000	157,835	18,014,410	172,325,887
2018	151,892,943	525,000	14,614,325	2,805,000	129,352	18,073,677	169,966,620
2019	153,685,950	600,000	14,591,825	2,845,000	86,999	18,123,825	171,809,775
2020	153,585,452	680,000	14,566,225	2,905,000	30,633	18,181,858	171,767,310
2021	153,627,805	3,655,000	14,461,250	-	-	18,116,250	171,744,055
2022	141,872,555	3,890,000	14,272,625	-	-	18,162,625	160,035,180
2023	142,248,945	4,135,000	14,072,000	-	-	18,207,000	160,455,945
2024	141,977,426	4,400,000	13,858,625	-	-	18,258,625	160,236,051
2025	125,810,019	4,675,000	13,631,750	-	-	18,306,750	144,116,769
2026	125,857,080	-	13,514,875	-	-	13,514,875	139,371,955
2027	121,000,927	-	13,514,875	-	-	13,514,875	134,515,802
2028	120,410,527	-	13,514,875	-	-	13,514,875	133,925,402
2029	117,119,896	-	13,514,875	-	-	13,514,875	130,634,771
2030	106,981,543	-	13,514,875	-	-	13,514,875	120,496,418
2031	96,845,124	-	13,514,875	-	-	13,514,875	110,359,999
2032	97,991,199	-	13,514,875	-	-	13,514,875	111,506,074
2033	98,019,497	-	13,514,875	-	-	13,514,875	111,534,372
2034	82,823,953	-	13,514,875	-	-	13,514,875	96,338,828
2035	98,382,972	-	13,514,875	-	-	13,514,875	111,897,847
2036	91,764,796	21,375,000	12,980,500	-	-	34,355,500	126,120,296
2037	91,702,387	22,475,000	11,884,250	-	-	34,359,250	126,061,637
2038	91,642,159	23,625,000	10,731,750	-	-	34,356,750	125,998,909
2039	84,952,573	24,840,000	9,520,125	-	-	34,360,125	119,312,698
2040	58,698,198	26,110,000	8,246,375	-	-	34,356,375	93,054,573
2041	57,766,236	27,445,000	6,908,219	-	-	34,353,219	92,119,455
2042	28,169,196	28,850,000	5,502,313	-	-	34,352,313	62,521,509
2043	28,170,180	30,330,000	4,024,344	-	-	34,354,344	62,524,524
2044	25,150,598	31,885,000	2,470,578	-	-	34,355,578	59,506,176
2045	-	33,520,000	837,141	-	-	34,357,141	34,357,141

* Includes interest on the Authority's Project Revenue Bonds, Senior Series 2008-1, Facilities Revenue Bonds, Senior Series 2008-A Bonds, Project Revenue Bonds, Senior Series 2011-1 Bonds and Project Revenue Bonds, Senior Series 2011-2, each issued as variable rate debt, Outstanding as of January 15, 2014 in the principal amounts of $201,655,000, $22,795,000, $131,090,000 and $99,135,000, respectively, and amortizing in accordance with the terms thereof, assumed at the rates of 3.388%, with respect to the 2008-1 Bonds; 3.378%, with respect to the 2008-A Bonds; and 3.482%, with respect to the 2011-1 Bonds and 2011-2 Bonds, respectively. These assumed rates are based on the fixed rates being paid to the counterparties under interest rate swap agreements associated with such bonds. See Note 5 to the Financial Statements of the Authority as of and for the years ended June 30, 2013 and 2012 attached hereto as Appendix B and see also Appendix A under the heading "INDEBTEDNESS OF THE UNIVERSITY – Bonds Issued by the Authority – Interest Rate Swap Agreements." With respect to the Authority's Project Revenue Bonds, Senior Series 2009-2 and Project Revenue Bonds, Senior Series 2010-2, which were issued as so-called "Build America Bonds" under the American Recovery and Reinvestment Act of 2009, outstanding as of January 15, 2014 in the aggregate principal amount of $702,175,000 and amortizing in accordance with the terms thereof, interest ***includes*** the cash subsidy payments expected to be received from the United States Department of the Treasury.

PROJECTS

The Series 2014-1 Bonds are being issued to finance projects in the University's capital plan that meet certain conditions set forth in the 2014-1 Series Resolution (the "2014-1 Projects"), including without limitation all or a portion of the costs of the below projects:

On the Amherst Campus:

- Construction of the McGuirk training facility and pressbox;
- Maintenance and improvements to the DuBois library;
- Construction of a campus electrical substation and related electrical improvements,
- Expansion and renovation of the Isenberg School of Management,
- Construction of the Champion Center;
- Infrastructure improvements for the central campus and University Drive;
- Rehabilitation and improvements to the Fine Arts Center,
- Maintenance and improvements to Whitmore, Marston and Thompson buildings;
- Replacement of oil filled transformers;
- Improvements to the Integrated Design Building and South College Academic Building;
- Renovations to the backfill of the Life Science Laboratories; and
- Renovation and study of campus dining halls.

On the Boston Campus:

- Upgrades to the mechanical systems in the saltwater pump house;
- Upgrades and replacements of the campus-wide central IT system;
- Study of the Bayside parcel for future permanent use;
- Construction of a new integrated sciences complex;
- Renovations to existing campus buildings;
- Study of replacement of the catwalk; and
- Upgrades and replacements to instructional equipment.

On the Lowell Campus:

- Construction of the University Crossing complex;
- Ongoing academic modernization and renovations, Phase 1;
- Renovations of Leitch and Bourgeois residence halls;
- Implementation of the South Campus Master Plan;
- Renewal of the North Campus Quad;
- Improvements to parking and transportation; and
- Improvements to the athletic and recreational facilities.

The Series 2014-2 Bonds are being issued to finance projects in the University's capital plan that meet certain conditions set forth in the 2014-2 Series Resolution (the "2014-2 Projects"), including without limitation all or a portion of the costs of construction of the Champion Center on the Amherst Campus.

See Appendix A under the heading "UNIVERSITY REVENUES AND BUDGETING – Current and Future Capital Plans" for additional information about the 2014-1 Projects and the 2014-2 Projects and the University's capital plan. Under each Series Resolution, the Authority may substitute for the above projects, other projects in the University's capital plan that have requested by the University to be initiated by the Authority and that have been approved by the Secretary of the Executive Office for Administration and Finance of the Commonwealth.

APPLICATION OF PROCEEDS OF THE BONDS

Series 2014-1 Bond Proceeds

Costs of the 2014-1 Projects including Repayment of Commercial Paper Bond Anticipation Notes	$311,850,000
Capitalized Interest on a portion of the Series 2014-1 Bonds	1,776,382
Costs of Issuance, including Underwriters' discount	2,108,312
Total	$315,734,694

Series 2014-2 Bond Proceeds

Costs of the 2014-2 Projects	$14,000,000
Capitalized Interest on a portion of the Series 2014-2 Bonds	33,334
Costs of Issuance, including Underwriters' discount	51,666
Total	$14,085,000

LITIGATION

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

Federal Tax - Series 2014-1 Bonds

Bond Counsel is of the opinion that, under existing law, interest on the Series 2014-1 Bonds, including any accrued original issue discount, as discussed below, will not be included in the gross income of the holders of the Series 2014-1 Bonds for federal income tax purposes. 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 Series 2014-1 Bonds in order to ensure that interest on the Series 2014-1 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 2014-1 Bonds to be included in the gross income of the holders thereof, retroactive to the date of issuance of the Series 2014-1 Bonds. In particular, and without limitation, those requirements include restrictions on the use, expenditure and investment of proceeds and payment of rebate, or penalties in lieu of rebate, to the United States, subject to certain exceptions. The Authority has provided covenants and certificates as to continued compliance with such requirements.

In the opinion of Bond Counsel, under existing law, interest on the Series 2014-1 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 2014-1 Bonds will be included in "adjusted current earnings" of corporate holders of the Series 2014-1 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.

Interest on the Series 2014-1 Bonds includes any accrued original issue discount. Original issue discount with respect to a Series 2014-1 Bond is equal to the excess, if any, of the stated redemption price at maturity of a Series 2014-1 Bond over the initial offering price at which price a substantial amount of all Series 2014-1 Bonds with the same maturity were sold (other than to underwriters and other intermediaries). Original issue discount accrues actuarially over the term of a Series 2014-1 Bond and results in a corresponding increase in the holder's tax basis in such Series 2014-1 Bond. Holders should consult their own tax advisors with respect to the computation of original issue discount during the period in which any such Series 2014-1 Bond is held.

An amount equal to the excess, if any, of the purchase price of a Series 2014-1 Bond over the principal amount payable at maturity generally constitutes amortizable bond premium. The required amortization of such premium during the term of a Series 2014-1 Bond will result in reduction of the holder's tax basis in such Series 2014-1 Bond. Such amortization also will result in reduction of the amount of the stated interest on the Series 2014-1 Bond taken into account as interest for tax purposes. Holders of Series 2014-1 Bonds purchased at a premium should consult their own tax advisors with respect to the determination and treatment of such premium.

Bond Counsel has not opined as to other federal tax consequences of holding the Series 2014-1 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 2014-1 Bonds or, in the case of a financial institution, that portion of the holder's interest expense allocated to such Bonds, (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(1) reduces the deduction for losses incurred by 15% of the sum of certain items, including interest on the Series 2014-1 Bonds, (iii) interest on the Series 2014-1 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 2014-1 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 2014-1 Bonds and (vi) receipt of investment income, including interest on the Series 2014-1 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.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Series 2014-1 Bonds, including legislation, court decisions, or administrative actions, whether at the federal or state level, may affect the tax exempt status of interest on the Series 2014-1 Bonds or the tax consequences of ownership of the Series 2014-1 Bonds. No assurance can be given that future legislation, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the Series 2014-1 Bonds from gross income for federal income tax purposes or any state tax benefit. Deficit reduction measures, including the limitation of federal tax expenditures, will be under ongoing consideration by the United States Congress, as will tax reform proposals. These efforts to date have included proposals to reduce the benefit of the interest exclusion from income for certain holders of tax-exempt bonds, including bonds issued prior to the proposed effective date of the applicable legislation. Future proposed changes could affect the market value or marketability of the Series 2014-1 Bonds, and, if enacted into law, could also affect the tax treatment of all or a portion of the interest on such Bonds for some or all holders. Holders should consult their own tax advisors with respect to any of the foregoing tax consequences.

Interest paid on tax-exempt obligations such as the Series 2014-1 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 Series 2014-1 Bond owner 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 Series 2014-1 Bond owner as being subject to backup withholding because of prior underreporting. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Series 2014-1 Bonds from gross income for federal tax purposes.

Federal Tax - Series 2014-2 Bonds

The following discussion briefly summarizes the principal U.S. federal tax consequences of the acquisition, ownership, and disposition of the Series 2014-2 Bonds for holders who acquire any Series 2014-2 Bonds in the initial offering and hold such Series 2014-2 Bonds as "capital assets." It does not discuss all aspects of U.S. federal income taxation which may apply to a particular holder, nor does it discuss U.S. federal income tax provisions which may apply to particular categories of holders, such as partnerships, insurance companies, financial institutions, regulated investment companies, real estate investment trusts, employee benefit plans, tax-exempt organizations, dealers in securities or foreign currencies, persons holding Series 2014-2 Bonds as a position in a "hedge" or "straddle," or holders whose functional currency is not the U.S. dollar. It is based upon provisions of existing law which are subject to change at any time, possibly with retroactive effect.

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

Interest on the Series 2014-2 Bonds that is "qualified stated interest" generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting). Generally, "qualified stated interest" means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate and includes the semi-annual interest payments as set forth on the inside cover hereof.

Interest on the Series 2014-2 Bonds includes any accrued original issue discount. Original issue discount with respect to a Series 2014-2 Bond is equal to the excess, if any, of the stated redemption price at maturity of a Series 2014-2 Bond over the initial offering price thereof, excluding underwriters and other intermediaries, at which price a substantial amount of all Series 2014-2 Bonds with the same maturity were sold, provided that such excess equals or exceeds a de minimis amount (generally ¼% of the stated redemption price at maturity multiplied by the number of complete years from its issue date to its maturity). A U.S. Holder of a Series 2014-2 Bond with original issue discount must include the discount in income as ordinary interest for federal income tax purposes as it accrues in advance of receipt of the cash payments attributable to such income, regardless of the U.S. Holder's regular method of tax accounting. Original issue discount accrues actuarially over the term of a Series 2014-2 Bond and results in a corresponding increase in the holder's tax basis in such Series 2014-2 Bond. Holders should consult their own tax advisors with respect to the computation of original issue discount during the period in which any such Series 2014-2 Bond is held.

An amount equal to the excess, if any, of the purchase price of a Series 2014-2 Bond over the principal amount payable at maturity generally constitutes amortizable bond premium. A holder of a Series 2014-2 Bond may elect to amortize such premium during the term of such Series 2014-2 Bond by claiming a deduction to offset interest otherwise required to be included in income during any taxable year by the amortizable amount of such premium for the taxable year. Such amortization will result in a corresponding reduction of the holder's tax basis in such Series 2014-2 Bond. Any election to amortize bond premium applies to all taxable debt instruments held by the holder at the beginning of the first taxable year to which the election applies and to all taxable debt instruments acquired on or after such date and may be revoked only with the consent of the Internal Revenue Service. Holders of Series 2014-2 Bonds purchased at a premium should consult their own tax advisors with respect to the determination and treatment of amortizable bond premium.

Unless a non-recognition provision of the Code applies, upon the sale, exchange, redemption, or other disposition (including a legal defeasance) of a Series 2014-2 Bond, a U.S. Holder will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts representing accrued but unpaid interest) and such holder's adjusted tax basis in such Series 2014-2 Bond. Such gain or loss generally will be long-term capital gain or loss if the Series 2014-2 Bond was held for more than one year. If the U.S. Holder is an individual, long-term gains will be subject to reduced rates of taxation. The deductibility of losses is subject to limitations.

A non-U.S. Holder of Series 2014-2 Bonds whose income from such Series 2014-2 Bonds is effectively connected with the conduct of a U.S. trade or business generally will be taxed as if the holder were a U.S. Holder. Otherwise: (i) a non-U.S. Holder who is an individual or corporation (or an entity treated as a corporation for federal income tax purposes) holding Series 2014-2 Bonds on its own behalf generally will not be subject to federal income taxes on payments of principal, premium, interest or original issue discount on a Series 2014-2 Bond, as long as the non-U.S. Holder makes an appropriate filing with a U.S. withholding agent; and (ii) a non-U.S. Holder will not be subject to federal income taxes on any amount which constitutes capital gain upon retirement or disposition of a Series 2014-2 Bond unless such non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and such gain is derived from sources within the United States.

Information as to interest on or proceeds from the sale or other disposition of Series 2014-2 Bonds is required to be reported by payors to the IRS and to recipients. In addition, backup withholding may apply unless the holder of a Series 2014-2 Bond provides to a withholding agent its taxpayer identification number and certain other information or certification of foreign or other exempt status. Any amount withheld under the backup withholding rules is allowable as a refund or credit against the holder's actual U.S. federal income tax liability.

In addition to regular income tax, the Code imposes a 3.8% tax on net investment income of certain U.S. Holders and on the undistributed net investment income of certain estates and trusts. Net investment income generally includes, among other items, interest and certain net gain from the sale, redemption, exchange, retirement or other taxable disposition of a Series 2014-2 Bond, less certain deductions. Holders should consult their own tax advisors with respect to application of the net investment income tax.

To ensure compliance with Internal Revenue Service Circular 230, prospective purchasers of Series 2014-2 Bonds are hereby informed that (1) any federal tax advice contained herein is not intended or written to be used, and cannot be used, by any taxpayer for purposes of avoiding penalties that may be imposed on the taxpayer, (2) any such federal tax advice is written to support the promotion or marketing of the Series 2014-2 Bonds, and (3) each purchaser of a Series 2014-2 Bond should seek advice based on such purchaser's particular circumstances from an independent tax advisor.

State Tax Matters

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

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

RATINGS

The Bonds have been rated "AA," "Aa2" and "AA-", respectively, by Fitch Ratings, Inc., Moody's Investors Service and Standard & Poor's Credit Rating Services, a division of the McGraw-Hill Companies, Inc.

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. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. Any downward revision or withdrawal of a rating could have an adverse effect on the market prices of the Bonds.

LEGAL MATTERS

All legal matters related to the authorization and issuance of the 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 opinions of Bond Counsel, substantially in the form attached hereto as Appendix E, will be delivered on the date of delivery of the Bonds. Certain matters will be passed upon for the University by its Disclosure Counsel, Nixon Peabody LLP, Boston, Massachusetts and for the Underwriters by their counsel, McCarter & English, LLP, Boston, Massachusetts.

DISCLOSURE CERTIFICATES

At the time of delivery of the Bonds, the Executive Director of the Authority will furnish a certificate to the effect that, to the best of her knowledge and belief, the Preliminary Official Statement as of its date and as of the date of the Official Statement and the Official Statement as of its date and as of the date of delivery of the Bonds did 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, the Executive Director of the Authority will rely solely upon the certificates of the University discussed in the following paragraph.

At the time of delivery of the Bonds, the President and Senior Vice President for Administration and Finance & 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 Preliminary Official Statement relating to the University, as of the date of the Preliminary Official Statement and as of the date of the Official Statement, and 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 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.

UNDERWRITING

The Bonds are being purchased for reoffering by the Underwriters pursuant to a purchase contract (the "Purchase Contract") between the Authority and Barclays Capital, Inc. and Citigroup Global Markets Inc., acting jointly as representative of the Underwriters. The Underwriters have agreed to purchase the Series 2014-1 Bonds at an aggregate discount of $1,550,988.23 and the Series 2014-2 Bonds at an aggregate discount of $48,133.00, in each case from the public offering prices set forth on the inside cover page hereof. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriters) and others at prices lower than the public offering prices stated on the inside cover page hereof. The Purchase Contract provides that the Underwriters will purchase all the Bonds if any are purchased. The Underwriters may allow concessions from the public offering price to certain dealers, banks and others. After the initial public offering at the offering price or prices set forth on the inside cover of this Official Statement, the public offering price or prices may be changed from time to time by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Authority or the University, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority or the University.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

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

Citigroup Global Markets Inc. has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Bonds.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into a negotiated dealer agreement ("Dealer Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Dealer Agreement (if applicable to this transaction), CS&Co. will purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

Loop Capital Markets LLC ("Loop Capital Markets"), one of the Underwriters of the Bonds, has entered into a distribution agreement (the "Distribution Agreement") with Deutsche Bank Securities Inc. ("DBS") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Distribution Agreement (if applicable to this transaction), DBS will purchase the Bonds from Loop Capital Markets at the original issue prices less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, one of the Underwriters of the Bonds, has entered into a retail distribution with Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Piper Jaffray & Co. and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the "Agreement") which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray & Co., including the Series 2014-1 and 2014-2 Bonds. Under the Agreement, Piper Jaffray & Co. will share with Pershing LLC a portion of the fee, discount or commission paid to Piper Jaffray & Co.

Wells Fargo Bank, National Association ("WFBNA"), one of the Underwriters of the Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of municipal securities offerings, including the Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company. Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association ("WFBNA").

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.

The Authority and the University have complied in all material respects with all of their previous continuing disclosure undertakings under paragraph (b)(5) of Rule 15c2-12 for the past five years, except as described in this paragraph. Due to an administrative oversight, the audited financial statements of the Authority required to be filed for fiscal year 2011 on March 26, 2012 were filed late on July 23, 2012. Annual financial and operating data of the Authority for fiscal year 2011 were timely filed on March 26, 2012. Certain notices with respect to rating changes were not filed on a timely basis or were filed and not properly linked with every affected CUSIP number. Certain of the Authority and University financial statements and annual financial information and operating data during such five year period were filed on a timely basis, but such information did not appear under certain CUSIP numbers on the databases of nationally recognized municipal securities information repositories or MSRB's Electronic Municipal Marketplace Access database ("EMMA"). At this time, all such information has been refiled or relinked on EMMA, and the Authority and the University are current with all of their continuing disclosure obligations.

FINANCIAL ADVISOR

The University of Massachusetts Building Authority has retained FirstSouthwest (the "Financial Advisor") to serve as its financial advisor in connection with the issuance of the Bonds. The Financial Advisor has not independently verified any of the information contained in this Official Statement and makes no guarantee as to its completeness or accuracy. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds, and receipt by the Authority of payment therefor. The Authority may engage the Financial Advisor to perform other services, including without limitation, providing certain investment services with regard to the investment of proceeds of the Bonds.

FINANCIAL STATEMENTS OF THE AUTHORITY

The financial statements of the Authority as of and for the years ended June 30, 2013 and 2012, included in this Official Statement as Appendix B, have been audited by Grant Thornton LLP certified public accountants, as stated in their report included therein.

FINANCIAL STATEMENTS OF THE UNIVERSITY

The Annual Financial Report of the University for Fiscal Year 2013 is included in this Official Statement as Appendix C. It includes the financial statements of the business-type activities and the aggregate discretely presented component units of the University, which collectively comprise the University's basic financial statements, as of and for the years ended June 30, 2013 and 2012, which have been audited by Grant Thornton LLP, independent accountants, as set forth in their report included therein.

MISCELLANEOUS

All quotations from and summaries and explanations of the Enabling Act, the Project Trust Agreement, the Series Resolutions and the Contract contained herein do not purport to be complete and reference is made to said laws and documents for full and complete statements of their provisions. The Appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Project Trust Agreement, the Series Resolutions and the Contract may be obtained upon request directed to the University of Massachusetts Building Authority, 225 Franklin Street, 12th Floor, Boston, Massachusetts 02110, 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 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/ Katherine Craven
Katherine Craven
Executive Director

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

UNIVERSITY

OF

MASSACHUSETTS

TABLE OF CONTENTS

APPENDIX A

February 5, 2014

University of Massachusetts Building Authority
225 Franklin Street, 12th Floor
Boston, MA 02110

Members of the University of Massachusetts Building Authority:

In connection with the issuance by the University of Massachusetts Building Authority (the "Authority") of its Project Revenue Bonds, Senior Series 2014-1 (the "Series 2014-1 Bonds"), and its Project Revenue Bonds, Senior Series 2014-2 (Federally Taxable) (the "Series 2014-2 Bonds," and together with the Series 2014-1 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. As more particularly described in the front part of the Official Statement and in APPENDIX D-2 – "SUMMARY OF CERTAIN PROVISIONS OF THE CONTRACT," the University is obligated under the Contract to pay debt service on the Bonds. The University is also obligated under other contractual arrangements to pay debt service on other indebtedness issued on its behalf, including indebtedness issued by the Authority and the Massachusetts Development Finance Agency ("MDFA") other than the Bonds. See "INDEBTEDNESS OF THE UNIVERSITY" herein. 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.*" For the fall of 2013 ("Fall 2013"), the University enrolled approximately 71,940 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 in academic year 2012-2013 offered approximately 1,500 online and blended courses and had 59,154 course enrollments.

The University was rated as one of the world's best universities in the *Times Higher Education* of London's "World University Rankings" for 2013-2014. UMass was ranked 132nd out of the top 400 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 fifth highest in Massachusetts, eighth highest in New England, 27th highest in American public universities and 54th highest of all American institutions (public or private). The University was also ranked as the 42nd best university in the world and the 26th best American university in the *Times Higher Education* of London's "World Reputation Rankings" of 2013. Adding to its world-class reputation, research expenditures at the University reached approximately $536 million in fiscal year 2012, marking the third straight year that the University has exceeded the $500 million mark.

UNIVERSITY CAMPUSES

The University is comprised of five campuses, spread across the Commonwealth in Amherst, Boston, Dartmouth, Lowell and Worcester, Massachusetts. Each campus has a unique history and plays a unique role in helping the University meet its mission.

Amherst Campus

The Amherst campus ("UMass Amherst" or the "Amherst Campus"), the University's flagship campus approximately 90 miles west of Boston, is the largest in the University system. With a student body of approximately 22,219 full-time equivalent ("FTE") undergraduate and approximately 4,789 FTE graduate students enrolled in Fall 2013, 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 108 bachelor's, 76 master's and 50 doctoral degree programs. During the 2011-2012* academic year, 267 associate's, 5,203 bachelor's and 1,682 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 46 campus residence halls in seven 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 was the first new construction on campus to meet LEED certification standards. The Amherst Campus is initiating a variety of efficiency and effectiveness initiatives which are expected to save the campus $2 million annually in operating costs, including procurement, utility commodities, energy savings, and administrative systems. The campus has made significant 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% compared to previous years. The 2011 report of The Center for Measuring University Performance, "The Top American Research Universities, 2011 Annual Report" ranks UMass Amherst 75th 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 53 among public research universities. During fiscal year 2012, the campus secured a record amount of sponsored research, including approximately 370 federal awards totaling approximately $102 million; an increase of approximately $1.6 million exclusive of grants awarded through federal funds provided by The American Recovery and Reinvestment Act of 2009 ("ARRA") the prior year.

*2012-2013 academic year data is not available at this time.

Boston Campus

The 175-acre Boston campus ("UMass Boston" or the "Boston Campus"), 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. The Boston Campus focuses on the academic needs of the local urban and non-traditional populations and the research and policy needs of business, government and communities in the greater Boston metropolitan region. In April 2004, the Boston Campus opened its new 331,000 square foot Campus Center to better serve its students. The Boston Campus has a diverse student body, consisting of approximately 9,688 FTE undergraduate students and approximately 2,645 FTE graduate students enrolled in Fall 2013. The Boston Campus offers 65 undergraduate degree programs, 14 undergraduate certificate programs, 81 master's programs and graduate certificate programs and over 25 doctoral programs 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 2011-2012* academic year, 30 certificates, 2,109 bachelor's and 1,258 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 historic and 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 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 and will be owned by the Authority. 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 one-half mile 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 has initiated 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 Commonwealth, 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 ten years of the capital plan, launched in 2007, calls for more than $500 million in new facilities and infrastructure construction on the campus.

*2012-2013 academic year data not available at this time

Dartmouth Campus

The Dartmouth campus ("UMass Dartmouth" or the "Dartmouth Campus") 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 50 undergraduate and 40 graduate programs (including nine at the Doctorate Research level and two at the Doctorate

Professional 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 and 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 Doctor (J.D.) degree and establish the first public law school in the Commonwealth. Through the donation of assets to the University of Massachusetts Foundation, Inc. (the "Foundation"), including the facility, equipment, systems, and furnishings from an existing private law school (Southern New England School of Law or "SNESL"), the Dartmouth Campus admitted the first class of new students to the University of Massachusetts School of Law in August 2010. The opening August 2010 head count enrollment for the first year was 316, which was comprised of 165 new law students and 151 students continuing from SNESL. During the first year, 51 of the 151 mid-stream students graduated with the J.D. degree and the bar pass rate of those who took the Massachusetts Bar was within 15% of the average bar pass rate for Massachusetts law schools accredited by the American Bar Association ("ABA"). For Fall 2012, the law school enrolled 73 new law students. The law school prepared a comprehensive self-study for consideration of provisional ABA accreditation and received an ABA site visit; the final decision for provisional accreditation was granted on June 12, 2012. Current downturns in admissions to law schools across the country have resulted in a somewhat smaller than expected number of new students; the Fall 2013 overall enrollment was approximately 258. Despite lower than expected law school enrollment, the Dartmouth Campus's detailed overall enrollment and revenue planning for a variety of admissions demand scenarios continues to ensure institutional strength and provides for hiring and program development needed to ensure educational quality and success. The law school has a public-service focus, 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 full accreditation from the ABA.

The Dartmouth Campus had approximately 6,654 FTE undergraduate and approximately 1,214 FTE graduate students enrolled in Fall 2013. During the 2011-2012* academic year, two undergraduate certificates, 1,251 bachelor's and 439 advanced degrees were conferred. The 2014 edition of *U.S. News and World Report'*s ("*U.S. News*") "America's Best Colleges" ranks UMass Dartmouth as the number one public regional university in New England. The College of Engineering is listed among the best undergraduate engineering programs in the country. The Dartmouth Campus, which is fully engaged in a strategic growth plan entitled Engaged, Embedded, Evolving – weaves the 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 for the strategic growth plan include marine science, bio-materials, public policy, K-12 schools, Portuguese-American Studies and the creative economy.

*2012-2013 academic year data not available at this time

Lowell Campus

The Lowell campus ("UMass Lowell" or the "Lowell Campus") 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 10,379 FTE undergraduate and approximately 2,689 FTE graduate students in Fall 2013. The Lowell Campus offers five associate's, over 130 bachelor's, over 140 master's and over 80 doctoral degree programs through the College of Fine Arts, Humanities and Social Sciences, the

College of Sciences, the Francis College of Engineering, the School of Health and Environment, the Manning School of Business and the Graduate School of Education. During the 2011-2012* academic year, 146 associate's certificates, 1,836 bachelor's degrees and 1,222 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 that is expected to improve the vitality of the Lowell Campus 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, offers 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.

In addition, the 84,000 square-foot Emerging Technologies and Innovation Center (the "ETIC") opened on the Lowell Campus in October 2012. The ETIC is the first new academic building constructed on the Lowell Campus in more than three decades. The state-of-the-art facility is home to research in nanotechnology, molecular biology, plastics engineering and optics. The approximately $80 million project was funded with $35 million from the Massachusetts Economic Investment Act of 2006, $5 million from the federal government, bonds issued through the Authority, a $10 million grant from the Massachusetts Life Sciences Center and contributions from industry, and individual donors.

*2012-2013 academic year data not available at this time

Worcester Campus

The Worcester campus ("UMass Worcester" or the "Worcester Campus") provides general and specialized medical education, engages in a comprehensive program of basic scientific and clinical research and provides graduate level nursing education. 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, the Graduate School of Nursing, a $250 million research enterprise, public service initiatives for 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"). Pursuant to an agreement between the parties, the University's obligations to UMass Memorial are limited to allowing it to remain on the UMass Worcester Campus and to sharing certain capital, operating and shared-services expenses relating to such premises, as more fully described in the notes to the University's financial statements. See Appendix C – "Financial Report of the University, including 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. *U.S. News* ranked the Medical School ninth in primary care education among the nation's accredited medical schools and schools of osteopathic medicine in its 2014 edition of "America's Best Graduate Schools" and 46th among medical schools based on research criteria.

The Graduate School of Biomedical Sciences, comprised of Basic & Biomedical Sciences and Clinical & Population Health Research divisions, 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, Ph.D., a Howard Hughes Medical Institute investigator, was a co-recipient of the Nobel Prize in Physiology or Medicine with Andrew Fire, Ph.D., 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 for the University 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 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 provided funding for the Albert Sherman Center, a 512,000 square foot education and research complex that was completed in December 2012 and formally opened on January 30, 2013. The largest facility built on the Worcester Campus since construction of the original medical school and hospital complex in the 1970s, the Sherman Center will serve as the new hub of the Worcester Campus integrating research, education and social activities.

To help address physician workforce shortages in the Commonwealth, the Worcester Campus has increased the incoming class size for the Medical School from 103 to 125. The Medical School is monitoring 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. For Fall 2013, the Worcester Campus had approximately 1,104 FTE graduate and medical students enrolled in six master's and six doctoral degree programs, as well as approximately 554 post-graduate residents and fellows enrolled in 19 medical residency programs and 32 medical fellowship programs. During the 2011-2012* academic year, five post-master's certificates and 238 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. In 2012, the educational program leading to the M.D. degree at the Worcester Campus was successfully re-accredited by the Liaison Committee on Medical Education ("LCME"), with a full eight year cycle. In addition, the New England Association of Schools and Colleges ("NEASC") Commission of Institutions of Higher Education conducted a site visit evaluation for the reaccreditation of UMass Worcester, and the final NEASC reaccreditation report was confirmed in May 2013.

*2012-2013 academic year data not available at this time

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 2013, UMassOnline and the Continuing Education units at the five campuses collaboratively generated tuition revenue of $78.2 million and supported over 59,154 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, UMassOnline 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.

In academic year 2012-2013, the University offered over 121 online degrees, certificates and continuing medical education programs, as well as 1,500 online and blended courses.

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 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 immediately 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, the WCCC, a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, and the University of Massachusetts Amherst Foundation, Inc. (the "UMass Amherst Foundation"), a tax-exempt organization that was established in 2003. Through its Board of Directors, the UMass Amherst Foundation leads and supports private fundraising on behalf of UMass Amherst faculty, students and facilities.

The purposes of the Authority are to provide dormitories, dining commons and other buildings and structures for use by the University and other entities associated with the University and to issue bonds to finance such projects. The University created WCCC in 1992 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's Worcester Campus and all of its locations. The subsidiaries of WCCC include Worcester Campus Services, Inc. ("WCS") and U Health Solutions, Inc. ("UHS") (formerly Public Sector Partners, Inc. ("PSP")). WCS has 11 real estate holding company subsidiaries. On July 1, 2011, WCCC transferred five of its properties (100 Century Drive, Worcester; 11 Midstate Drive, Auburn; 3 Centennial Drive, Grafton; 222 Maple Avenue, Shrewsbury; 333 South Street, Shrewsbury) to five of its real estate holding subsidiaries. During the year ended June 30, 2011, PSP's wholly-owned subsidiary Medmetrics Health Partners, Inc. ("MHP") determined that it did not qualify as a Section 501(c)(4) not-for-profit pharmacy benefit management company and rescinded its related application to the IRS. The majority of the net assets of MHP were sold to a third party on April 11, 2011 and the remainder of MHP assets were transferred to PSP. For further discussion of MHP, see Appendix C – "Financial Report of the University, including Financial Statements" under the heading "Financial Highlights" and Note 6 – Related Organizations. On February 22, 2013, WCCC purchased three properties in Worcester: One Innovation Drive, 377 Plantation Street, and 381 Plantation Street and the properties were transferred to three newly established holding company subsidiaries (WCS-Innovation Drive, Inc.; WCS-377 Plantation Street, Inc.; WCS-381 Plantation Street, Inc.). WCCC also transferred its property at 365 Plantation Street, Worcester, to the associated holding company subsidiary (365/373 Plantation Street, Inc.). WCCC anticipates transferring the balance of its properties (373 Plantation Street, Worcester, Aaron Lazare Medical Research building, Worcester, the South Road Parking Garage, Worcester, and the Ambulatory Care Center, Worcester) to its remaining real estate subsidiaries subject to compliance with any associated bond covenants. WCCC anticipates also assigning its rights to receive lease payments with respect to such properties to the applicable real estate holding subsidiaries at the time of such transfer. On November 1, 2013, WCCC sold its property at 3 Centennial Drive, Grafton.

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 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 Commonwealth Board of Higher Education). 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 of the University (the "President").

The General Laws give the University Trustees the authority to govern the University and to appoint the President, 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 (the "Governor"). 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, and are eligible for reappointment for an additional five-year term.

The President 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 General Counsel's office, 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 DHE. 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 to develop, foster and advocate for the public higher education system in Massachusetts (which consists of the University, nine state universities, and 15 community colleges), to review and approve tuition at the University, to review and establish tuition at the state universities 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 Board of 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 university chosen by vote of the chairs of the boards of trustees of each of the state universities, 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 Board 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 Board 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**
Henry M. Thomas, III, J.D., *Board of Trustees Chair*, Springfield *Appointed September 2007* President and CEO, Urban League of Springfield, Inc.	2017
Ruben J. King-Shaw, Jr., *Board of Trustees Vice Chair*, Carlisle *Appointed September 2005* Chairman & CEO, Mansa Equity Partners, Inc.	2015
Maria D. Furman, *Board of Trustees Vice Chair*, Wellesley *Appointed November 2009* Former Managing Director and Bond Portfolio Manager of Standish Mellon Asset Management (retired)	2014
James R. Buonomo, Shrewsbury *Appointed April 2013* Consultant, JRB Advising	2018
Richard P. Campbell, J.D., Boston *Appointed September 2011* Founder and Shareholder, Campbell Campbell Edwards & Conroy, P.C.	2016
Lawrence M. Carpman, Marshfield *Appointed September 2011* President, Carpman Communications, LLC	2016

Name and Position; Month and Year Initially Appointed	Current Term Expiration Date
Edward W. Collins, Jr., Springfield *Appointed September 2007* International Representative, International Brotherhood of Electrical Workers	2017
David G. Fubini, Brookline *Appointed April 2013* Senior Director, McKinsey & Company	2018
Phillip J. Geoffroy, Chelmsford *Non-voting Student Member, Appointed April 2012* University of Massachusetts, Lowell	2014
Zoila M. Gomez, J.D., Lawrence *Appointed September 2011* Attorney, Law Offices of Zoila M. Gomez	2016
Philip W. Johnston, Marshfield *Appointed September 2007* President, Philip W. Johnston Associates	2017
Megan Kingston, Buzzard's Bay *Non-voting Student Member, Appointed March 2013* University of Massachusetts, Amherst	2014
Alyce J. Lee, Milton *Appointed September 2011* Founding Trustee and Vice Chair, Board of Trustees, Boston Medical Center (BMC) and Former Chief of Staff to Mayor Thomas M. Menino	2016
Patrick Lowe, Worcester *Non-voting Student Member, Appointed April 2013* University of Massachusetts, Worcester	2014
Matthew Malone, Boston *Appointed January 2013* Secretary of Education, Executive Office of Education Commonwealth of Massachusetts	N/A
Jeffrey B. Mullan, J.D., Milton *Appointed September 2011* Partner, Foley Hoag LLP	2016
Colin P. Murphy, Monson *Voting Student Member, Appointed April 2013* University of Massachusetts, Dartmouth	2014
Nolan O'Brien, Quincy *Voting Student Member, Appointed April 2013* University of Massachusetts, Boston	2014
Kerri Osterhaus-Houle, M.D., Hudson *Appointed September 2007* Partner, Women's Health of Central Massachusetts, PC	2018
R. Norman Peters, J.D., Paxton *Appointed September 2009* Partner, Peters & Sowyrda	2014
Victor Woolridge, Springfield *Appointed November 2009* Vice President, Cornerstone Real Estate Advisers, LLC	2014
Margaret D. Xifaras, J.D., Marion *Appointed September 2011* Attorney, Law Offices of Lang, Xifaras & Bullard	2016

Administrative Officers

The following is a list of the current administrative officers of the University.

Robert L. Caret, Ph.D., President, age 66

Robert L. Caret, Ph.D., was elected President of the University on January 13, 2011 and began 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 B.S. degree in Chemistry and Mathematics from Suffolk University.

James R. Julian, Jr., J.D., Executive Vice President and Chief Operating Officer, age 52

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 and a J.D. degree from the New England School of Law.

Marcellette G. Williams, Ph.D., Senior Vice President for Academic Affairs, Student Affairs and International Relations, age 72

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.

Christine M. Wilda, Senior Vice President for Administration & Finance and Treasurer, age 43

Christine M. Wilda was appointed to the position of Senior Vice President for Administration & Finance and Treasurer in July 2012. Previously, she served as interim Vice President for Administration & Finance, Treasurer and Controller from February 2012 to June 2012 and as the University Controller from 2002 to January 2012. Prior to that, Ms. Wilda was an associate in the University Controller's office since 1992. Ms. Wilda received a B.A. degree in Accounting and an M.B.A. degree from the Isenberg School of Management at the University of Massachusetts, Amherst.

Kumble R. Subbaswamy, Ph.D., Chancellor, Amherst Campus, age 62

Kumble R. Subbaswamy, Ph.D., became the Chancellor of the Amherst Campus in July 2012. Dr. Subbaswamy previously served as provost at the University of Kentucky since 2006. He joined the University of Kentucky's physics faculty in 1978 after serving as a post-doctoral fellow at the University of California, Irvine. During his first eighteen years at the University of Kentucky, he served as Associate Dean of Arts and Sciences and as chair of the Department of Physics and Astronomy. Dr. Subbaswamy was also Dean of the College of Arts and Sciences at the University of Miami from 1997 to 2000, when he left to become Dean of Arts and Sciences at Indiana University in Bloomington, where he served until 2006. Dr. Subbaswamy holds a B.S. degree in Physics from Bangalore University, an M.S. degree in Physics from Delhi University and a Ph.D. degree in Physics from Indiana University.

J. Keith Motley, Ph.D., Chancellor, Boston Campus, age 58

J. Keith Motley, Ph.D., became the Chancellor of the Boston Campus in July 2007. Previously, Dr. Motley had 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 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. degree from Boston College.

Divina Grossman, Ph.D., Chancellor, Dartmouth Campus, age 57

Divina Grossman, Ph.D., became the Chancellor of the Dartmouth Campus in July 2012. Previously, Dr. Grossman was the Founding Vice President for Engagement at Florida International University where she had also served as Dean of the College of Nursing and Health Sciences and Dean of the School of Nursing. Dr. Grossman holds a B.S. degree in Nursing from the University of Santo Tomas (Philippines), an M.S. degree in Nursing from the University of Miami and a Ph.D. degree in Nursing from the University of Pennsylvania.

Martin T. Meehan, J.D., Chancellor, Lowell Campus, age 57

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 to 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 to 1990. Mr. Meehan earned his B.S. in Education and Political Science from the University of Massachusetts, Lowell, a Master's degree in Public Administration from Suffolk University and a J.D. degree 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 58

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. At Texas Tech University Health Sciences Center, his posts included Assistant Professor of Internal Medicine and Assistant Dean for Patient Care Resources. At Tufts University, 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 at the 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. degree from Tufts University School of Medicine.

Faculty and Staff

The University had approximately 5,690 faculty members for Fall 2012*, including approximately 3,851 full-time faculty. Of the full-time faculty (excluding Worcester faculty), approximately 57.1% were tenured, approximately 21.8% were on track for tenure and the remaining approximately 21.0% were not on tenure track. In addition, the University had approximately 7,172 professional and 4,669 classified staff members for Fall 2012, of which approximately 90.5% and 85.7% were full-time, respectively. The University faculty has 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 18:1, 15:1, 18:1 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.

*Fall 2013 data not available at this time.

STRATEGIC INITIATIVES

Under the leadership of President Caret and the University Trustees, the University is engaged in a series of strategic initiatives identified as a result of an interactive, collaborative process between the President's Office and campus leadership. The strategic initiatives acknowledge the unique strengths of each of the campuses and recognize the important role of the University in supporting the Commonwealth's economic success. The initiatives are as follows:

- *Accountability* – benchmarks and peer comparisons have been set for each of the five UMass campuses and specific goals have been set for each Chancellor of the University;
- *Transparency* – "UMass Performance: Accountable and on the Move" provides an easy-to-read report on the University's performance in six key areas:
    - Student Experience and Success;
    - Educated Workforce and Engaged Citizenry;
    - World-Class Research and Development Enterprise;
    - Enhanced Social Well-Being;
    - Good Stewards of Resources; and
    - Telling and Selling the UMass Story
- *50/50 State Support Initiative* – engage the Governor and Legislative leadership in an effort to increase state appropriations supporting undergraduate education costs at the University such that at least 50% of the costs of educating Massachusetts residents are paid by the Commonwealth (the "50/50 Initiative"), reversing the trend of lower state support during the economic recession. The Commonwealth supported the first year of the 50/50 Initiative with increased appropriations in fiscal year 2014, and the University has requested the Commonwealth's continued support for the 50/50 Initiative for fiscal year 2015. The Governor's proposed budget for fiscal year 2015 provides $515.8 million for the University's 50/50 Initiative, substantially funding the University's request of $518.8 million;
- *Growing the University* – pursue economic and academic growth for the University to establish self-supporting satellite centers in Springfield and Haverhill;
- *Expanding Research and Development* – participate as a member of the Mass Green High Performance Computing Center providing increased capacity for research and create the UMass Innovation Institute to expand the University's capacity for applied research;
- *Fundraising* – develop and focus the University's fundraising efforts across all five campuses;
- *Stewards of Resources* – continue to increase cost efficiency in providing educational services to students; and

* 2012-2013 academic year data not available at this time.

- *Efficient and Effective* – ensure that the University is following the charge of the University Trustees to find ways to achieve the same or better results through more efficient and effective means.

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's 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, Juris Doctor, 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 NEASC, the major accrediting body for institutions of higher education in New England. The Amherst, Boston, Dartmouth, Lowell and Worcester Campuses are accredited through 2018, 2015, 2020, 2013 and 2020, respectively. The Lowell Campus is currently undergoing its routine decennial NEASC reaccreditation. A team from NEASC visited the Lowell Campus in October 2013 and issued its preliminary report in November 2013. The Lowell Campus will receive the final reaccreditation results in Spring 2014. The Worcester Campus underwent its routine decennial reaccreditation visit by a team from NEASC in October 2012, and received the final NEASC reaccreditation report in May 2013. The Medical School at the Worcester Campus is a member of the Association of American Medical Colleges and was given full accreditation through the 2019-2020 academic year by the LCME, 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 Chapter 164 of the Massachusetts Acts of 1988, Section 88), admission to the University is open to residents and non-residents of the Commonwealth on a competitive basis. Massachusetts residents accounted for approximately 82.4% and 54.0% of the University's total undergraduate and graduate fall enrollment, respectively, during Fall 2013.

For Fall 2013, total full-time equivalent enrollment at the University (including continuing education) was approximately 61,381, representing an increase of approximately 10.1% over the five-year period.

Total Full-Time Equivalent Enrollment, Fall 2008-2012, Preliminary Fall 2013

	2008	2009	2010	2011	2012	Preliminary 2013
Undergraduate	42,767	44,542	46,648	47,432	48,135	48,940
Graduate	10,373	11,198	11,915	12,048	12,202	12,441
Total	53,140	55,740	58,563	59,480	60,337	61,381

The following tables show opening head count enrollment as of the University's Fall semester for each of the five campuses since 2008.

Amherst Campus

	2008	2009	2010	2011	2012	2013
In-state undergraduate	16,402	16,838	16,932	17,047	16,952	16,900
Out-of-state undergraduate	4,137	4,035	4,441	4,765	4,976	5,234
In-state graduate	2,355	2,408	2,419	2,331	2,270	2,232
Out-of-state graduate	3,465	3,735	3,777	3,941	4,038	4,152
Total	26,359	27,016	27,569	28,084	28,236	28,518

Boston Campus

	2008	2009	2010	2011	2012	2013
In-state undergraduate	9,493	10,082	10,467	10,556	10,610	10,639
Out-of-state undergraduate	985	959	1,101	1,310	1,514	1,727
In-state graduate	2,666	2,901	2,835	2,331	2,623	2,667
Out-of-state graduate	973	970	1,051	1,157	1,127	1,244
Total	14,117	14,912	15,454	15,741	15,874	16,277

Dartmouth Campus

	2008	2009	2010	2011	2012	2013
In-state undergraduate	7,633	7,636	7,400	7,214	7,123	6,969
Out-of-state undergraduate	349	346	349	366	439	468
In-state graduate	825	955	1,201	1,152	1,128	1,019
Out-of-state graduate	348	365	482	493	520	597
Total	9,155	9,302	9,432	9,225	9,210	9,053

Lowell Campus

	2008	2009	2010	2011	2012	2013
In-state undergraduate	8,336	9,076	9,704	9,939	10,229	10,556
Out-of-state undergraduate	1,370	1,472	1,572	1,790	2,058	2,178
In-state graduate	1,793	2,024	2,240	2,410	2,508	2,551
Out-of-state graduate	972	1,030	1,186	1,292	1,499	1,647
Total	12,471	13,602	14,702	15,431	16,294	16,932

Worcester Campus

	2008	2009	2010	2011	2012	2013
Medical School	445	469	487	514	519	853
Other	580	622	671	675	641	308
Total[++]	1,025	1,091	1,158	1,189	1,160	1,161

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

Total Headcount Enrollment

	2008	2009	2010	2011	2012	2013
In-state undergraduate	41,864	43,632	44,503	44,756	44,914	45,064
Out-of-state undergraduate	6,841	6,812	7,463	8,231	8,987	9,607
In-state graduate	8,357	9,077	9,530	9,489	9,393	9,322
Out-of-state graduate	6,065	6,402	6,819	7,194	7,480	7,948
Total	63,127	65,923	68,315	69,670	70,774	71,941

From fall of 2012 ("Fall 2012") to Fall 2013, total new freshmen enrollees increased by approximately 3.5% for the system as a whole, while total new transfer enrollees remained level for the system as a whole, based on headcount. The number of total new freshmen enrollees reflected a 0.6% increase in the size of the entering class at the Amherst Campus, an 11.5% increase in new freshmen at the Boston Campus, a 0.6% decrease at the Dartmouth Campus and a 9.1% increase at the Lowell Campus. The number of total new transfer enrollees reflected a 41.8% increase at the Amherst Campus, a 6.0% decrease at the Boston Campus, a 21.6% increase at the Dartmouth Campus and a 5.5% decrease at the Lowell Campus.

The University saw an increase in freshmen applications in Fall 2013 compared to Fall 2012. The increase in total freshmen applications included a 4.5% increase at the Amherst Campus, a 3.7% increase at the Boston Campus, a 0.7% increase at the Dartmouth Campus and an 11.8% increase at the Lowell Campus. Transfer applications included a 9.5% increase at the Amherst Campus, a 3.7% increase at the Boston Campus, a 0.5% increase at the Dartmouth Campus and a 1.9% 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 2008-2012, Preliminary Fall 2013

	2008	2009	2010	2011	2012	Preliminary 2013
Applications Received	46,689	48,564	52,753	55,528	58,313	61,135
Number of Acceptances	30,590	32,584	35,665	36,517	37,417	40,177
Percent of Applicants Accepted	65%	67%	68%	66%	64%	66%
Number of Matriculants	8,248	8,144	8,672	8,845	8,797	9,105
Percent Matriculated of Those Accepted	27%	25%	24%	24%	24%	23%

Transfer Student Applicants, Acceptances and Matriculants, Fall 2008-2012, Preliminary Fall 2013

	2008	2009	2010	2011	2012	Preliminary 2013
Applications Received	8,648	9,333	10,014	10,181	10,981	10,084
Number of Acceptances	6,625	6,939	7,220	7,285	7,985	7,858
Percent of Applicants Accepted	77%	74%	72%	72%	73%	78%
Number of Matriculants	4,098	4,299	4,516	4,667	4,824	4,836
Percent Matriculated of Those Accepted	62%	62%	63%	64%	60%	62%

The following tables show the latest* retention and graduation rates for undergraduate 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 (%)

	2008	2009	2010	2011	2012
Range of Campus Averages	75-87	73-87	70-89	74-89	74-88

Six-Year Graduation Rates (%)

	2008	2009	2010	2011	2012
Year of Entry	2002	2003	2004	2005	2006
Graduation After 6 Years - Range of Campus Averages+	33-69	39-66	41-69	40-68	38-70

+The low-end averages of the University data result from the Boston Campus, which focuses on the needs of non-traditional students.
*Fall 2013 data not available at this time

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

SAT Scores for Incoming Freshmen+

Academic Year	2007-2008*	2008-2009*	2009-2010*	2010-2011*	2011-2012*
Range of Campus Averages	1053-1142	1050-1155	1053-1169	1043-1189	1056-1197

+Academic year 2012-2013 not available at this time
*Combined Mathematics and Critical Reasoning scores.

Degrees Awarded

The University awards four levels of degrees: associate's, 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	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Associate's/Certificate	147	146	247	248	445
Bachelor's	8,438	8,763	9,363	9,958	10,399
Master's/CAGS++	3,097	3,186	3,641	3,889	4,166
Doctorate/Professional	539	535	552	616	678

*Academic year 2012-2013 data not available at this time

++CAGS means Certificate of Advanced Graduate Studies.

TUITION AND FEES

From fiscal year 2006 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 inflation rate. This "at or below inflation" approach for student charge increases provided reasonable stability and predictability for students, their families and institutional planners. 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 declines in the Commonwealth's revenue collections, the University experienced a decline in its state appropriations in fiscal years 2009 and 2010. See "UNIVERSITY REVENUES AND BUDGETING – Appropriated Funds" below. The University offset these declines in state appropriations by implementing cost-reduction strategies at its campuses and central offices, mandatory student charge increases and application of federal funds provided by ARRA. See "UNIVERSITY REVENUES AND BUDGETING – Responding to Challenging Fiscal Environment." In fiscal year 2014, the Commonwealth supported President Caret's 50/50 Initiative and increased the state appropriations, allowing the University to freeze tuition and mandatory fees for in-state undergraduates for the 2013-2014 academic year.

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 2010 through 2014.

AMHERST CAMPUS

Tuition & Mandatory Fees: FY 2010-2014

	Actual 2010[1]	Actual 2011[2]	Actual 2012[3]	Actual 2013[4]	Actual 2014[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)	$10,018	$10,018	$10,898	$11,516	$11,544
Undergraduate (non-resident)	13,292	13,691	15,463	16,708	18,037
Graduate (MA resident)	8,286	8,286	9,957	10,338	11,002
Graduate (non-resident)	11,491	11,836	14,449	16,200	17,778
TOTAL MANDATORY FEES & TUITION					
Undergraduate (MA resident)	$11,732	$11,732	$12,612	$13,230	$13,258
Undergraduate (non-resident)	23,229	23,628	25,400	26,645	27,974
Graduate (MA resident)	10,926	10,926	12,597	12,978	13,642
Graduate (non-resident)	21,428	21,773	24,386	26,137	27,715
DORMITORY RESIDENTS ONLY					
Average Room & Board	$8,276	$8,814	$9,512	$9,937	$10,439
MANDATORY FEES, TUITION, ROOM & BOARD					
Undergraduate (MA resident)	$20,008	$20,008	$22,124	$23,167	$23,697
Undergraduate (non-resident)	31,505	32,442	34,912	36,582	38,413
Graduate (MA resident)	19,202	19,740	22,109	22,915	24,081
Graduate (non-resident)	29,704	30,587	33,898	36,074	38,154

---

[1] 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.

[2] 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.

[3] Includes an increase in fees approved by the University Trustees on June 8, 2011.

[4] Includes an increase in fees approved by the University Trustees on June 5, 2012.

[5] Reflects the tuition and mandatory curriculum fee freeze for resident undergraduates as proposed by the 50/50 Initiative.

BOSTON CAMPUS

Tuition & Mandatory Fees: FY 2010- 2014

	Actual 2010[2]	Actual 2011[3]	Actual 2012[4]	Actual 2013[5]	Actual 2014[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)	$ 8,897	$8,897	$9,693	$10,252	$10,252
Undergraduate (non-resident)	13,039	13,430	15,169	16,390	17,672
Graduate (MA resident)	9,387	9,387	10,285	10,916	11,578
Graduate (non-resident)	13,051	13,443	15,183	16,405	17,687
TOTAL MANDATORY FEES & TUITION					
Undergraduate (MA resident)	$10,611	$ 10,611	$11,407	$11,966	$11,966
Undergraduate (non-resident)	22,797	23,188	24,927	26,148	27,430
Graduate (MA resident)	11,977	11,977	12,875	13,506	14,168
Graduate (non-resident)	22,809	23,201	24,921	26,163	27,445

[1] 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.
[2] 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.
[3] Includes an increase in fees approved by the University Trustees on June 8, 2011.
[4] Includes an increase in fees approved by the University Trustees on June 5, 2012.
[5] Reflects the tuition and mandatory curriculum fee freeze for resident undergraduates as proposed by the 50/50 Initiative.

DARTMOUTH CAMPUS

Tuition & Mandatory Fees: FY 2010-2014

	Actual 2010[1]	Actual 2011[2]	Actual 2012[3]	Actual 2013[4]	Actual 2014[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
Graduate Law School (MA resident)	-	-	-	2,071	2,071
Graduate Law School (non-resident)	-	-	-	8,099	8,099
CURRICULUM & OTHER MANDATORY FEES					
Undergraduate (MA resident)	$ 8,941	$8,941	$9,718	$10,264	$10,264
Undergraduate (non-resident)	11,962	12,321	13,955	14,929	16,057
Graduate (MA resident)	9,446	9,446	10,367	10,917	11,553
Graduate (non-resident)	11,962	12,321	13,955	14,929	16,057
Graduate Law School (MA resident)	-	-	-	21,631	21,631
Graduate Law School (non-resident)	-	-	-	23,295	23,295
TOTAL MANDATORY FEES & TUITION					
Undergraduate (MA resident)	$10,358	$10,358	$11,135	$11,681	$11,681
Undergraduate (non-resident)	20,061	20,420	21,952	23,028	24,156
Graduate (MA resident)	11,517	11,517	12,381	12,988	13,624
Graduate (non-resident)	20,061	20,420	21,952	23,028	24,156
Graduate Law School (MA resident)	-	-	-	23,702	23,702
Graduate Law School (non-resident)	-	-	-	31,394	31,394
DORMITORY RESIDENTS ONLY					
Average Room & Board	$9,670	$9,883	$10,179	$10,574	$10,908
MANDATORY FEES, TUITION, ROOM & BOARD					
Undergraduate (MA resident)	$20,028	$20,241	$21,314	$22,255	$22,589
Undergraduate (non-resident)	29,731	30,303	32,131	33,602	35,064
Graduate (MA resident)	21,187	21,400	22,560	23,562	24,532
Graduate (non-resident)	29,731	30,303	32,131	33,602	35,064
Graduate Law School (MA resident)	-	-	-	34,276	34,610
Graduate Law School (non-resident)	-	-	-	41,968	42,302

---

1 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.

2 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.

3 Includes an increase in fees approved by the University Trustees on June 8, 2011.

4 Includes an increase in fees approved by the University Trustees on June 5, 2012.

5 Reflects the tuition and mandatory curriculum fee freeze for resident undergraduates as proposed by the 50/50 Initiative.

LOWELL CAMPUS

Tuition & Mandatory Fees: FY 2010-2014

	Actual 2010[1]	Actual 2011[2]	Actual 2012[3]	Actual 2013[4]	Actual 2014[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)	$ 9,052	$9,052	$9,843	$10,393	$10,643
Undergraduate (non-resident)	13,959	14,378	15,169	16,329	17,579
Graduate (MA resident)++	8,362	8,362	9,067	9,592	10,402
Graduate (non-resident)++	12,305	12,674	13,379	14,349	15,449
TOTAL MANDATORY FEES & TUITION					
Undergraduate (MA resident)	$10,506	$10,506	$11,297	$11,847	$12,097
Undergraduate (non-resident)	22,526	22,945	23,736	24,896	26,146
Graduate (MA resident)	9,999	9,999	10,704	11,229	12,039
Graduate (non-resident)	18,730	19,099	19,804	20,774	21,874
DORMITORY RESIDENTS ONLY					
Average Room & Board	$8,635	$9,067	$9,520	$10,282	$10,793
MANDATORY FEES, TUITION, ROOM & BOARD					
Undergraduate (MA resident)	$19,141	$19,573	$20,817	$22,129	$22,890
Undergraduate (non-resident)	31,161	30,012	33,256	35,178	36,939
Graduate (MA resident)	18,634	19,066	20,224	21,511	22,832
Graduate (non-resident)	27,365	28,166	29,324	31,056	32,667

---

[1] 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.
[2] 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.
[3] Includes an increase in fees approved by the University Trustees on June 8, 2011.
[4] Includes an increase in fees approved by the University Trustees on June 5, 2012
[5] Reflects the tuition and mandatory curriculum fee freeze for resident undergraduates as proposed by the 50/50 Initiative.
[+] Graduate tuition charges at UMass Lowell are on a 9-credit load basis.
[++] Graduate fee charges at UMass Lowell are on a 9-credit load basis.

WORCESTER CAMPUS

Tuition & Mandatory Fees: FY 2010-2014

	Actual 2010[2]	Actual 2011[3]	Actual 2012[4]	Actual 2013[5]	Actual 2014[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	$ 7,386	$7,386	$10,241	$12,310	$14,535
Graduate School of Nursing	7,288	7,288	7,368	8,107	8,307
Graduate School of Biomedical Sciences	4,010	4,010	4,010	4,079	4,279
Ph.D./M.D. (MA resident) [+]	22,041	22,041	22,041	22,110	22,310
Ph.D./M.D. Years 1-2 (non-resident) [+]	37,041	38,152	37.041	37,110	37,310
Ph.D./M.D. Years 3 plus (non-resident) [+]	27,185	28,001	27,185	27,254	27,454
TOTAL MANDATORY FEES & TUITION					
Medical School	$15,738	$15,738	$18,593	$20,662	$22,887
Graduate School of Nursing (MA resident)	9,928	9,928	10,008	10,747	10,947
Graduate School of Biomedical Sciences (MA resident)	6,650	6,650	6,650	6,719	6,919
Graduate School of Nursing (non-resident)	17,144	17,144	17,224	17,963	18,163
Graduate School of Biomedical Sciences (non-resident)	13,866	13,866	13,886	13,935	14,135
Ph.D./M.D. (MA resident)	24,681	24,681	24,681	24,750	24,950
Ph.D./M.D. Years 1-2 (non-resident)	46,897	48,008	46,897	46,966	47,166
Ph.D./M.D. Years 3 plus (non-resident)	37,041	37,857	37,041	37,110	37,310

---

[1] Includes an increase in fees approved by the University Trustees on February 27, 2009.
[2] 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.
[3] Includes an increase in fees approved by the University Trustees on June 8, 2011.
[4] Includes an increase in fees approved by the University Trustees on June 5, 2012.
[5] Includes an increase in fees approved by the University Trustees on June 19, 2013
[+] The University Trustees established and approved three separate fees for the Ph.D./M.D. 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 $70.3 million and Federal Supplemental Education Opportunity Grants of approximately $1.7 million for the fiscal year ended June 30, 2013. New loans processed by the University for eligible students under federal student loan programs and federally guaranteed loan programs totaled approximately $358.6 million for the fiscal year ended June 30, 2013. Eligible University students also received approximately $4.6 million through the Federal Work-Study Program for fiscal year 2013.

UNIVERSITY REVENUES AND BUDGETING

In general, the University receives revenues from multiple 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 2013, Commonwealth appropriations (net of tuition required to be remitted to the Commonwealth) provided approximately 19% of all operating and non-operating revenues of the University (not including University Related Organizations), retained tuition and fees accounted for approximately 26% of all operating and non-operating revenues and other non-appropriated funds (including grants and contracts, auxiliary enterprises and other operating revenues) provided the remaining 55%.

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, 2012 and June 30, 2013 have been audited by Grant Thornton LLP, independent accountants as stated in their report which references the reports of other auditors. Prior financial statements referenced in this disclosure document were audited by PricewaterhouseCoopers LLP, independent accountants. 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.

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 the commencement 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 state legislature (the "Legislature"). The Legislature in turn appropriates funds through its annual budget and other appropriating acts 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 the 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, these revenues 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.

Appropriated Funds

Unless otherwise permitted by the 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. Beginning in fiscal year 2004, the Amherst Campus was authorized to retain tuition for non-resident students. Beginning in fiscal year 2012, all of the University campuses were authorized to retain tuition from non-resident students. In fiscal years 2009, 2010, 2011, 2012, and 2013, the University retained approximately $32.3 million, $31.5 million, $34.6 million, $50.8 million, and $74.5 million of tuition revenue, respectively.

The following tables detail the University's appropriations received from the Commonwealth and the calculation of total Commonwealth support reported in the financial statements for fiscal years 2009-2014. Table A details the University's base maintenance appropriation as provided for in the annual budget of the Commonwealth for fiscal years 2010 through 2014. An explanation of the legislative appropriation process by fiscal year is described in detail below. Table B details the total Commonwealth support received by the University from all sources for fiscal years 2009 through 2013, and is the basis for the University's financial statements.

TABLE A*

Commonwealth Appropriations by Fiscal Year

Years Ended June 30
($ millions)

Commonwealth Appropriations	2010 Budget	2011 Budget	2012 Budget	2013 Budget	2014 Budget
UMass Base Appropriation	$411.9	$424.1	$418.0	$418.1	$463.5
Collective Bargaining Costs	-	5.5	-	25.7	15.3
9C Budget Reductions	(32.0)	-	-	(4.2)	-
Total UMass Base State Appropriation	$379.9	$429.5	$418.0	$439.6	$478.9
Memo Only: Out-of-State Tuition (now shown in tuition and fees)	-	-	*11.6*	*11.6*	*11.6*
Memo Only: UMass Base Appropriation plus Retained Out-of-State Tuition	*$379.9*	*$429.5*	*$429.6*	*$451.2*	*$490.5*

*Totals may not add due to rounding.

TABLE B

The Commonwealth pays the fringe benefit cost for those University employees who are paid from Commonwealth appropriations, which includes approximately 56.7% of all University employees. Therefore, such fringe benefit support is added to the "State Appropriations" financial statement line item as presented in the table below. The University pays the Commonwealth for the fringe benefit cost of the employees paid from funding sources other than Commonwealth appropriations which includes approximately 43.3% of University employees. 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 following table.

Years Ended June 30
($ thousands)

	2009	2010	2011	2012	2013
Gross Commonwealth Appropriations	$467,030	$356,339	$408,019	$399,469	$424,408
Plus: Fringe Benefits	120,264	108,634	147,511	154,953	130,005
Less: Tuition Remitted	(47,107)	(49,084)	(49,731)	(37,029)	(35,103)
Net Commonwealth Appropriations	$540,187	$415,889	$505,799	$517,392	$519,310

The fiscal year 2009 budget passed by the Legislature and signed by the Governor provided for $492.3 million, an increase in the University's base state appropriation of $8.3 million, or 1.7%, over the fiscal year 2008 appropriations and included collective bargaining costs. 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 authority pursuant to Section 9C of Chapter 29 of the General Laws ("9C Authority") to implement targeted spending reductions in October and January of fiscal year 2009. The University's base state appropriation for fiscal year 2009 was reduced mid-year 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 was reduced to $464.8 million, a decline of approximately 4% in comparison to fiscal year 2008.

The fiscal year 2010 budget passed by the Legislature and signed by the Governor provided for $411.9 million for the University's base state appropriation, a decrease of approximately 11% from the previous year. However, due to the ongoing fiscal crisis and resulting drop in Commonwealth tax revenues below expected levels, Governor Patrick utilized his 9C Authority to implement mid-year spending reductions in October of fiscal year 2010. The University's base state appropriation for fiscal year 2010 was reduced mid-year by approximately $32 million 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 University's operations were supported through the Commonwealth's distribution of one-time ARRA education stabilization funds totaling $150.6 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 of approximately $44.2 million compared to fiscal year 2010 and it included an additional $5.5 million from the Commonwealth to support the fiscal year 2011 cost of collective bargaining agreements. 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. 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 distributed $37.8 million of ARRA funds to the University for fiscal year 2011.

The fiscal year 2012 budget approved by the Legislature and signed by the Governor reduced the University's base state appropriation to $418.0 million. This reduction was partially offset by legislative approval of the Governor's bill to 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 collected by these four campuses totaled $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. The fiscal year 2012 budget also included $5.5 million of collective bargaining support and $6.4 million of line item funding specific to the University. However, the University did not receive any additional ARRA stimulus funds in fiscal year 2012.

The Commonwealth's fiscal year 2013 budget included a base state appropriation amount for the University equal to the base state appropriation received in fiscal year 2012. In addition to the base state appropriation, the budget also provided $25.6 million to cover the fiscal year 2013 cost of the collective bargaining increases for the University's union employees and $6.6 million of line item funding specific to the University. With state support consistent with the fiscal year 2012 level despite the fact that enrollments have increased at the University by 15% over the prior five years, the University's Board of Trustees approved a 4.9% tuition and fee increase for undergraduate students for the 2012-2013 academic year. In January of 2013, the Governor imposed mid-year budget reductions pursuant to his 9C Authority to bring the Commonwealth budget into balance. As part of the reductions, the University received a 1% reduction equaling $4.2 million. By working with the Legislature, the University was able to utilize revenues to meet the reduction with no impact on the fringe support provided by the Commonwealth. Each campus and the central office absorbed the reduction into operations for fiscal year 2013.

The fiscal year 2014 budget approved in July 2013 included a new funding model pursuant to which the Commonwealth's appropriations are set at an amount expected to cover approximately 50% of the cost to educate Massachusetts undergraduate students at the University (the "50/50 Initiative"). The 50/50 Initiative requires an increase in the Commonwealth's base state appropriation of $39.1 million in each of fiscal year 2014 and 2015. This investment, along with additional fringe support of $10.8 million would provide the University with $100 million in additional appropriations over fiscal years 2014 and 2015. The Governor and the Legislature embraced the 50/50 Initiative for the fiscal year 2014 budget, and provided the increased funding which allowed the University to freeze undergraduate tuition and mandatory fees for Massachusetts residents for the 2013-2014 academic year. The 50/50 Initiative has had an immediate and meaningful impact on thousands of Massachusetts residents who have not had an increase in their undergraduate tuition and mandatory curriculum fees in the 2013-2014 academic year. It is expected to provide such undergraduate students with long-term relief by allowing them to graduate and enter the workforce with less student debt. The total base state appropriation for fiscal year 2014 is $478.7 million. The Governor's proposed budget provides a 7.7% increase in the University's base operating budget to $515.8 million for fiscal year 2015, which substantially funds the University's 50/50 Initiative budget request of $518.8 million. The House and Senate will now consider the request in formulating their budgets in the Spring, with a budget conference committee expected in June. There can be no assurance that the Commonwealth will support the University's budget request for fiscal 2015.

With the approval of the Commonwealth's fiscal year 2014 budget and the corresponding increase in appropriations for the University, the University began to implement President Caret's 50/50 Initiative. At its June 19, 2013 Board Meeting, the University's Trustees approved the freezing of tuition and mandatory curriculum fees for in-state undergraduate students for the 2013-2014 academic year.

Management of Non-Appropriated Funds

All non-appropriated funds are managed and grouped for budgetary purposes into several trust funds. Non-appropriated funds are funds derived by the University from revenue sources other than Commonwealth appropriations and 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 82% of the University's operating and non-operating revenues for fiscal year 2013 are 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 respective purposes for which each trust 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 tuition and fees (except for in-state resident tuition), Commonwealth and Federal appropriations, and 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. The University reviews fees annually with the goal of having the Auxiliary Enterprises budget be self-sufficient.

Responding to Challenging Fiscal Environment

The University responded to fiscal year 2009 mid-year state appropriation cuts 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 personnel, administrative consolidations, hiring and salary freezes, furloughs, travel restrictions and energy savings. Emphasis was placed on reducing discretionary spending and achieving cost savings by implementing programs targeting savings. 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, and by increases in certain fees and charges.

The University continues to benefit from the increased demand for its educational services. The University's growing reputation, combined with difficult economic conditions in the Commonwealth, have resulted in continued growth in student enrollment and the associated revenue growth from student charges, at all of the University's campuses. In addition, the University benefits from having diverse revenue streams. Grant and contract revenues have grown consistently over the years and the University anticipates continued growth in this area. Modest increases in room and board rates also are expected to generate revenues for auxiliary operations. Additionally, the University's online presence continues to expand. For fiscal year 2013, UMassOnline achieved an approximate 8% increase in revenue and an approximate 9% increase in enrollment. Compared with the previous year, revenues increased from approximately $72.1 million to approximately $78.2 million. All of these revenue sources contribute to the University's fiscal position.

Understanding that the current fiscal environment poses significant challenges for the University and its students, the responsibility to be a good steward of limited resources is taken seriously. The University, through its Board of Trustees, created a permanent Task Force on Efficiencies and Effectiveness charged with helping to ensure that improving quality through more efficient and effective operations continues to be a priority for the University. The Task Force, along with the President's Office and the campuses is working to promote a more standardized approach for cross campus collaboration and oversight of the entire effort, track and report progress, and quantify the benefits to the University and its campuses. Over the last few years the University has achieved measureable savings and efficiencies and expects current efforts to yield additional savings going forward.

The University launched a new initiative to enhance accountability and transparency and improve the University's progress in several priority areas. The report, titled UMass Performance: Accountable and On the Move, will measure the University's performance in six key categories: Student Experience and Success; Producing an Educated Citizenry; World Class Research & Development Enterprise; Enhancing Social Well-Being; Good Stewards of Resources; and Telling and Selling the UMass Story. The six categories will include 21 indicators to measure success and many of these indicators will help demonstrate the efficiency and effectiveness of the University.

The University 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 and 2011. On February 2, 2010, the Commonwealth's first and only public law school was established at UMass Dartmouth. This was made possible by a donation of approximately $23 million in assets from the SNESL. In February 2010, the Legislature approved making the Tsongas Arena part of UMass Lowell. The acquisition of the facility provides the Lowell Campus with a venue for entertainment, sports and other events. On May 19, 2010, UMass Boston finalized the purchase of the Bayside Site, 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. Additionally, UMass Lowell 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. The Lowell Campus is in the process of converting the property through a combination of new construction and renovation into an important campus connection point focused on student and administrative services to be known as University Crossing.

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 expenses 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. When an expense or outlay is incurred for which both restricted and unrestricted net assets are available, the University applies restricted net assets first.

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, as well as disclosures of contingencies at the date of the financial statements and the 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 are 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.

Summary of Operations*

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

	2009	2010	2011	2012	2013
ASSETS	**University**	**University**	**University**	**University**	**University**
Current Assets	$ 461,594	$ 554,377	$ 581,207	$ 617,093	$ 579,894
Noncurrent Assets					
Investment in Plant Net of Accumulated Depreciation	2,068,485	2,324,392	2,582,651	3,098,186	3,705,516
All Other Noncurrent Assets	1,047,339	1,476,628	1,862,508	1,594,140	1,465,471
Total Assets	**$3,577,418**	**$4,355,397**	**$5,026,366**	**$5,309,419**	**$5,750,881**
LIABILITIES					
Current Liabilities	$ 514,719	$ 584,562	$ 609,291	$ 880,104	$ 772,922
Noncurrent Liabilities	1,321,394	1,801,682	2,275,685	2,039,939	2,341,718
Total Liabilities	**$1,836,113**	**$2,386,244**	**$2,884,976**	**$2,920,043**	**$3,114,640**
NET ASSETS					
Invested in Capital Assets Net of Related Debt	$1,069,881	$1,133,264	$1,283,888	$1,502,171	$1,682,173
Restricted					
Nonexpendable	16,699	16,899	17,112	17,773	18,058
Expendable	156,649	218,517	184,909	162,341	156,479
Unrestricted	498,076	600,473	655,481	707,091	779,541
Total Net Assets	**$1,741,305**	**$1,969,153**	**$2,141,390**	**$2,389,376**	**$2,636,241**

* Derived from the Annual Audited Financial Report for Fiscal Years 2009-2013. 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.

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

REVENUES	**2009**	**2010**	**2011**	**2012**	**2013**
Operating Revenues	**University**	**University**	**University**	**University**	**University**
Tuition and Fees*	$ 489,230	$ 552,419	$ 597,200	$ 659,180	$ 707,495
Federal Grants and Contracts	324,100	333,538	371,426	355,792	334,697
State Grants and Contracts	77,115	64,328	62,597	67,927	68,794
Local Grants and Contracts	2,149	1,880	1,937	3,077	2,253
Private Grants and Contracts	104,399	104,368	107,767	109,235	106,714
Sales & Service, Educational	20,965	17,530	18,011	19,311	19,237
Auxiliary Enterprises	246,069	257,852	272,020	297,956	319,544
Other Operating Revenues					
Sales & Service, Independent Operations	94,908	50,442	52,619	61,087	46,062
Sales & Service, Public Service Activities	542,955	596,976	670,557	383,855	447,119
Other	66,920	74,455	74,979	98,107	100,839
Total Operating Revenues	**$1,968,810**	**$2,053,788**	**$2,229,113**	**$2,055,527**	**$2,152,754**

EXPENSES	**2009**	**2010**	**2011**	**2012**	**2013**
Operating Expenses	**University**	**University**	**University**	**University**	**University**
Educational and General					
Instruction	$ 540,479	$ 555,833	$ 596,341	$ 633,481	$ 661,467
Research	358,659	403,217	414,268	417,124	405,326
Public Service	67,989	67,080	66,548	75,665	74,620
Academic Support	125,604	124,126	133,253	147,767	147,031
Student Services	87,207	88,985	98,361	107,246	109,737
Institutional Support	163,659	156,845	190,227	198,941	202,331
Operation and Maintenance of Plant	191,761	200,761	202,950	215,292	204,449
Depreciation and Amortization	140,392	155,746	159,854	163,166	185,261
Scholarships and Fellowships	29,845	34,634	41,238	47,626	49,731
Auxiliary Enterprises	193,568	204,004	216,852	235,633	248,765
Other Expenditures					
Independent Operations	56,057	58,437	41,911	53,734	47,826
Public Service Activities	491,433	538,880	626,981	293,951	327,293
Total Operating Expenses	**$2,446,653**	**$2,588,548**	**$2,788,784**	**$2,589,626**	**$2,663,837**
Operating Loss	**($477,843)**	**($534,760)**	**($559,671)**	**($534,099)**	**($511,083)**

* Net of scholarship allowances of $189,753 at June 30, 2013, $177,420 at June 30, 2012, $178,676 at June 30, 2011, $177,850 at June 30, 2010, and $126,779 at June 30, 2009.

(continued)

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

NONOPERATING REVENUES/(EXPENSES)					
Federal Appropriations	$ 5,574	$ 5,922	$ 5,826	$ 6,845	$ 6,774
State Appropriations	540,187	415,889	505,799	517,392	519,311
State Appropriations – Federal Stimulus Funds		150,639	37,897	10	
Gifts	22,918	28,603	26,504	22,143	30,044
Investment Income	(9,284)	65,863	77,773	27,192	56,037
Endowment Income	10,319	5,583	10,207	15,623	13,614
Interest on Indebtedness	(55,252)	(49,113)	(65,358)	(64,434)	(91,364)
Non-operating Federal Grants		60,324	70,643	73,908	70,586
Other Non-operating Income	8,167	3,868	5,225	780	2,366
Net Non-operating Revenues	**$522,629**	**$687,578**	**$674,516**	**$599,459**	**$607,368**
Income/(Loss) Before Other Revenues, Expenses, Gains and Losses	**$44,786**	**$152,818**	**$114,845**	**$65,360**	**$96,285**
Capital Appropriations	$27,483	$28,635	$28,109	$150,367	$112,581
Capital Grants and Contracts	5,182	18,981	30,354	43,891	39,347
University Related Organization Transactions					
Capital Contribution		29,810	4,361	(345)	4,514
Disposal of Plant Facilities	(8,553)	(12,125)	(10,682)	(13,606)	(8,802)
Gain from Sale of Discontinued Operations			9,655		
Other Additions/Deductions	1,361	9,729	(4,405)	2,317	2,939
Total Other Revenues, Expenses, Gains and Losses	**$25,473**	**$75,030**	**$57,392**	**$182,624**	**$150,579**
Total Increase in Net Assets	**$70,259**	**$227,848**	**$172,237**	**$247,984**	**$246,864**
NET ASSETS					
Net Assets at Beginning of Year	$1,671,046	$1,741,305	$1,969,153	$2,141,392	$2,389,377
Net Assets at End of Year	**$1,741,305**	**$1,969,153**	**$2,141,390**	**$2,389,376**	**$2,636,241**

SUMMARY OF FINANCIAL RESULTS, FISCAL YEARS 2011 THROUGH 2013

The following is a summary of the University's financial results for fiscal years 2011 through 2013.

Fiscal Year 2013

Financial Highlights

The University's net assets (not including University related organizations) increased approximately $246.9 million from $2.39 billion in fiscal year 2012 to $2.64 billion in fiscal year 2013. The major components of the increase in fiscal year 2013 relate to investments in infrastructure and positive operating margins due primarily to greater student fee revenues and cost reductions.

The University expended approximately $204 million on plant operations and maintenance activities during fiscal year 2013.

Summary of Assets and Liabilities

At June 30, 2013, the University's total assets (not including University Related Organizations) were approximately $5.75 billion, an increase of approximately $441.5 million over the approximately $5.31 billion in assets recorded in fiscal year 2012. The University's largest asset continues to be its net investment in its physical plant of $3.71 billion at June 30, 2013 ($3.10 billion in fiscal year 2012). 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 $3.11 billion at June 30, 2013, an increase of approximately $194.6 million compared to the approximately $2.92 billion in liabilities in fiscal year 2012.

The University's current assets of approximately $579.9 million were below the current liabilities of approximately $772.9 million, as the current ratio was 0.75 dollars in assets to every one-dollar in liabilities. In fiscal year 2012, the current ratio was 0.70 (approximately $617.1 million in current assets and $880.1 million in current liabilities).

The University's unrestricted and restricted expendable net assets totaled approximately $936.0 million, which represents approximately 35% of total operating expenditures of approximately $2.66 billion during fiscal year 2013.

In fiscal year 2013, the University's unrestricted net assets (referred to as Expendable Fund Balance under the Former Financial Reporting Model) totaled approximately $779.5 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 2013 were approximately $2.15 billion. This represents an increase of approximately $97.2 million over the approximately $2.06 billion in operating revenues in fiscal year 2012. 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 33%, 24%, 15% and 28%, respectively, of total operating revenues.

In fiscal year 2013, University operating expenditures, including depreciation and amortization of approximately $185.3 million, totaled approximately $2.66 billion. Of this total, approximately $1.32 billion or 50% was used to support the academic core activities of the University, including approximately $405.3 million in research.

State Appropriations

In fiscal year 2013, state appropriations represented approximately 19% 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 all of the state appropriation supports payroll and benefits for University employees.

In fiscal year 2013, the net state appropriation increased approximately $1.92 million over fiscal year 2012 amounts, with the increase attributable to an increase in fringe benefit support allocated to University employees paid through the state appropriation.

Fiscal Year 2012

Financial Highlights

The University's net assets (not including University Related Organizations) increased approximately $248.0 million from $2.14 billion in fiscal year 2011 to $2.39 billion in fiscal year 2012. The major components of the increase in fiscal year 2012 relate to investments in infrastructure and positive operating margins due primarily to greater student fee revenues and cost reductions.

The University expended approximately $215 million on plant operations and maintenance activities during fiscal year 2012.

Summary of Assets and Liabilities

At June 30, 2012, the University's total assets (not including University Related Organizations) were approximately $5.31 billion, an increase of approximately $283.1 million over the approximately $5.03 billion in assets recorded in fiscal year 2011. The University's largest asset continues to be its net investment in its physical plant of $3.10 billion at June 30, 2012 ($2.58 billion in fiscal year 2011). 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 $2.92 billion at June 30, 2012, an increase of approximately $35.1 million compared to the approximately $2.88 billion in liabilities in fiscal year 2011.

The University's current assets of approximately $617.1 million were below the current liabilities of approximately $880.1 million, as the current ratio was 0.70 dollars in assets to every one-dollar in liabilities. In fiscal year 2011, the current ratio was 0.95 (approximately $581.2 million in current assets and $609.3 million in current liabilities).

The University's unrestricted and restricted expendable net assets totaled approximately $869.4 million, which represents approximately 34% of total operating expenditures of approximately $2.59 billion during fiscal year 2012.

In fiscal year 2012, the University's unrestricted net assets (referred to as Expendable Fund Balance under the Former Financial Reporting Model) totaled approximately $707.1 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 2012 were approximately $2.06 billion. This represents a decrease of approximately $173.6 million over the approximately $2.23 billion in operating revenues in fiscal year 2011. This decline in revenue is attributable to the 2011 sale of MedMetrics Health Partners, a non-profit pharmacy benefits management organization, which was included in the Medical School results. 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 32%, 26%, 14% and 27%, respectively, of total operating revenues.

In fiscal year 2012, University operating expenditures, including depreciation and amortization of approximately $163.2 million, totaled approximately $2.59 billion. Of this total, approximately $1.27 billion or 49% was used to support the academic core activities of the University, including approximately $417.1 million in research.

State Appropriations

In fiscal year 2012, state appropriations represented approximately 19% 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 all of the state appropriation supports payroll and benefits for University employees.

In fiscal year 2012, the net state appropriation increased approximately $11.6 million over fiscal year 2011 amounts; however this was offset by the $37.9 million decrease in federal stimulus funding from $37.9 million in fiscal year 2011 to $10,000 in fiscal year 2012.

Fiscal Year 2011

Financial Highlights

The University's net assets (not including University Related Organizations) increased approximately $172.2 million from $1.97 billion in fiscal year 2010 to $2.14 billion in fiscal year 2011. The major components of the increase in fiscal year 2011 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 $203 million on plant operations and maintenance activities during fiscal year 2011.

Summary of Assets and Liabilities

At June 30, 2011, the University's total assets (not including University Related Organizations) were approximately $5.03 billion, an increase of approximately $671.0 million over the approximately $4.36 billion in assets recorded in fiscal year 2010. The increase can be attributed to increases in cash and securities held by the University Trustees of $355.2 million largely due to a bond issue completed in November 2010, from which proceeds have not yet been spent on capital projects. In addition, there were increases in both short- and long-term investments and investment in plant assets. The University's largest asset was its net investment in its physical plant of $2.58 billion at June 30, 2011 ($2.32 billion in fiscal year 2010). Other significant assets included current and noncurrent investments and cash and securities held by the University Trustees.

University liabilities (not including University Related Organizations) totaled approximately $2.88 billion at June 30, 2011, an increase of approximately $498.7 million compared to the approximately $2.39 billion in liabilities in fiscal year 2010.

The University's then current assets of approximately $581.2 million were below the current liabilities of approximately $609.3 million, as the current ratio was 0.95 dollars in assets to every one-dollar in liabilities. In fiscal year 2010, the current ratio was 0.95 (approximately $554.3 million in current assets and $584.6 million in current liabilities).

The University's then unrestricted and restricted expendable net assets totaled approximately $840.4 million, which represents approximately 30.1% of total operating expenditures of approximately $2.79 billion during fiscal year 2011.

In fiscal year 2011, the University's unrestricted net assets (referred to as Expendable Fund Balance under the Former Financial Reporting Model) totaled approximately $655.5 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 2011 were approximately $2.23 billion. This represents an increase of approximately $175.3 million over the approximately $2.05 billion in operating revenues in fiscal year 2010. The most significant sources of revenue for the University were 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%, 24%, 12% and 37%, respectively, of total operating revenues.

In fiscal year 2011, University operating expenditures, including depreciation and amortization of approximately $159.9 million, totaled approximately $2.79 billion. Of this total, approximately $1.21 billion or 43% was used to support the academic core activities of the University, including approximately $414.3 million in research.

State Appropriations

In fiscal year 2011, state appropriations represented approximately 17% of all operating and non-operating revenues. The level of state support was a key factor influencing the University's overall financial condition. Although the state appropriation is unrestricted revenue, nearly all of the state appropriation supports payroll and benefits for University employees.

In fiscal year 2011, the net state appropriation increased approximately $89.9 million over fiscal year 2010 amounts; however this was offset by the $112.7 million decrease in federal stimulus funding from $150.6 million in fiscal year 2010 to $37.9 million in fiscal year 2011.

Endowment and Fundraising

The combined University and Foundation endowment assets have increased to approximately $652.0 million at June 30, 2013, from approximately $554.5 million at June 30, 2012. The University raised approximately $104 million in cash, pledges, gifts-in-kind and private research grants in fiscal year 2013. The number of endowed chairs has grown from four in 1995 to approximately 72 in 2013, enhancing the University's academic reputation.

The total investment return for fiscal year 2013, including realized and unrealized activity was a net gain of approximately $46.3 million. The endowment funds for all five of the University's campuses are commingled into a pooled investment fund and are tracked by the Foundation using unit value accounting. The Foundation employs a market value unit method of accounting, whereby participating endowment funds enter and withdraw from the pooled investment fund based on monthly unit values. Changes in market value and monthly income are allocated proportionately to each endowment fund participant. The actual spending rate for Foundation endowment funds was 4% for fiscal year 2013, which represents approximately 1% of the University's total operating and non-operating revenues.

The following details the University and Foundation endowment assets at June 30 (in thousands):

University and Foundation Endowment Assets*

2009	2010+	2011+	2012+	2013+
$372,642	$449,811	$518,334	$554,538	$652,033

*The above presentation of total University and Foundation Endowment Assets has been changed to no longer include current funds.
+The Kennedy Institute quasi-endowment has been removed from the University and Foundation Endowment Assets presented here. The Kennedy Institute invested approximately $10 million in the Foundation's pooled Endowment in December 2009. The Kennedy Institute quasi-endowment is recorded by the Foundation on an agency basis.

CURRENT AND FUTURE CAPITAL PLANS

The University Trustees have reviewed and approved a five-year approximately $3.77 billion capital plan for fiscal years 2014-2018, 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 & 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 Facilities Authority ("MHEFA") (which was merged into MDFA in October, 2010), Commonwealth appropriations and private fund raising.

The following table summarizes the source of funding for the fiscal year 2014-2018 capital plan:

Source of Funds
University of Massachusetts
Five Year Capital Plan
FY2014- FY2018*

	Amherst		Boston		Dartmouth		Lowell		Worcester		Total	
Estimated Funds To be Spent FY2014-FY2018												
University Local Funds	$174,310,000	12%	$31,250,000	3%	$18,984,951	4%	$95,000,000	11%	$63,040,000	41%	$382,584,951	10%
University External Funds	$28,250,000	2%	$16,150,000	2%	$19,514,005	4%	$20,300,000	2%	$10,200,000	7%	$94,414,005	3%
University Borrowing	$737,385,000	53%	$494,235,410	52%	$113,023,326	26%	$448,100,000	54%	$300,000	0%	$1,793,043,736	48%
State Capital Support	$453,800,000	32%	$214,300,000	23%	$99,575,187	23%	$131,000,000	16%	$0	0%	$898,675,187	24%
Contingent on Funding	$8,000,000	1%	$186,850,000	20%	$187,412,905	43%	$134,000,000	16%	$79,800,000	52%	$596,062,905	16%
FY14-18 Programmed Spending	$1,401,745,000		$942,785,410		$438,510,374		$828,400,000		$153,340,000		$3,764,780,784	

* Source: University of Massachusetts Fiscal Year 2014 to 2018 Five-Year Capital Plan Update dated December 2013.

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 plan, which is approved 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.

The University Trustees, the administration and campus leadership, have identified capital issues as instrumental to the University's goal of continuing to improve educational quality at all five campuses by enhancing academic achievement and student experience. Following a period of limited investment in the University's capital assets in the 1980s and 1990s, the University has invested more than $2.4 billion in capital projects between fiscal years 2001 and 2011. Given the average age of the University's campus buildings, a significant need to maintain and upgrade capital assets is expected over the next decade. The University's administration works closely with each of the campuses in developing the capital plan to reflect the needs and goals of each of the campuses. To further improve project planning and implementation across the University, the University administration and the Authority have collaborated with campus leadership to design an integrated project assessment and tracking process. Furthermore, within budgetary limitations and programmatic requirements, the University is making a concerted effort to incorporate the principles of energy efficiency and sustainability in all its capital projects.

In August 2008, the Legislature passed the Higher Education Improvement Act, which authorized $2.2 billion for capital improvement spending over the next ten years for higher education facilities in the Commonwealth, including more than $1 billion of funding for University projects exclusively. The capital investment plan released by EOAF in 2012 maintains the commitment to fund $1 billion of capital activity at the University over a ten-year period (fiscal year 2008 through fiscal year 2018). In 2008, the Legislature enacted the Life Sciences Industry Investment Act, which authorized $500 million of capital funding over ten years. To date, the University has been awarded approximately $171 million in capital funding for a major research complex at the Medical School, a bio-manufacturing facility affiliated with the Dartmouth Campus and capital equipment investments at the Lowell and Boston Campuses. A planning grant has been awarded to the Amherst Campus to lay the groundwork for a major research facility at that campus and the University is in negotiations regarding additional equipment investments at the Boston Campus. An additional $62 million of commitments are anticipated in the coming year. In addition to capital funding, the life sciences initiative has positioned the University to be an active participant 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 public colleges and the University.

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 its campuses from a combination of University sources, including bonds issued by the Authority, MDFA and direct Commonwealth support. Addressing deferred maintenance remains a priority within the University's 2014-2018 capital plan, which includes approximately $1.225 billion for deferred maintenance projects.

The University is committed to moving forward with its five-year capital plan for fiscal years 2014-2018. The five-year capital plan is summarized by project type and planned spending below:

FY2014-2018 Capital Plan Spending by Project Type*	**Total Planned Spending**	**Percentage of Total Planned Spending**
Renovation and Renewal	$1,316,134,905	35%
New Construction	2,046,250,000	54
Information Technology & Equipment	81,900,000	2
Other Capital Spending	320,495,879	9
Total Planned Spending	$3,764,780,784	100%

* Source: University of Massachusetts Fiscal Year 2014 to 2018 Five-Year Capital Plan Update dated December 2013.

The projects within the capital plan are also organized by program type in order to demonstrate the manner in which requested projects in the capital plan support the University's mission:

Basic Infrastructure Projects – projects that will benefit the entire campus and are critical to all operations, including steam-lines, power plants, roadways, general public safety improvements such as fire alarm systems and hazardous waste removal systems and administrative computing.

Research – projects such as new research building construction, renovations and improvements to existing research facilities and large acquisitions of lab equipment.

Student Life – projects such as improvements and renovations to, or the construction of, student centers, dining halls, recreation facilities, dormitories or other facilities that improve the student experience.

Teaching & Learning – projects such as improvements to, or the construction of, classroom facilities, auditoria, studios, library facilities and instructional equipment.

The following chart summarizes the five-year capital plan by these program types:

FY2014 to 2018 Capital Plan Spending by Program Type*	**Total Planned Spending**	**Percentage of Total Planned Spending**
Basic Infrastructure	$ 898,018,784	24%
Research	946,015,000	25
Student Life & Residential	1,012,082,000	27
Teaching & Learning	908,665,000	24
Total	$3,764,780,784	100%

* Source: University of Massachusetts Fiscal Year 2014 to 2018 Five-Year Capital Plan Update dated December 2013.

Set forth below is a more detailed description of the projects comprising the capital plan, organized by campus location:

Amherst Campus. The Amherst Campus is the University's flagship institution and its 2014-2018 capital plan is structured with priorities that support the strategic challenges and campus goals of improving teaching, increasing research, enhancing student life and recruiting and retaining quality students and faculty. The Amherst Campus has completed or is nearing completion of several major new projects that provide new facilities to support its teaching and research mission. Near term priorities include reduction of deferred maintenance projects, new construction projects, renovation and modernization projects, and an on-going strategy of infrastructure improvements with the goal of increasing energy performance and sustainability. Construction of the new Life Science Laboratories and the new Commonwealth Honors Residential College are both complete. Construction of the New Academic Classroom Building (anticipated to be completed in the spring of 2014), which will provide new academic space for the Communications/Journalism and Linguistics programs, improvements to the McGuirk Alumni Stadium, and construction of a new Champions Center for men's and women's basketball are well underway. The aggregate amount of planned investments in capital projects for the Amherst Campus in the University's 2014-2018 capital plan is $1.40 billion.

Boston Campus. In order to meet the increased enrollment at the Boston Campus, its 2014-2018 capital plan includes construction of new academic buildings and changes to the campus's utilities and other infrastructure. The construction of the first new academic building since the campus opened in 1974 is underway with construction of the Integrated Sciences Complex and design for a new General Academic Building is also underway. Other ongoing projects include the design for a new utility infrastructure, roadway and surface improvements plan. Stabilization of the campus substructure and related deferred maintenance projects are also underway and are critical to addressing long-standing issues with the quality of construction of the original campus. Eventually, the relocation of the utilities will allow for the demolition of the substructure and the creation of a central quadrangle for students and faculty. The aggregate amount of planned investments in capital projects for the Boston Campus in the University's 2014-2018 capital plan is $942.7 million.

Dartmouth Campus. The Dartmouth Campus 2014-2018 capital plan includes an investment in infrastructure and addressing deferred maintenance, pursuing an ongoing commitment to become a "clean energy" campus by investing in alternative energy projects (wind and solar) and in upgrading the performance and efficiency of mechanical, electrical and plumbing systems on campus. New academic buildings are focused on research in an "innovation triangle" including renovations to existing research and teaching laboratories on the Dartmouth Campus, purchase of the advanced technology and manufacturing center in Fall River and renovation and construction of a new marine science and technology center in New Bedford. Improvements to student and residential life include a renovation and expansion of the athletic center and investment in existing residence halls. The aggregate amount of planned investments in capital projects for the Dartmouth Campus in the University's 2014-2018 capital plan is $438.5 million.

Lowell Campus. The Lowell Campus 2014-2018 capital plan has as its goals addressing deferred maintenance, energy performance and sustainability, the creation of additional modern academic and research space, increasing residential capacity and recreational opportunities, and increasing the ability of the campus to host academic, entertainment and civic events. On the North campus, academic building improvements include renovations of existing buildings and construction of a new School of Business building. Construction of University Crossing will house a student bookstore, dining facility, student activities and services, admissions, registrar and financial aid offices and the like. The South campus master plan academically reorganizes the existing buildings and provides for new buildings to address programmatic space needs, as well as addressing deferred maintenance. Parking garages are being built on both the North and South campuses. The aggregate amount of planned investments in capital projects for the Lowell Campus in the University's 2014-2018 capital plan is $828.4 million.

Worcester Campus. The Worcester Campus 2014-2018 capital plan emphasizes the Medical School's evolving needs and the commitment to maintaining its operational efficiency now and into the foreseeable future. The projects with the highest priority include infrastructure additions or improvements, research related and support items, projects which support teaching and learning functions, and projects to support student life functions. These important projects directly support current campus needs and specifically address repurposing space in the Medical School and Lazare Research Buildings vacated by moves to the Sherman Center (backfill projects), deferred maintenance, infrastructure investments, and improvement priorities in the Medical School Building and campus energy grid. The aggregate amount of planned investments in capital projects for the Worcester Campus in the University's 2014-2018 capital plan is $153.3 million.

INDEBTEDNESS OF THE UNIVERSITY

The University is obligated, under various contractual arrangements, to make payments on indebtedness issued on its behalf, including indebtedness issued by the Authority and MDFA, as described below.

Bonds issued by the Authority

As described in more detail in the front part of this Official Statement under the heading "THE AUTHORITY," the Authority was created as a body politic and corporate and a public instrumentality of the Commonwealth 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 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 Authority's enabling legislation.

As of June 30, 2013, the Authority had outstanding bonds of approximately $2.141 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. As of June 30, 2013, approximately $2.112 billion principal amount of the Authority's bonds are secured by and payable from, in addition to other moneys, all available funds of the University, including trust funds and other funds administered by the University as gifts, grants or trusts, or as provided in the University enabling act. Further, the University is obligated to the Authority to cause to be available in its Unrestricted Net Assets at all times amounts sufficient to pay such costs. As described in the front part of the Official Statement under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," the Bonds are secured on a parity with such outstanding bonds by all such funds of the University.

Interest Rate Swap Agreements

The Authority has entered into three separate interest rate swap agreements (the "Swaps") under which the Authority pays a fixed rate and receives a floating rate. The Swaps hedge four series of outstanding variable rate bonds of the Authority, the Project Revenue Bonds, Senior Series 2008-1 (the "Series 2008-1 Bonds"), Facilities Revenue Bonds, Senior Series 2008-A (the "Series 2008-A Bonds"), Project Revenue Bonds, Senior Series 2011-1 (the "Series 2011-1 Bonds") and Project Revenue Bonds, Senior Series 2011-2 (the "Series 2011-2 Bonds" and collectively with the Series 2011-1 Bonds, the "Series 2011 Bonds"). The Swap for the Series 2008-1 Bonds is with UBS AG, and the Authority pays an amount equal to 3.388% per annum of the notional amount and receives the floating rate based on 70% of one-month LIBOR. The Swap for the Series 2008-A Bonds is with Deutsche Bank AG and the Authority pays an amount equal to 3.378% per annum of the notional amount and receives a floating rate based on 70% of one-month LIBOR. The Swap for the Series 2011 Bonds is with Citibank, N.A. and the Authority pays an amount equal to 3.482% per annum of the notional amount and receives the floating rate based on 60% of one-month LIBOR plus 0.18%.

The Swaps are subject to periodic "mark-to-market" valuations and may have a negative impact on the financial statements of the Authority and 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 Authority could be required to make a material termination payment to the counterparty, which payment is a contractual obligation of the University to the Authority. In addition, the Authority and the University may be exposed to basis risk (imperfect correlation between the floating rates paid on the applicable bonds and received under the related swap). With respect to the Swap for the Series 2011 Bonds, the Authority and the University would be required to post collateral in certain market situations if the ratings on the Series 2011 Bonds fell to "A2" or below by Moody's or "A" or below by S&P. For additional information concerning the Swaps, see APPENDIX C – "Financial Report of the University, including Financial Statements," Note 8 – Bonds Payable – *Interest Rate Swaps*.

Letters of Credit and Liquidity Facilities

The Series 2008-A Bonds, the Series 2008-1 Bonds and the Series 2011-1 Bonds are variable rate demand obligations subject to put by the holders thereof and are supported by standby bond purchase agreements.

Commercial Paper

In August 2013, the Authority established its commercial paper program, consisting of its $125 million Commercial Paper Notes, Series 2013 A, supported by an irrevocable letter of credit provided by State Street Bank and Trust Company, which expires in August 2016, and its $75 million Commercial Paper Notes, Series 2013 B secured by a standby liquidity facility provided by U.S. Bank National Association, which expires in August 2016. The Authority may issue notes under either series on a taxable or tax-exempt basis to further the Authority and the University's efforts to establish a "just in time" borrowing program to fund the University's capital plan as needed during construction periods. Such notes are secured under the Trust Agreement dated as of November 1, 2000, between the Authority and U.S. Bank National Association, Boston, Massachusetts, as successor trustee, and a contract with the University and are repayable from the proceeds of rollover commercial paper notes, funds advanced under the liquidity facilities, bonds to be issued by the Authority in the future or available funds of the University. The Authority currently has $25 million outstanding under each series, for a total amount of $50 million. It is anticipated that a portion of such notes will be repaid with a portion of the Bond proceeds.

Bonds issued by the Massachusetts Development Finance Agency

As of June 30, 2013, the MDFA had outstanding bonds of approximately $346.430 million, for which the University is contractually obligated to pay debt service.

[Remainder of page intentionally left blank]

Annual Debt Service on Authority and MDFA Bonds

Fiscal Year Ending June 30	Outstanding Authority Bonds(1)	Outstanding MDFA Bonds	Total(1)(2)
2014	$169,706,223	$25,266,970	$ 194,973,203
2015	170,612,971	25,268,345	195,881,316
2016	168,980,080	25,242,239	194,222,319
2017	168,180,952	25,788,783	193,969,734
2018	165,762,417	25,759,614	191,522,031
2019	167,555,425	25,747,553	193,302,977
2020	167,454,926	25,742,636	193,197,562
2021	167,497,279	25,728,881	193,226,161
2022	155,630,908	25,710,238	181,341,145
2023	155,777,799	25,681,071	181,458,871
2024	155,260,375	25,665,841	180,926,216
2025	138,628,670	25,826,159	164,454,829
2026	137,994,184	25,810,296	163,804,480
2027	132,433,188	25,777,875	158,211,063
2028	131,116,547	25,742,531	156,859,078
2029	127,065,980	25,726,494	152,792,474
2030	116,117,080	25,705,481	141,822,561
2031	105,307,902	38,234,456	143,542,358
2032	105,730,999	17,850,725	123,581,724
2033	104,987,661	9,419,906	114,407,568
2034	88,991,069	9,409,500	98,400,569
2035	103,718,458	9,407,181	113,125,639
2036	96,262,421	7,412,656	103,675,077
2037	95,330,480	7,406,831	102,737,311
2038	94,368,162	-	94,368,162
2039	86,742,175	-	86,742,175
2040	59,515,895	-	59,515,895
2041	58,041,774	-	58,041,774
2042	28,169,196	-	28,169,196
2043	28,170,180	-	28,170,180
2044	25,150,598	-	25,150,598

(1) Assumes the fixed rate payable under the Swaps with respect to the Authority's outstanding variable rate bonds and excludes the subsidy amount expected to be received in connection with the Authority's outstanding "Build America Bonds" issued under ARRA. See "SECURITY AND SOURCES OF PAYMENT ON THE BONDS – Annual Debt Service Requirements" in the front part of the Official Statement and "Interest Rate Swap Agreements" above.
(2) Totals may not add due to rounding.

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

As of June 30, 2013, the outstanding principal amount of Authority and MDFA debt secured by the University's unrestricted net assets was approximately $2.4 billion. The chart below details the University's unrestricted net assets (not including University Related Organizations) in fiscal years 2009-2013.

Fiscal Year	**2009**	**2010**	**2011**	**2012**	**2013**
Unrestricted Net Assets	$498,076,000	$600,473,000	$655,481,000	$707,091,000	$779,541,000

* Derived from the Annual Audited Financial Report for Fiscal Years 2009-2013. 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 MDFA 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 $6 million at June 30, 2013.

INSURANCE

The University, as an agency of the Commonwealth, is self-insured for property loss exposure, subject to appropriation from the 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's liability for damages to third parties as a result of negligence by University employees is limited under Chapter 258 of the 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 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. The University has implemented system-wide human resources/payroll, financial, e-procurement and grants management systems. The University will continue to secure these assets by staying as current as fiscally feasible with vendor releases, such as upgrades that will enable additional functionality and incorporate major changes in functionality and technology. 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 2006-2012 has been upgrading Human Resources ("HR") (completed May 2009), Student Administration applications (completed December 2009), Financials and Grants suite ("Financials") (completed November 2011) and consolidating the University's Advancement applications to one common platform (a phased approach with targeted completion for the final campus targeted for the first quarter of calendar year 2013), 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. The focus in fiscal years 2014-2017 will be on the HR version 9.2 upgrade followed by the Financials version 9.2 upgrade.

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 completed a document imaging project in Fall 2010. This application has improved departmental efficiencies and reduced the use of paper and associated long term physical storage needs.

The University also continued with the multiyear shift in the underlying application/web server and database architectures that is expected to improve performance, availability and the disaster recovery profile of core applications for the University and which completed a move into a new enterprise primary data center in February of 2011. 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. This project was completed in fiscal year 2013.

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 in Holyoke, Massachusetts. The cutting-edge, research-oriented facility relies 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 partners include MIT, Boston University, Harvard University, and Northeastern University, and key business participants include Cisco Systems and EMC Corporation. This facility was fully commissioned in February 2013.

In 2013, UMassOnline will be engaged in several technology initiatives of immediate and long-term implication to the University and its internal and external constituents. During 2012, UMassOnline identified and deployed our next generation Learning Management System ("LMS"), Blackboard's Learn 9 platform—the primary delivery platform for online courses used by UMassOnline's hosted campuses. Throughout 2013, UMassOnline will be deeply involved in migrating our hosted campuses to the new environment. This effort will include content migration, course development, user identify management and systems integration with other campuses-based University-wide enterprise systems. Support for Blackboard Vista, our previous LMS, will continue through January 31, 2014. Another significant development effort underway through 2013 will be the deployment of the Drupal web content management system and the migration of the UMassOnline web site.

In addition, from a technology perspective, UMassOnline will be extending use of a variety of systems in support of online learning, including: Atlassian Confluence knowledgebase; Atlassian JIRA issue tracking and bug reporting; Blackboard Collaborate conferencing system; Blackboard SafeAssign plagiarism detection; Blackboard Voice Internet telephone; Helix streaming media server; Moodle learning management system; OWLet course evaluations; Respondus test engine; SmartBear AlertSite transaction monitoring; TurnItIn plagiarism detection; Wordpress blogging and Wufoo forms management.

UMassOnline will continue with its commercial support providers, including Perceptis for extended help desk services for campuses through August 31, 2013 (UMassOnline is evaluating other help desk support options after August of 2013); UMass's University Information Technology Services ("UITS") for production-level LMS and Helix hosting; Amazon Web Services for website hosting and development efforts and; Contegix for Atlassian product hosting and service.

UMassOnline has identified a "fee-for-service" financial model enabled through a state-wide shared-service model for technology systems and support. The shared service model allows UMassOnline to extend services across the Commonwealth to institutions of higher education and related organizations in order to reduce costs, increase efficiencies and reduce redundancy. Supporting this fee-for-service model through shared services is a new project and portfolio management process—or product development lifecycle—the Needs Identification Framework for Technology Innovation ("NIFTI") designed to identify campus, university and state-wide online teaching and learning needs, assess requirements, measure value, undertake development, manage implementation, administer operations and mitigate the risk of technology innovation and adoption. This approach recognizes the emerging technologies impacting the design, development and distribution of online education as well as shifts in teaching and learning online, across the University and UMassOnline's other supported campuses.

Throughout 2013, UMassOnline, working with UITS, UMass' Donahue Institute* and a private consulting group, as well as its existing commercial partners (to align contracting), will develop the technology infrastructure and raise awareness across consortia (UMassOnline, Mass Colleges Online, Massachusetts Community Colleges, Department of Education/K-12) required for campus adoption of the fee-for-service, shared-service and NIFTI models.

LITIGATION

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

EMPLOYEE RELATIONS

The University employs approximately 17,531 full and part-time faculty, professional and clerical and maintenance support staff, of which approximately 10,078 are covered by collective bargaining units (not including post-doctoral employees, graduate employees and undergraduate resident assistants). Of those covered, approximately 3,503 are faculty, approximately 2,619 are professional staff, approximately 3,770 are clerical and maintenance support staff and approximately 186 are police officers. In total, the University currently has 41 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 2012 through July 2014 with most of its employee unions, is currently negotiating nine agreements, five of which are first agreements, and is planning for future contracts. 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.

[Remainder of page intentionally left blank]

* The Donahue Institute is the public service, outreach and economic development unit of the UMass President's office, providing government, business, and non-profit organizations with effective solutions in the areas of research, organizational development, training, and technical assistance.

In general, University employees are covered by a contributory Massachusetts retirement system set up by Chapter 32 of the General Laws, the State Employees' Retirement System ("SERS" or "State Retirement Plan"). The State Retirement Plan is a defined benefit plan that 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. As an alternative to SERS, eligible employees have the option of participating in the Commonwealth's Optional Retirement Program (the "ORP"). The ORP is a defined contribution plan, administered by the DHE. Eligibility for participation in the ORP has recently been significantly expanded by Chapter 68, Section 44 of the Acts of 2011. Employees can also participate in various optional supplemental retirement programs, such as the University of Massachusetts 403(b) Elective Deferral Savings Plan and the Commonwealth's 457(b) Deferred Compensation Plan. 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. The majority of these benefits are sponsored by the Commonwealth. However, the University does sponsor a smaller subset of benefits for employees of the Worcester Campus, including dental and vision plans as well as life and long-term disability plans.

UNIVERSITY OF MASSACHUSETTS

By: /s/ Christine M. Wilda
Christine M. Wilda
Senior Vice President for
Administration & Finance and Treasurer

[Intentionally Left Blank]

APPENDIX B

FINANCIAL STATEMENTS OF THE AUTHORITY

[Intentionally Left Blank]

Financial Statements and Report of Independent Certified Public Accountants

University of Massachusetts Building Authority (A Component Unit of the University of Massachusetts)

June 30, 2013 and 2012

Contents

Grant Thornton LLP
75 State Street, 13th Floor
Boston, MA 02109-1827

T 617.723.7900
F 617.723.3640
GrantThornton.com
linkd.in/GrantThorntonUS
twitter.com/GrantThorntonUS

Report of Independent Certified Public Accountants

Board of Trustees of the
University of Massachusetts Building Authority

Report on the financial statements

We have audited the accompanying financial statements of the University of Massachusetts Building Authority (the "Authority"), a component unit of the University of Massachusetts, June 30, 2013 and 2012, as listed in the accompanying table of contents.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Authority as of June 30, 2013 and 2012, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to this required supplementary information in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the MD&A information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Grant Thornton LLP

Boston, Massachusetts
December 20, 2013

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, 2013 and 2012. This discussion and analysis 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 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

- The net position of the Authority continued to grow, reaching $572.5 million in fiscal year 2013 compared to $502.5 million in fiscal year 2012.
- Capital spending totaled $556.0 million in fiscal year 2013 which represents a $86.7 million increase over fiscal year 2012. A majority of the capital spending in fiscal year 2013 relates to investments in new buildings, which include a new dormitory for Amherst's Commonwealth Honors College, the Worcester Campus's Albie Sherman Center, Lowell's University Crossing Campus Center, a new Science Facility at the Boston Campus and Dartmouth's Bioprocessing Facility.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis is 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

The Financial Statements

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

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

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

The *statements of cash flows* are 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), as well as capital and related financing and noncapital financing activities.

The financial statements can be found on pages 11 to 14 of this report.

The Authority's financial statements report its activities as business-type, in accordance with generally accepted accounting principles in the United States for government entities, 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 position, and its cash flows are included in the University's financial statements.

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 37 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Financial Analysis

As noted earlier, over time the Authority's net position may serve as a useful indicator of the Authority's financial position. In the case of the Authority, assets and deferred outflows exceeded liabilities by $572.5 million at the close of the most recent fiscal year.

A portion of the Authority's net position 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 used to repay the debt are receipts related to the Authority's financial contracts with the University. These contracts generally call for the Authority to bill and collect all revenue from the projects and remit to the Trustee under the Authority's trust agreements (the "Bond Trustee") funds sufficient to cover debt service on its bonds, its costs of operations, and its financial obligations with respect to the projects.

University of Massachusetts Building Authority's net position (in thousands):

	June 30, 2013	June 30, 2012	June 30, 2011
Current assets	$ 40,957	$ 31,134	$ 40,375
Non-current assets	2,778,978	2,479,738	2,398,936
Total assets	2,819,935	2,510,872	2,439,311
Deferred outflows of resources	40,207	75,634	19,510
Current liabilities	389,404	479,064	222,617
Non-current liabilities	1,898,268	1,604,946	1,839,990
Total liabilities	2,287,672	2,084,010	2,062,607
Net position:			
Invested in capital assets, net of related debt	535,355	470,821	341,579
Restricted	15,056	13,049	36,984
Unrestricted	22,059	18,627	17,651
Total net position	$ 572,470	$ 502,497	$ 396,214

Current assets increased in the fiscal year 2013 compared to 2012 primarily due to increases in cash of approximately $5.7 million and increases in receivables of $4.3 million. Current assets decreased at fiscal year 2012 versus year 2011 primarily due to payments related to the timing of accounts receivable, interest receivable, and prepaid expenses, as well as, a $3.2 million decrease in current investments.

Non-current assets continued to increase in fiscal year 2013 due to work on existing projects as capital assets, net of depreciation, totaled over $2.2 billion.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Deferred outflows of resources totaled $40.2 million and $75.6 million at the end of fiscal year 2013 and 2012, respectively. These amounts relate to the Authority's effective hedging relationship related to its outstanding interest rate swap agreements ("swaps"). In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB No. 53"), the Authority is able to defer the related changes in fair value as a deferred outflow at year-end.

Current liabilities decreased in fiscal year 2013 compared to 2012 by $89.6 million primarily due to a decrease of $87.6 million in current portion of bonds payable. In fiscal year 2012, 2008-1 and 2008-A variable rate bonds were classified as current because the liquidity facilities supporting the 2008-1 and 2008-A variable rate bonds expired in April 2013 (in the event that they could not be remarketed). On April 23, 2013, the Authority entered into a standby bond purchase agreement with J.P. Morgan Chase Bank, N.A. ("J.P. Morgan") to support the 2008-1 and 2008-A variable rate bonds. This agreement expires in April 2016 and, as a result of the new agreement, the Authority classified these bonds as long-term debt in fiscal year 2013. This decrease was offset by the fact that in fiscal year 2013, the 2011-1 variable rate bonds are classified as current liabilities because the liquidity facility supporting these bonds expires on June 9, 2014. The Authority expects to redeem the 2011-1 variable rate bond on its original principal amortization schedule. Current liabilities increased from fiscal year 2011 to fiscal year 2012 as the Authority classified the 2008-A and 2008-1 bonds as current as discussed above. Also, in fiscal 2013, 2012 and 2011, the Authority classified its 2011-2 window bonds as current. The 2011-2 window bonds have no supporting liquidity facility. Consistent with prior years, the Authority expects to redeem this bond based on its original amortization schedule which calls for principal reductions each year through 2034.

Non-current liabilities increased in fiscal year 2013 compared to 2012 by $293.3 million primarily due to an increase in long-term debt of $330.1 million. During 2013, the Authority issued $284.4 million of new debt, and classified the 2008-1 and 2008-A debt as long-term, which was partially offset by the classification of the 2011-1 window bonds as current. These increases in long-term debt were offset by a $36.8 million decrease in the liability associated with the Authority's interest rate swap agreements. In fiscal year 2012 compared to fiscal year 2011, non-current liabilities decreased $235.0 million due primarily to the reclassification of the 2008-A and 2008-1 long-term callable debt discussed above.

Invested in capital assets, net of related debt represents 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.

During fiscal year 2013, 2012, and 2011, 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 position in those years.

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

Unrestricted net assets are those that are not subject to restrictions, or for which restrictions have expired.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

University of Massachusetts Building Authority's changes in net position (in thousands):

	For the year ended June 30, 2013	For the year ended June 30, 2012	For the year ended June 30, 2011
Operating revenues:			
Financing income and fees for services	$ 142,040	$ 128,825	$ 103,053
Interest income and interest subsidies, net	16,737	19,795	19,434
Grants from HUD and other income	-	15	76
Total operating revenues	158,777	148,635	122,563
Operating expenses:			
Facility operating costs	5,176	4,508	4,215
Interest expense	70,105	48,028	46,435
Depreciation and amortization	54,723	45,210	41,007
General and administrative expenses	1,961	1,759	1,627
Total operating expenses	131,965	99,505	93,284
Net operating income	26,812	49,130	29,279
Total non-operating income (expenses)	2,850	19,000	(4,256)
Total capital contributions	40,311	38,152	38,636
Change in net position	69,973	106,282	63,659
Net position at the beginning of the year	502,496	396,214	332,555
Net position at the end of the year	$ 572,469	$ 502,496	$ 396,214

Financing income and fees for services are primarily related to contracts the Authority has with the University. The Authority has entered into various contracts with the University, 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 funds sufficient to cover debt service on its bonds, its costs of operations, and its financial obligations with respect to the projects. The amounts fluctuate based on the debt service requirements of the Authority bonds in any particular year. Revenue increased by $13.2 million in fiscal year 2013 compared to fiscal year 2012 primarily because the Authority charged the campuses more in debt service than the prior year. Overall debt service did not significantly increase but capitalized interest (debt service paid from bond proceeds) decreased by $21.0 million. Revenue increased by $25.8 million in fiscal year 2012 compared to fiscal year 2011 to cover a full year of interest costs on the issues that originated in fiscal year 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Interest income and interest subsidies, net decreased by 8.0%, or $376,000, in fiscal year 2013 compared to fiscal year 2012 due to lower cash, cash equivalents and investments compared to the prior year. Cash and cash equivalents and investments decreased by $51.4 million and $145.0 million, respectively, in fiscal year 2013 compared to fiscal year 2012. Interest income decreased slightly in fiscal year 2012 compared to fiscal year 2011 due to lower investment balances. A $418 million reduction in the balance of investments at June 30, 2012 compared to the prior year was primarily driven by increased construction at the Worcester, Amherst and Lowell Campuses for the Sherman Center, Commonwealth Honors, and ETIC Projects. Investment returns remain nominally low given the low market interest rates earned on the fixed income securities in which the Authority invests.

In fiscal year 2013, 2012 and 2011, the Authority recorded revenue associated with the interest rate subsidy provided by the United States Government related to the Authority's issuance of bonds under the Build America Bond ("BAB") program. Under the 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. During fiscal year 2013, the federal government implemented automatic budget cuts imposed through sequestration required pursuant to the Budget Control Act of 2011. As a result, the Authority's May 1, 2013 subsidy payments related to the Senior Series 2009-2 Project Revenue Build America Bonds and the Senior Series 2010-2 Project Revenue Build America Bonds were reduced by 8.7% due to sequestration. This reduction accounts for the $602,000 decrease in Interest Subsidy Revenue in fiscal year 2013 compared to fiscal year 2012. In fiscal year 2012, interest subsidy revenue increased by $2.9 million compared to fiscal year 2011 because the Authority received a full year of subsidy on the 2010 BAB (which was issued in fiscal year 2011).

Facility operating costs primarily reflect the operating costs of the UMass Club, certain operating costs of the Authority, rental expenses and expenses paid by the Authority out of reserves for maintenance of Authority-owned buildings. Facility operating costs increased in fiscal year 2013 compared to fiscal year 2012 due to an increase in Authority operating costs and an increase in rental agreements. In fiscal year 2012, costs increased compared to the prior year with increases in capital projects related to the club as well as escalating rental costs.

Interest expense represents interest paid to the holders of Authority issued debt. In fiscal year 2013, interest expense increased by $22.1 million compared to the prior year. This increase is primarily due to a $14.0 million decrease in capitalized interest in the current year, an increase in accrued interest of $3.0 million due to the new 2013-1 and 2013-2 debt issuances and a $6.8 million decrease in bond premium amortization expense in the current year. In fiscal year 2012, expenses increased compared to fiscal year 2011 as a full year of expense was recorded on the fiscal year 2011 issues. (See page 24 to page 26 for more information on fiscal year 2011 and 2013 issues)

Depreciation and amortization in both fiscal year 2013 and 2012, depreciation expense and amortization increased as additional new capital assets were placed into service during those years.

Non-operating income includes $2.9 million and $22.9 million in fiscal year 2013 and fiscal year 2012, respectively related to an appropriation from the Commonwealth to fund the construction of the ETIC project at the Lowell campus – the Commonwealth has agreed to cover $35 million for the construction and maintenance of the facility. Furthermore, in fiscal year 2012, $3.9 million for the construction of a high speed computing center in Holyoke was transferred from the Authority to the University.

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Capital contributions represent certain grants and gifts provided to the Authority for capital construction at the five campuses. During fiscal year 2010, the Authority began receiving payments under a $90 million funding agreement with the Massachusetts Life Sciences Center ("MLSC") for the Sherman Center Project on the Worcester campus. The amount of this grant recorded as revenue in 2013 and 2012 was $16.7 million and $35.0 million, respectively. The Authority received the final payment of the $90 million grant during fiscal year 2013. In 2013, the Authority also recorded MLSC grant revenue of $13.8 million related to the Bioprocessing Center at the Dartmouth campus and $4.3 million related to the ETIC. In 2013, the Authority received $3.0 million from the University to fund the construction of Fox Hill Dining in Lowell. In 2013, Amherst contributed $1.9 million to the Authority to fund the Life Sciences Laboratory at the Amherst campus; in fiscal year 2012 the University gave the Authority $2.7 million primarily for the building of projects funded by the Edward M. Kennedy (EMK) Institute at the Boston campus. Furthermore, in fiscal year 2012, the Authority received a grant from the Commonwealth of Massachusetts of $420,000.

CAPITAL ASSETS OF THE AUTHORITY

The Authority's investment in capital assets as of June 30, 2013 amounts to $2.2 billion, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, furnishings and equipment. Net capital assets increased by $502.1 million or 30% in fiscal year 2013. This increase was primarily due to capital improvements and construction in progress outpacing depreciation expenses as follows:

- Improvements increased by $39 million, net of accumulated depreciation, in fiscal year 2013. The increases were primarily due to renovations of existing buildings on the Amherst and Lowell campuses.

- Construction in progress decreased $33.2 million in fiscal year 2013 as the Authority transferred a number of significant projects from CIP to depreciable property. The Albie Sherman Center and Garage, and the Power Plant at the Worcester campus as well as the ETIC, North Campus Garage, and Power Plant Project at the Lowell campus were transferred from CIP to depreciable property. These transfers offset new additions to CIP which included the Commonwealth Honors College at the Amherst campus, the Utility and Roadway Corridor and General Academic Building at the Boston campus and the Bioprocessing Plant at the Dartmouth campus.

The Authority's investment in capital assets as of June 30, 2012 amounts to $1.7 billion, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, furnishings and equipment. Net capital assets increased by $425 million or 34% in fiscal year 2012. This increase was primarily due to capital improvements and construction in progress outpacing depreciation expenses as follows:

- Improvements increased by $47 million, net of accumulated depreciation, in fiscal year 2012. The increases were primarily due to renovations of existing buildings on the Amherst, Boston and Lowell campuses.

- Construction in progress increased $398 million in fiscal year 2012 as the Authority continued to invest in new construction on the campuses of the University.

- Buildings decreased by $12 million in fiscal year 2012 as depreciation expense offset new investments.

DEBT OF THE AUTHORITY

The Authority carries debt in the form of bond obligations. This debt was approximately $2.1 billion and $1.9 billion at June 30, 2013 and 2012, respectively. The increase of $242.5 million in fiscal year 2013 is primarily attributable to the Authority's issuance of new debt totaling $284.4 million (with an associated premium of $19.4 million) during fiscal year 2013 offset by $60.8 million of bond payments and premium/discount amortization. On March 8, 2013, the Building Authority issued $212.6 million of Senior Series 2013-1 Project Revenue Bonds (the "2013-1 Bonds") and $71.8 million of Senior Series 2013-2 Project Revenue Bonds (the "2013-2 Bonds"). The 2013-1 Bonds included a premium of $19.4 million. The 2013-1 Bonds are tax-exempt and mature at various dates through 2043. The interest on these bonds is payable semi-annually each November 1st and May 1st and the interest rates on the bonds range from 2.00% to 5.00%. The 2013-2 bonds are taxable, mature at various dates through 2043 and the interest on the bonds is payable semi-annually each November 1st and May 1st. The interest rates on these bonds range from 0.430% to 2.686%. The 2013-1 Bonds and 2013-2 Bonds will be used to finance capital projects in the University's capital plan.

The amount of bond obligation guaranteed by the Commonwealth was $129.5 million and $136.9 million at June 30, 2013 and June 30, 2012 respectively.

As of June 30, 2013, the ratings assigned to the Authority's bonds are as follows: AA by Fitch Ratings, AA- by Moody's Investor Services and Aa2 by Standard and Poor's Investor Services.

THE UNIVERSITY OF MASSACHUSETTS CLUB

The Authority operates 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, 225 Franklin Street, 12th Floor, Boston, Massachusetts 02110. Additional information on the Authority can be found on its web site, www.umassba.net.

UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY
(A Component of the University of Massachusetts)
Statements of Net Position
June 30, 2013 and 2012

Assets	2013	2012
Current assets		
Cash and cash equivalents (Notes B and C)	$ 18,565,616	$ 12,843,014
Accounts receivable, net of allowance of $7,900 and $8,300, respectively	218,557	126,398
Intergovernmental receivables:		
Massachusetts Life Sciences Center	16,860,547	13,335,256
United States Government	2,308,971	2,308,972
University of Massachusetts	1,374,830	624,830
Interest receivable	301,777	401,237
Prepaid expenses and other current assets	1,326,799	1,494,763
Total current assets	40,957,097	31,134,470
Non-current assets		
Restricted		
Cash and cash equivalents (Notes B and C)	505,303,700	562,416,042
Investments (Notes B and C)	85,103,420	230,065,046
Capital assets, net of accumulated depreciation (Note D)	2,169,472,569	1,667,355,953
Bond issuance costs, net of amortization of $2,527,288 and $1,681,744, respectively	18,968,909	19,762,206
Other assets	129,374	138,513
Total non-current assets	2,778,977,972	2,479,737,760
Total assets	$ 2,819,935,069	$ 2,510,872,230
Deferred Outflows of Resources		
Change in fair value of interest rate swap agreements	40,206,773	75,634,211
Liabilities		
Current liabilities		
Accounts payable	$ 46,223,227	$ 58,327,690
Retainage payable to contractors	19,481,032	18,570,686
Bonds payable, current portion (Note E)	297,599,998	385,244,999
Accrued bond interest payable	18,453,957	15,493,534
Other liabilities	7,645,370	1,427,107
Total current liabilities	389,403,584	479,064,016
Non-current liabilities		
Bonds payable, net of current portion, unamortized bond premium and deferred amount from refundings (Note E)	1,828,942,705	1,498,835,669
Derivative instruments - interest rate swap agreements (Note E)	69,325,882	106,110,053
Total non-current liabilities	1,898,268,587	1,604,945,722
Total liabilities	2,287,672,171	2,084,009,738
Net Position		
Invested in capital assets, net of related debt	535,355,372	470,821,068
Restricted for:		
Capital projects	1,958,830	1,345,703
Debt service	13,096,355	11,702,461
Unrestricted	22,059,114	18,627,472
Total net position	**$** 572,469,671	**$** 502,496,704

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

UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY
(A Component of the University of Massachusetts)
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2013 and 2012

	2013	2012
Operating revenue:		
Financing income and fees for services	$ 142,039,839	$ 128,824,864
Interest income	4,213,757	4,589,816
Interest subsidy -United States Government	13,251,186	13,853,829
Realized and unrealized (losses) gains on investments, net	(727,859)	1,350,655
HUD grant and other income	-	14,842
Total operating revenues	158,776,923	148,634,006
Operating expenses:		
Facility operating costs	5,175,549	4,507,970
Interest expense	70,105,170	48,027,683
Depreciation and amortization	54,722,951	45,209,647
Insurance	1,166,619	805,397
Professional fees	633,809	885,762
Office, administration and miscellaneous	160,338	67,782
Total operating expenses	131,964,436	99,504,241
Net operating income	26,812,487	49,129,765
Non-operating revenues (expenses):		
State appropriations	2,850,000	22,882,750
Grant to University of Massachusetts	-	(3,880,000)
U.S. Treasury rebate	-	(2,269)
Total non-operating income (expenses)	2,850,000	19,000,481
Capital contributions:		
University of Massachusetts (Note G)	4,944,000	2,700,331
Massachusetts Life Sciences Center	35,366,481	35,032,405
Commonwealth of Massachusetts	-	419,488
Total capital contributions	40,310,481	38,152,224
Change in net position	69,972,968	106,282,470
Net position at beginning of year	502,496,703	396,214,233
Net position at end of year	$ 572,469,671	$ 502,496,703

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

UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY
(A Component of the University of Massachusetts)
Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Cash received from financing income, fees for services and other income	$ 142,124,783	$ 128,930,263
Cash from U.S. Government for BABs interest subsidy	13,251,186	13,904,285
Cash from investments	2,956,485	4,792,513
Payments to bondholders for interest	(92,970,340)	(93,516,200)
Payments to vendors and suppliers	(4,881,577)	(5,106,959)
Payments of salaries and benefits	(2,246,972)	(1,723,239)
Net cash provided by operating activities	58,233,565	47,280,663
Cash flows from capital and related financing activities		
Capital asset expenditures	(533,567,577)	(397,245,652)
Repayment of bond principal	(60,775,000)	(58,190,000)
Bond issuance expenses paid	(2,151,423)	(23,508)
Proceeds from state appropriation	2,850,000	22,882,750
Proceeds from capital contributions	36,035,189	37,714,555
Proceeds from bond obligations	284,375,000	-
Proceeds from bond premium	19,376,741	-
Net cash used in capital and related financing activities	(253,857,070)	(394,861,855)
Cash flows from non-capital financing activities		
Grant payments to University of Massachusetts	-	(3,880,000)
Net cash flows used in non-capital financing activities	-	(3,880,000)
Cash flows from investing activities		
Purchase of investments	-	(269,525,435)
Proceeds from sale of investments	144,233,765	690,117,501
Payment of U.S. Treasury rebate	-	(15,948)
Net cash provided by investing activities	144,233,765	420,576,118
Net (decrease) increase in cash and cash equivalents	(51,389,740)	69,114,926
Cash and cash equivalents - beginning of year	575,259,056	506,144,130
Cash and cash equivalents - end of year	$ 523,869,316	$ 575,259,056

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

UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY
(A Component of the University of Massachusetts)
Statements of Cash Flows - Continued
For the Years Ended June 30, 2013 and 2012

	2013	2012
Reconciliation of operating income to net cash provided by operating activities:		
Net operating income	$ 26,812,487	$ 49,129,765
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Capitalized interest	(27,410,615)	(41,433,700)
Depreciation and amortization	56,285,568	39,753,806
Unrealized (gain) loss from investments	(607,132)	(2,562,055)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Interest receivable	99,460	1,559,429
Prepaid expenses and other current assets	167,964	1,400,098
Accounts receivable	(92,159)	105,799
Intergovernmental receivable - US Government	-	50,456
Other assets	9,139	81,313
Increase (decrease) in:		
Accounts payable - non-construction related	8,431	(252,408)
Accrued bond interest payable	2,960,423	(149,172)
Other liabilities	-	(402,668)
Net cash provided by operating activities	$ 58,233,566	$ 47,280,663

Supplemental disclosure of cash flow information

	2013	2012
Non-cash capital and related financing activities:		
Capital assets acquired and included in accounts and retainage payable and other liabilities	$ 71,946,091	$ 78,803,749

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

NOTE A – 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 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.

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

NOTE B – 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 Authority's significant 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 economic resources measurement focus, 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 include financing income, which represents amounts needed for debt service and related expenses received from the University, income on investments held for capital construction and debt service requirements, and fees charged to the University for services. Operating expenses for the Authority include the interest expense on bonds, 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.

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.

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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Restricted Assets

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

The following sets forth the cash and cash equivalent and investment balances in restricted funds as of June 30, 2013 and 2012:

	2013	2012
Cash and cash equivalents		
Capital projects fund	$ 497,525,400	$ 556,031,659
Debt service fund	7,778,300	6,384,383
Total restricted cash and cash equivalents	$ 505,303,700	$ 562,416,042
Investments		
Capital projects fund	$ 79,785,364	$ 224,746,990
Debt service fund	5,318,056	5,318,056
Total restricted investments	$ 85,103,420	$ 230,065,046

Capital Assets and Depreciation

Property, Plant and Equipment are stated at cost on the date of acquisition, or at the fair market 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. Land is not depreciated. 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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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, 2013 and 2012 totaled approximately $27,410,600 and $41,433,700, respectively, net of interest income of $1,821,300 and $1,778,600, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include cash balances maintained in checking accounts, overnight repurchase agreements and amounts held in permitted money market mutual funds with an original maturity date of three months or less.

Contracts with the University

The Authority has entered into various contracts with the University, 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 investments in 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, its costs of operations, and its 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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Net Position

Net position is 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 position – 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. Capital project restricted net assets are funds primarily provided by debt financing for the completion of University projects. Debt service restricted net assets are funds primarily provided as additional collateral to the bond holders (e.g. debt service reserve funds).

Unrestricted net position – This category consists of net assets which do not meet the definition of the two preceding categories, and are available to support the Authority's operations.

Grants and Capital Contributions

Capital contributions are generally grants for capital asset acquisition, facility development and long-term planning studies, and are reported in the statements of revenues, expenses and changes in net position after non-operating revenues and expenses as capital contributions when such items are capitalized. Non-capital grants are recognized as non-operating revenue. Revenue from these grants and similar items are recognized when all eligibility requirements imposed by the grantor have been met.

Insurance

The Owner-controlled Consolidated Insurance Program (OCIP) was established in March, 2010 to provide insurance coverage for contractors on selected Authority capital projects. This program provides workers' compensation and general liability insurance coverage for most contractors working on projects in the program. The program has a deductible component that is funded by the Authority. The deductible component is limited on both a per-occurrence basis and an aggregate basis for all OCIP-covered projects by so-called stop-loss insurance. The deductible exposure of the Authority is secured by and paid out of an escrow trust fund set up for this purpose. As of June 30, 2013 and June 30, 2012, the balance in the escrow trust fund was $1,700,000 and $3,400,000, respectively. The balance in the escrow fund covers claim reserves and incurred but not reported (IBNR) deductible exposures for construction through that June 30, 2013.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Reclassifications

Certain prior year amounts have been reclassified in the accompanying financial statement to conform to the current year presentation. In addition, during fiscal year 2013, management identified certain errors in prior period classifications within net position. The errors were corrected in the current year financial statements as follows:

	As Reported	Reclassifications	As Reclassified
Invested in capital assets, net of related debt	$ 472,753,052	$ (1,931,984)	$ 470,821,068
Restricted for:			
Capital projects	40,271,874	(38,926,171)	1,345,703
Debt service	(1,482,101)	13,184,562	11,702,461
Unrestricted	(9,046,122)	27,673,593	18,627,472
Total net position	$ 502,496,703	$ -	$ 502,496,704

These reclassifications were the result of a more in depth review of related assets and liabilities in the appropriate categories. In the opinion of management, these errors do not have a material impact on previously issued financial statement.

Adoption of New Accounting Standards

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB No. 63). GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. GASB No. 63 amends the net asset reporting requirements in GASB No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The adoption of GASB No. 63 in 2013 required the Authority to change the reference of net assets to net position and present deferred outflows separate from total assets.

NOTE C – 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 consisted of the following as of June 30, 2013 and 2012:

	2013	2012
Cash	$ 5,130,189	$ 56,075
Permitted money market accounts ("MMA")	518,739,127	575,202,981
Total cash and cash equivalents	$ 523,869,316	$ 575,259,056

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, 2013, the bank balances of uninsured deposits totaled $4,880,189. As of June 30, 2012, the Authority's cash deposits of $56,075 were not subject to custodial credit risk as they were under federally insured limits. 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, 2013, the Authority's investments consisted of the following:

		Investment Maturities (in Years)		
	Total	Less than 1	1 to 5	6 to 10
Investment type				
Debt Securities				
US Treasuries	$ 10,324,219	$ 10,324,219	$ -	$ -
US Agencies	69,461,145	50,383,163	19,077,982	-
Repurchase Agreements	5,318,056	-	-	5,318,056
MMA	518,739,127	518,739,127	-	-
Total	$ 603,842,547	$ 579,446,509	$ 19,077,982	$ 5,318,056

NOTE C – CASH DEPOSITS AND INVESTMENTS - Continued

As of June 30, 2012, the Authority's investments consisted of the following:

		Investment Maturities (in Years)		
	Total	Less than 1	1 to 5	6 to 10
Investment type				
Debt Securities				
US Treasuries	$ 10,246,900	$ -	$ 10,246,900	$ -
US Agencies	214,500,089	30,495,174	184,004,915	-
Repurchase Agreements	5,318,057	-	-	5,318,057
MMA	575,202,981	575,202,981	-	-
Total	$ 805,268,027	$ 605,698,155	$ 194,251,815	$ 5,318,057

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

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. These permitted investments 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 (the "MMDT"), a money market account sponsored by the Treasurer of the Commonwealth and managed by Federated Investors, Inc. Additionally, the Authority's Bond Trustee invests some of the Authority's funds in money market accounts that are permitted and collateralized by Treasuries.

NOTE C – CASH DEPOSITS AND INVESTMENTS - Continued

Credit Risk - Continued

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

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, 2013, the Authority had 5.9% of its investments with the Federal Home Loan Bank and 85.1% in MMDT. As of June 30, 2012, the Authority had 10.1% of its investments with the Federal Home Loan Mortgage Corporation and 71.1% in MMDT.

NOTE D – CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance June 30, 2011	Additions/ (Transfers)	Balance June 30, 2012	Additions/ (Transfers)	Balance June 30, 2013
Land	$ 21,785,000	$ -	$ 21,785,000	$ -	$ 21,785,000
Buildings	935,941,952	6,327,847	942,269,799	529,531,800	1,471,801,599
Building improvements	328,101,784	64,705,980	392,807,764	58,656,575	451,464,339
Equipment and furnishings	31,775,736	424,599	32,200,335	998,792	33,199,127
Construction in progress	264,064,795	397,787,715	661,852,510	(33,214,935)	628,637,575
Subtotal	1,581,669,267	469,246,141	2,050,915,408	555,972,232	2,606,887,640
Less: accumulated depreciation					
Buildings	(235,136,935)	(22,359,020)	(257,495,955)	(31,972,696)	(289,468,651)
Building improvements	(79,502,824)	(18,248,865)	(97,751,689)	(19,628,601)	(117,380,290)
Equipment and furnishings	(24,627,755)	(3,684,056)	(28,311,811)	(2,254,319)	(30,566,130)
Subtotal	(339,267,514)	(44,291,941)	(383,559,455)	(53,855,616)	(437,415,071)
Total capital assets, net	$ 1,920,936,781	$ 513,538,082	$ 1,667,355,953	$ 609,827,848	$ 2,169,472,569

There were no retirements or disposals of fixed assets in fiscal year 2013 or fiscal year 2012.

The Authority has outstanding purchase commitments with contractors for the construction of certain facilities as of June 30, 2013 and 2012 of approximately $171,138,200 and $306,800,700, respectively.

NOTE E – BONDS PAYABLE

The following is a summary of bond transactions for the years ended June 30, 2013 and 2012:

	Bonds payable	Unamortized original issue premiums	Unamortized deferred loss on refundings	Total
Beginning balance - July 1, 2011	$ 1,976,045,000	$ 44,031,377	$ (72,377,067)	$ 1,947,699,310
Issuances	-	-	-	-
Payments/amortization	(58,190,000)	(8,085,358)	2,656,716	(63,618,642)
Ending balance - June 30, 2012	$ 1,917,855,000	$ 35,946,019	$ (69,720,351)	1,884,080,668
Less: Due within one year				(385,244,999)
Non-current balance				$ 1,498,835,669
Beginning balance - July 1, 2012	$ 1,917,855,000	$ 35,946,019	$ (69,720,351)	$ 1,884,080,668
Issuances	284,375,000	19,376,741	-	303,751,741
Payments/amortization	(60,775,000)	(1,289,937)	775,231	(61,289,706)
Ending balance - June 30, 2013	$ 2,141,455,000	$ 54,032,823	$ (68,945,120)	2,126,542,703
Less: Due within one year				(297,599,998)
Non-current balance				$ 1,828,942,705

NOTE E – BONDS PAYABLE - Continued

Aggregate annual maturities of principal and interest on long-term debt as of June 30, 2013 are as follows:

Year ending June 30,	Principal	Interest	Total
2014	$ 67,375,000	$ 88,332,403	$ 155,707,403
2015	73,605,000	83,930,393	157,535,393
2016	75,215,000	80,673,256	155,888,256
2017	77,775,000	77,295,976	155,070,976
2018	78,835,000	73,800,393	152,635,393
2019-2023	425,385,000	313,397,916	738,782,916
2024-2028	395,200,000	233,038,304	628,238,304
2029-2033	346,710,000	162,743,502	509,453,502
2034-2038	355,155,000	93,215,326	448,370,326
2039-2043	221,550,000	22,611,132	244,161,132
2044-2048	24,650,000	500,598	25,150,598
Total	$ 2,141,455,000	$ 1,229,539,199	$ 3,370,994,199

The 2011-1 variable rate bond with a principal outstanding balance of $132,450,000, is classified as a current debt obligation as a result of the liquidity facility expiring on June 9, 2014. The Authority expects to redeem the variable rate bond on its original principal amortization schedule. In addition, the 2011-2 window bonds have no supporting liquidity facility and are also classified as a current debt obligation. Consistent with prior years, the Authority expects to redeem this bond based on its original amortization schedule.

NOTE E – BONDS PAYABLE - Continued

The following is a summary of bonds outstanding for the years ended June 30, 2013 and 2012 (bond amounts in thousands):

Bond Description	Outstanding June 30, 2013	Outstanding June 30, 2012	Interest Rate	Maturity Year	Amount Issued	Insured	Commonwealth Guaranteed (Note H)	Callable	Call Date Beginning
Project Revenue Bonds, Senior Series 2003-1	$ 12,035	$ 17,665	3.875% to 5.25%	2014	$ 137,970	AMBAC	No	At Par	Nov-13
Project Refunding Bonds, Senior Series 2004-1	24,500	32,195	5.250%	2016	183,965	AMBAC	No	At Par	Nov-14
Project Revenue Bonds, Senior Series 2004-A	6,715	8,765	4.20% to 4.50%	2015	96,025	MBIA	Yes	At Par	Nov-14
Refunding Revenue Bonds, Senior Series 2005-1	8,020	10,440	5.00%	2016	25,595	AMBAC	No	At Par	May-15
Refunding Revenue Bonds, Senior Series 2005-2	180,195	189,645	5.000%	2025	212,550	AMBAC	No	At Par	Nov-15
Taxable Refunding Revenue Bonds, Senior Series 2006-2	2,760	5,375	5.47% to 5.49%	2014	21,240	AMBAC	No	No	-
Project Revenue Bonds, Senior Series 2008-1	201,655	208,515	Variable	2038	232,545	No	No	At Par	Anytime
Project Revenue Bonds, Senior Series 2008-2	108,300	110,750	4.00% to 5.00%	2038	120,560	FSA (Partial)	No	At Par	May-18

NOTE E – BONDS PAYABLE – Continued

Bond Description	Outstanding June 30, 2013	Outstanding June 30, 2012	Interest Rate	Maturity Year	Amount Issued	Insured	Commonwealth Guaranteed (Note H)	Callable	Call Date Beginning
Project Revenue Bonds, Senior Series 2008-A	$ 22,795	$ 23,630	Variable	2038	$ 26,580	No	Yes	At Par	Anytime
Project Revenue Bonds, Senior Series 2009-1	216,870	228,665	3.00% to 5.00%	2039	247,810	No	No	At Par	May-19
Project Revenue Bonds, Senior Series 2009-2 (Federally Taxable - Build America Bonds - Direct Pay to Issuer)	271,855	271,855	6.423% to 6.573%	2039	271,855	No	No	At Par	May-18
Project Revenue Bonds, Senior Series 2009-3 (Federally Taxable)	27,715	28,155	5.823% to 6.173%	2039	28,570	No	No	*	Anytime
Project Revenue Bonds, Senior Series 2010-1	107,950	114,275	5.000%	2020	118,985	No	No	No	-
Project Revenue Bonds, Senior Series 2010-2 (Federally Taxable - Build America Bonds - Direct Pay to Issuer)	430,320	430,320	3.80% to 5.45%	2040	430,320	No	No	*	Anytime

* = These series of bonds are callable 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 (2009 Series Bonds) or 30 basis points (2010 Series Bonds).

NOTE E – BONDS PAYABLE - Continued

Bond Description	Outstanding June 30, 2013	Outstanding June 30, 2012	Interest Rate	Maturity Year	Amount Issued	Insured	Commonwealth Guaranteed (Note H)	Callable	Call Date Beginning
Project Revenue Bonds, Senior Series 2010-3 (Federally Taxable)	$ 2,925	$ 2,965	5.75%	2040	$ 3,005	No	No	*	Anytime
Refunding Revenue Bonds, Senior Series 2011-1	132,450	133,765	Variable	2034	135,040	No	No	At Par	Anytime
Refunding Revenue Bonds, Senior Series 2011-2	100,020	100,875	Variable	2034	101,700	No	Yes	At Par	Anytime
Project Revenue Bonds, Senior Series 2013-1	212,585	-	2.00% to 5.00%	2043	212,585	No	No	At Par	Nov-22
Project Revenue bonds, Senior Series 2013-2 (Federally Taxable)	71,790	-	0.43% to 2.686%	2043	71,790	No	No	At Par	Nov-23
Total	$ 2,141,455	$ 1,917,855							

* = These series of bonds are callable 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 (2009 Series Bonds) or 30 basis points (2010 Series Bonds).

NOTE E – BONDS PAYABLE - Continued

Variable Rate Bonds

The 2008-1 bonds were supported with an irrevocable direct pay letter of credit (the "Lloyds LOC") issued by Lloyds TSB Bank PLC ("Lloyds"). Upon presentation of required documentation, the Lloyds LOC would be required to pay the Bond Trustee the amount necessary to pay the principal and accrued interest on the bonds. The Lloyds LOC expired in April 2013. Under the terms of the Lloyds LOC, the Authority was 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 $492,500 and $570,000 for the years ended June 30, 2013 and 2012, respectively. On April 23, 2013, the Authority entered into a standby bond purchase agreement with J.P. Morgan Chase Bank, N.A. ("J.P. Morgan") which requires J.P. Morgan to purchase bonds that are tendered and not remarketed. Under the terms of the J.P. Morgan standby bond purchase agreement, the Authority is required to pay J.P. Morgan in quarterly installments a facility fee in the amount of 25 basis points (or higher, under certain circumstances) of the commitment amount. Fees accrued by the Authority in connection with the J.P. Morgan agreement totaled $106,100 for the year ended June 30, 2013. The agreement expires in April 2016 and may be extended if a mutual interest exists between both the Authority and J.P. Morgan.

The 2008-A bonds were supported by a standby bond purchase agreement with Bank of America, N.A. ("BofA") which required 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 was 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 $28,000,000 and is subject to adjustment from time to time in accordance with the provisions of the agreement. The agreement expired in April 2013. Fees accrued by the Authority in connection with the standby bond purchase agreement totaled $24,800 and $43,600 for the years ended June 30, 2013 and 2012, respectively. On April 16, 2013, the Authority entered into a standby bond purchase agreement with Barclays Bank PLC ("Barclays") which requires Barclays to purchase bonds that are tendered and not remarketed. Under the terms of the Barclays standby bond purchase agreement, the Authority is required to pay Barclays in quarterly installments a facility fee in the amount of 32.5 basis points (or higher, under certain circumstances) of the commitment amount. The agreement expires in April 2016 and may be extended if a mutual interest exists between both the Authority and Barclays. Fees accrued by the Authority in connection with the Barclays agreement totaled $132,500 for the year ended June 30, 2013.

NOTE E – BONDS PAYABLE - Continued

The 2011-1 bonds are supported by a standby bond purchase agreement with Wells Fargo Bank, N.A. ("Wells") which requires Wells to purchase bonds tendered and not remarketed in an amount not to exceed the principal on the bonds plus accrued interest up to 185 days at an annual interest rate not to exceed 12 percent. Under this agreement, the Authority is required to pay Wells in quarterly installments a facility fee in the amount of 40 basis points (or higher, under certain circumstances) of the initial commitment. The initial commitment under the agreement was set at $135,040,000 and is subject to adjustment from time to time in accordance with the provisions of the agreement. The agreement expires on June 9, 2014 and may be extended at the option of Wells. Fees accrued by the Authority in connection with Wells totaled $665,500 and $674,600 for the years ended June 30, 2013 and 2012, respectively.

Window Bonds

In fiscal year 2011, the Authority issued its 2011-2 bonds in a variable rate Window Bond mode. As with the Authority's other variable rate bonds, the Window Bondholders can tender the bonds at any time. But unlike the Authority's other variable rate bonds, where the bondholders will receive payment on any tendered bonds 7 days from the tender, Window Bondholders are not required to receive funds for the tender until after a 30 day remarketing period and an additional 180 day funding window period. Due to this 210 day funding period, the Authority is not required to obtain any type of liquidity support for the 2011-2 bonds and the bonds are considered supported with self-liquidity. Window Bondholders receive an interest rate on the Window Bonds at a fixed spread over the Securities Industry and Financial Markets Association Municipal Swap Index™ ("SIFMA"). The initial spread to the SIFMA index is 9 basis points (.09%).

Bond Refundings

There were no advanced refundings in fiscal year 2013. In previous fiscal years, the Authority has advanced refunded various bonds by depositing into various trust accounts funds sufficient to provide for all future debt service payments on the refunded bonds until the bonds could be called. Assets held in the trust accounts for this purpose had aggregate market values of approximately of $298,031,100 and $311,733,800 as of June 30, 2013 and 2012, respectively. The unpaid principal amount of the refunded bonds totaled $289,585,000 and $292,010,000 as of June 30, 2013 and 2012, respectively.

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

In connection with the Authority's prior advanced refundings, the Authority recorded a difference between the reacquisition price and the net carrying amount of the refunded debt of approximately $45,462,000. This difference is being reported as a reduction of bonds payable and will be amortized as an increase in interest expense over remaining term of the original life of the refunded bonds. The refundings reduced the Authority's debt service payments in future years by approximately $26,206,000 and resulted in an economic gain (the present value of the savings) of approximately $16,021,100.

NOTE E – BONDS PAYABLE - Continued

Bond Premium and Issuance Expenses

In connection with the Authority's bond issues, the Authority received premiums at issuance totaling approximately $86,705,141. The Authority will amortize the premiums received as a reduction in interest expense over the life of the respective bond issue.

In connection with the Authority's bonds issues, the Authority incurred certain issuance costs associated with the bond offerings. As of June 30, 2013 and June 30, 2012, bond issuance costs were $18,968,909 and $19,762,206, net of accumulated amortization of $2,527,288 and $1,681,744, respectively. These issuance costs have been capitalized by the Authority and will be amortized over the life of the respective bond issue.

Interest Rate Swaps

The Authority uses derivative instruments to attempt to manage the impact of interest rate changes on its cash flows and net position. The Authority utilizes these instruments in an attempt to mitigate its exposure to certain market risks associated with operations, and does not use derivative instruments for trading or speculative purposes.

The Authority's contracts are evaluated pursuant to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB No. 53") to determine whether they meet the definition of derivative instruments, and if so, whether they effectively hedge the expected cash flows associated with interest rate risk exposures. The Authority applies hedge accounting for derivative instruments that are deemed effective hedges and under GASB No. 53 are referred to as hedging derivative instruments. Under hedge accounting, changes in the fair value of a hedging derivative instrument are reported as a deferred inflow or deferred outflow in the statement of net position until the contract is settled or terminated.

All settlement payments or receipts for hedging derivative instruments are recorded as interest expense in the period settled.

The Authority's hedging derivative instruments at June 30, 2013 and 2012 were as follows:

	Fair Value June 30, 2012	Net Change in Fair Value	Fair Value June 30, 2013	Type of Hedge	Financial Statement Classification for Changes in Fair Value
Series 2008-1 Swap	$ (44,721,136)	$ 16,596,610	$ (28,124,526)	Cash Flow	Deferred outflow
Series 2008-A Swap	(5,126,392)	1,893,923	(3,232,469)	Cash Flow	Deferred outflow
Series 2006-1 Swap	(56,262,525)	18,293,638	(37,968,887)	Cash Flow	Deferred outflow
Total	$ (106,110,053)	$ 36,784,171	$ (69,325,882)		

NOTE E – BONDS PAYABLE - Continued

The terms of the Authority's financial derivative instruments that were outstanding at June 30, 2013 are summarized in the table below:

	Type	Effective Date	Termination Date	Rate Authority Pays	Authority Receives	Original Notional Value
Series 2008-1 Swap	Synthetic Fixed	May 1, 2008	May 1, 2038	3.388%	70% of 1-Month LIBOR	$ 232,545,000
Series 2008-A Swap	Synthetic Fixed	Nov 13, 2008	May 1, 2038	3.378%	70% of 1-Month LIBOR	$ 26,580,000
Series 2006-1 Swap	Synthetic Fixed	Apr. 20, 2006	Nov. 1, 2034	3.482%	60% of 3-Month LIBOR + .18%	$ 243,830,000

Fair Values. The fair values of the swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the agreements, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rate implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the agreements. As of June 30, 2013 and 2012, the Authority's swaps had a negative fair value of $69,300,000 and $106,100,000, respectively.

Credit risk. As of June 30, 2013, the Authority was not exposed to credit risk on the swaps as the fair value was negative. Since changes in interest rates affect the fair values of swap agreements, it is possible that the swap agreements with negative fair values become positive which would expose the Authority to credit risk. To mitigate the potential for credit risk, when a counterparty has a positive fair value and 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.

The credit ratings for the Authority's counterparties at June 30, 2013 are as follows:

	Credit Ratings		
	Moody's	S & P	Fitch
UBS AG	A2	A	A
Deutsche Bank AG	A2	A+	A+
Citi Bank NA	A3	A	A

Basis risk. The Authority is exposed to basis risk on its pay-fixed interest rate swaps because the variable-rate payment received by the Authority (a percent of LIBOR) on these hedging derivative instruments is based on indexes other than the actual interest rates the Authority pays on its hedged variable rate debt. Should the relationship between LIBOR and the actual variable rate interest payments on the bonds converge, the expected cost savings may not materialize. The terms of the related hedging fixed rate swap transactions are summarized in the chart above.

NOTE E – BONDS PAYABLE - Continued

Termination risk. The Authority's swaps are governed under the International Swap Dealers Association Master Agreement (the "Master Agreement"), which includes standard termination events, such as failure to pay and bankruptcy. Additionally, the Master Agreement was amended so that the swap may be terminated by the Authority if the counterparty's credit quality rating falls below certain levels or the counterparty fails to have a rating. Further, the swap may be terminated by the counterparties if the long-term, unsecured, unenhanced senior debt rating of any bonds issued by the Authority is withdrawn, suspended or falls below certain levels or the Authority fails to have a rating. The Authority or the counterparties may terminate the swaps if the other party fails to perform under the terms of the contract. The Authority may also terminate the swaps at its option. If the swap is terminated, the variable-rate bonds would no longer carry a synthetic fixed interest rate and the Authority's interest payment will be based solely upon the rate required by the related bonds as issued. When a termination event occurs, a mark-to-market (or "fair market value") calculation is performed to determine whether the Authority is owed or must pay cash to close out the swap position. A negative fair value means the Authority would incur a loss and need to make a termination payment to settle the swap position. A positive fair value means the Authority would realize a gain and receive a termination payment in settlement of the swap position.

Contingencies. All of the Authority's swaps include provisions that require the Authority to post collateral in the event its credit rating falls below certain levels. In the event the Authority is rated A2 by Moody's Investors Service or A by Standard & Poor's, the Authority would need to post collateral equal to amounts above the fair value of its swaps in liability positions above $10,000,000. In the event the Authority is not rated or rated below A3 by Moody's Investors Service or below A- by Standard & Poor's, the Authority must post collateral in the amount of the fair value of the swaps in liability positions. The collateral posted is to be in the form of cash obligations guaranteed by the U.S. Treasury, or negotiable debt obligations issued by the Federal Home Loan Mortgage Association or the Federal National Mortgage Association. If the Authority does not post collateral, the derivative instrument may be terminated by the counterparty. The Authority's credit rating is Aa2 from Moody's Investors Service, AA from Fitch Ratings, and AA- from Standard and Poor's at June 30, 2013; therefore, no collateral has been posted.

Termination of Hedge Accounting. In June of 2011, the Authority undertook an advance refunding of the 2008-3 and 2008-4 variable rate bonds hedged by the Series 2006-1 Swap. As part of the refunding, the Series 2006-1 swap was re-assigned to a new underlying notional (the 2011-1 and 2011-2 Bonds) with identical terms. This refunding and reassignment effectively terminated the original hedge. At June 30, 2011, the Series 2006-1 Swap was considered a hedging derivative instrument. In accordance with GASB No. 53, at the time of a termination event related to an advance refunding of the hedged debt, the balance of the amounts in deferred outflows is to be included in the net carrying amount of the refunded debt for the purposes of calculating the deferred loss on refunding. The balance of the deferred outflows that was included in the net carrying amount of the refunded debt at the time of the refunding was $22,200,000. The change in fair value of the Series 2006-1 Swap from the refunding date to June 30, 2013 is reported as a deferred outflow as the swap was determined to be effective at June 30, 2013.

NOTE E – BONDS PAYABLE - Continued

Swap payments and associated debt. Using rates as of June 30, 2013, 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:

Fiscal Year Ending June 30,	Principal	Interest	Interest Rate Swaps, Net	Total
2014	$ 10,050,000	$ 388,284	$ 14,577,503	$ 25,015,787
2015	10,430,000	381,187	14,251,251	25,062,438
2016	10,845,000	374,329	13,931,574	25,150,903
2017	11,625,000	365,448	13,535,733	25,526,181
2018	11,770,000	357,759	13,181,926	25,309,685
2019-2023	116,785,000	1,578,380	57,620,020	175,983,400
2024-2028	155,640,000	904,184	33,964,696	190,508,880
2029-2033	112,390,000	298,029	11,768,484	124,456,513
2034-2038	16,495,000	21,186	787,371	17,303,557
Total	$ 456,030,000	$ 4,668,786	$ 173,618,558	$ 634,317,344

As actual rates vary, variable-rate bond interest payments and net swap payments will vary.

NOTE F – DUE TO BANK OF AMERICA

The Authority maintained a Revolving Line of Credit (the "Line") with Bank of America, N.A (the "BoFA") until January 2012 when the Authority allowed its contract with the Bank to expire. There were no draws or outstanding balances on the line in fiscal year 2012.

NOTE G – GRANTS FROM THE UNIVERSITY OF MASSACHUSETTS

During the year ended June 30, 2013, the Authority received grants from the University in the amount of $4,944,000 to fund projects on the Amherst and Lowell Campuses. In fiscal year 2012, the Authority received $2,700,331, primarily to partially fund projects including the Edward M. Kennedy Institute for the United States Senate at the Boston campus. The Authority expended funds in the respective fiscal years for these purposes.

As per the Authority's policy, these grants are shown in the statements of revenues, expenses and changes in met position as a capital contribution.

NOTE H – 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 would be provided by appropriation.

NOTE I – COMMITMENTS AND CONTINGENCIES

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, 2013, 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.

For the years ended June 30, 2013 and 2012, lease operating costs were approximately $1,757,100 and $1,730,900, respectively, which are included in facility operating costs in the accompanying statements of revenues, expenses and changes in net position.

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

Year Ending June 30,	
2014	$ 1,654,000
2015	1,654,000
2016	758,000
Total	$ 4,066,000

The Authority is a defendant in various lawsuits and is subject to various contractual matters; however, Authority 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 Authority.

NOTE J – 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, 2013 and 2012 the Authority had provided operating support for the Club of approximately $196,200 and $218,000, respectively.

NOTE K – RELATED PARTY TRANSACTIONS

The following table details the amounts due to the various campuses of the University at June 30, which were recorded as part of accounts payable and other liabilities in the statements of net position:

Campus	2013	2012
Amherst Campus	$ 6,152,944	$ 3,487,830
Boston Campus	1,456,045	385
Dartmouth Campus	434,256	1,029,887
Lowell Campus	4,687,945	8,212,695
Worcester Campus	-	1,794,049
Total	$ 12,731,190	$ 14,524,846

NOTE L – WORKING CAPITAL OF THE AUTHORITY

As of June 30, 2013 and 2012, the Authority had a working capital deficiency of $348,446,487 and $447,929,546, 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, 2014 and beyond.

NOTE M – SUBSEQUENT EVENT

On August 8, 2013, the Authority issued its $24,600,000 Project and Refunding Revenue Bonds, Senior Series 2013-3 (the "2013-3 bonds"). The 2013-3 bonds were issued to finance and refinance a project set forth in the University's capital plan, the Edward M. Kennedy Institute for the United States Senate on the Boston campus of the University (the "EMK Project"). The proceeds of the 2013-3 bonds were used to finance the costs of such project, to fund capitalized interest on a portion of the 2013-3 bonds, to refund a portion of the Authority's Project Revenue Bonds, Senior Series 2009-1 allocable to the construction of the EMK Project, and to pay costs of issuing the 2013-3 bonds. The 2013-3 bonds are due (serially) through 2043 with fixed interest rates ranging from 4.0 to 5.0%.

On August 13, 2013, the Authority issued Commercial Paper Notes, Series 2013 A and 2013 B in the amount of $50,000,000. The maximum aggregate principal amount of commercial paper which may be outstanding at one time is $200,000,000. A portion of these notes is secured by an Irrevocable Letter of Credit ("LOC") provided by State Street Bank and Trust Company ("State Street") with respect to the $125,000,000 Commercial Paper Notes, Series 2013 A, which expires in August 2016. The remaining $75,000,000 Commercial Paper Notes, Series 2013 B are secured by a Standby Liquidity Facility Agreement provided by U.S. Bank National Association, which also expires in August 2016.

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2013 and through December 20, 2013, the date on which the financial statements were available to be issued.

APPENDIX C

FINANCIAL STATEMENTS OF THE UNIVERSITY

[Intentionally Left Blank]

2013

Annual Financial Report

UMASS

The University of Massachusetts

Amherst · Boston · Dartmouth · Lowell · Worcester · UMassOnline

University Administration

As of November 7, 2013

Officers of the University:

Robert L. Caret, Ph.D., President
Kumble R. Subbaswamy, Ph.D., Chancellor, UMass Amherst
J. Keith Motley, Ph.D., Chancellor, UMass Boston
Divina Grossman, Ph.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
Christine M. Wilda, Senior Vice President for Administration and Finance & Treasurer
Marcellette G. Williams, Ph.D., Senior Vice President for Academic Affairs and International Relations
Zunilka Barrett, Secretary to the Board of Trustees

University of Massachusetts
AMHERST • BOSTON • DARTMOUTH • LOWELL • WORCESTER • UMASSONLINE

Office of the President

December 18, 2013

To the Board of Trustees
and President Robert L. Caret

We are pleased to submit the annual Financial Report of the University of Massachusetts for the year ended June 30, 2013. 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, 2013 including comparative information as of June 30, 2012.

The University's net assets increased $246.9 million from $2.39 billion in fiscal year 2012 to $2.64 billion in fiscal year 2013. The major components of the increase are due to physical plant improvements and positive operating results due primarily to greater student fee revenues associated with increased enrollment, cost reductions, and strong market performance for the University's investments.

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 2013, the University met or exceeded its targets for all five indicators. Overall, the University made important progress in fiscal 2013 toward the achievement of its long-term financial objectives of growth and stability.

Respectfully submitted,

Christine M. Wilda
Senior Vice President for Administration and
Finance & Treasurer

Sarah B. Mongeau
University Controller

225 Franklin Street | 12th Floor | Boston, MA 02110 | P: (617) 287-7000 | F: (617) 287-7044
www.massachusetts.edu

University of Massachusetts
2013 Annual Financial Report
Table of Contents

Grant Thornton

Grant Thornton LLP
75 State Street, 13th Floor
Boston, MA 02109-1827

T 617.723.7900
F 617.723.3640
GrantThornton.com
linkd.in/GrantThorntonUS
twitter.com/GrantThorntonUS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees of the
University of Massachusetts

Report on the financial statements

We have audited the accompanying consolidated financial statements of the business-type activities and the aggregate discreetly presented component units of the University of Massachusetts (the "University"), an enterprise fund of the Commonwealth of Massachusetts, as of and for the years ended June 30, 2013 and 2012, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University as of June 30, 2013 and 2012, and the respective changes in their net position and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to this required supplementary information in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the MD&A information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Grant Thornton LLP

Boston, Massachusetts
December 20, 2013

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, 2013 with comparative information as of June 30, 2012 and June 30, 2011. 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 2012, the University enrolled approximately 60,337 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.

Financial Highlights

The University's combined net position increased $246.9 million from $2.39 billion in fiscal year 2012 to $2.64 billion in fiscal year 2013. Net Position at June 30, 2011 was $2.14 billion. The major components of the increase in fiscal year 2013 relate to investments in infrastructure and positive operating margins due primarily to greater student fee revenues and cost reductions. From fiscal year 2012 to fiscal year 2013, the University's operating revenue increased by $97.2 million and operating expenditures increased by $74.2 million. The increase in operating revenue is primarily due to the increase in fee revenue associated with the 4.9% fee increase and auxiliary revenue to support related expenditures.

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 lies within the Statement of Net Position, Statement of Revenues, Expenses and Changes in Position 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 position (the difference between assets and liabilities) is one indicator of the University's financial health. Over time, increases or decreases in net position 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 Position 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 Position is further broken down into three categories: invested in capital assets, net of related debt, restricted and unrestricted. Amounts reported in invested in capital assets, net of related debt represent the historical cost of property and equipment, reduced by the balance of related debt outstanding and depreciation expense charged over the years. Net Position is reported as restricted when constraints are imposed by third parties, such as donors or enabling legislation. Restricted net position is 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 Position 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, investment income, and non-operating federal grants (Pell Grants). With a public University's dependency on support from the state, Pell grants, and gifts, it is common for institutions to have operating expenses exceed operating revenues. That is because the prescribed financial reporting model classifies state appropriations, Pell grants, 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 Position
As of June 30, 2013, 2012, and 2011
(in thousands of dollars)

	University June 30, 2013	University June 30, 2012	FY12-13 Change	University June 30, 2011
ASSETS				
Current Assets	$579,894	$617,093	($37,199)	$581,207
Noncurrent Assets				
Investment in Plant Net of Accumulated Depreciation	3,705,516	3,098,186	607,330	2,582,651
All Other Noncurrent Assets	1,425,264	1,518,505	(93,241)	1,842,998
Total Assets	**5,710,674**	**5,233,784**	**476,890**	**5,006,856**
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Change in Fair Value of Interest Rate Swaps	40,207	75,635	(35,428)	19,510
LIABILITIES				
Current Liabilities	772,922	880,104	(107,182)	609,291
Noncurrent Liabilities	2,341,718	2,039,939	301,779	2,275,685
Total Liabilities	**3,114,640**	**2,920,043**	**194,597**	**2,884,976**
NET POSITION				
Invested in Capital Assets Net of Related Debt	1,682,173	1,502,171	180,002	1,283,888
Restricted				
Nonexpendable	18,058	17,773	285	17,112
Expendable	156,469	162,341	(5,872)	184,909
Unrestricted	779,541	707,091	72,450	655,481
Total Net Position	**$2,636,241**	**$2,389,376**	**$246,865**	**$2,141,390**

University of Massachusetts
Condensed Statement of Net Position for Related Organizations
As of June 30, 2013, 2012, and 2011
(in thousands of dollars)

	University Related Organizations June 30, 2013	University Related Organizations June 30, 2012	FY12-13 Change	University Related Organizations June 30, 2011
ASSETS				
Current Assets	$3,830	$2,597	$1,233	$5,222
Noncurrent Assets				
Investment in Plant Net of Accumulated Depreciation	8,619	8,822	(203)	9,019
All Other Noncurrent Assets	391,699	364,516	27,183	355,378
Total Assets	**404,148**	**375,935**	**28,213**	**369,619**
LIABILITIES				
Current Liabilities	14,604	14,612	(8)	15,785
Noncurrent Liabilities	3,332	3,487	(155)	3,413
Total Liabilities	**17,936**	**18,099**	**(163)**	**19,198**
NET POSITION				
Invested in Capital Assets Net of Related Debt	8,619	8,822	(203)	9,020
Restricted				
Nonexpendable	290,858	273,995	16,863	254,625
Expendable	74,706	60,278	14,428	73,995
Unrestricted	12,029	14,740	(2,711)	12,781
Total Net Position	**$386,212**	**$357,835**	**$28,377**	**$350,421**

At June 30, 2013, total University net position was $2.64 billion, an increase of $246.9 million over the $2.39 billion in assets recorded for fiscal year 2012. The University's largest asset continues to be its net investment in its physical plant of $3.71 billion at June 30, 2013 ($3.10 billion in fiscal year 2012 and $2.58 billion in fiscal year 2011).

University liabilities totaled $3.11 billion at June 30, 2013, an increase of $194.6 million over fiscal year 2012. Long-term liabilities represent 75% of the total liabilities which primarily consist of bonds payable amounting to $2.14 billion at June 30, 2013.

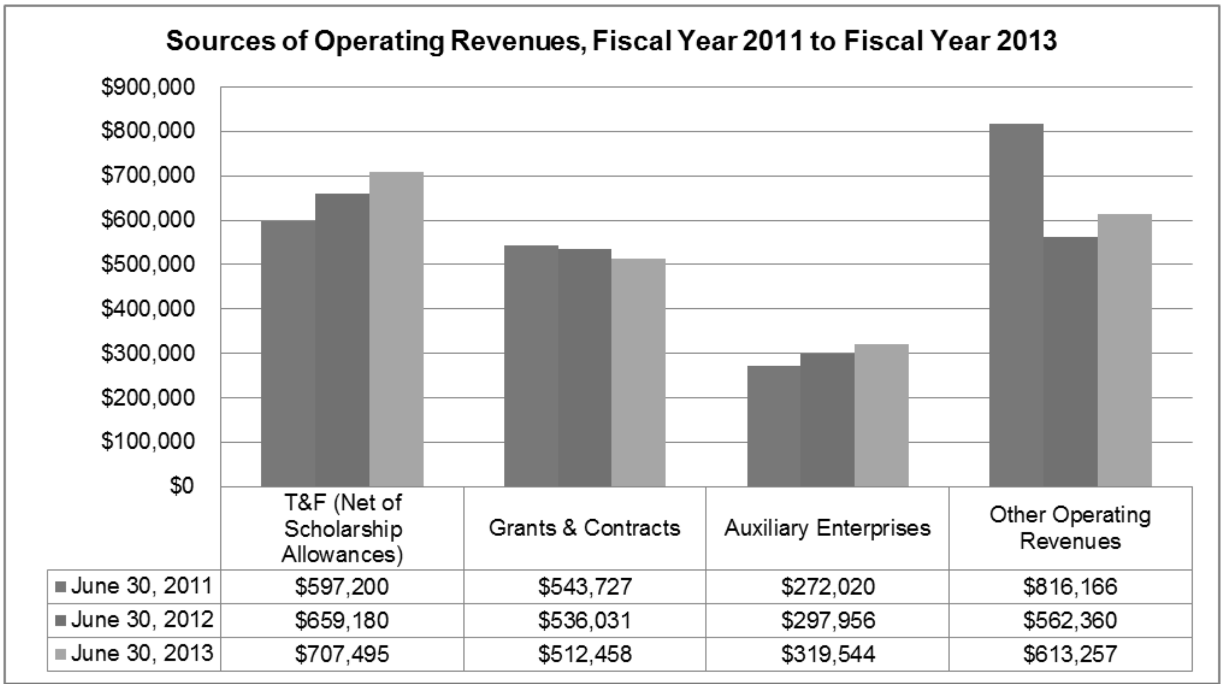
The University's current assets as of June 30, 2013 of $579.9 million were below the current liabilities of $772.9 million, as the current ratio was 0.75 dollars in assets to every one-dollar in liabilities. June 30, 2012 current assets of $617.1 million were below current liabilities of $880.1 million, resulting in a current ratio of 0.70. June 30, 2011 current assets of $581.2 million were below current liabilities of $609.3 million, resulting in a current ratio of 0.95.

The unrestricted and restricted expendable net position totaled $936.0 million in fiscal year 2013, which represents 35% of total operating expenditures of $2.66 billion. The unrestricted and restricted expendable net position totaled $869.4 million in fiscal year 2012, which represents 33.6% of total operating expenditures of $2.59 billion. The unrestricted and restricted expendable net position totaled $840.4 million in fiscal year 2011, which represents 30.1% of total operating expenditures of $2.79 billion for that fiscal year.

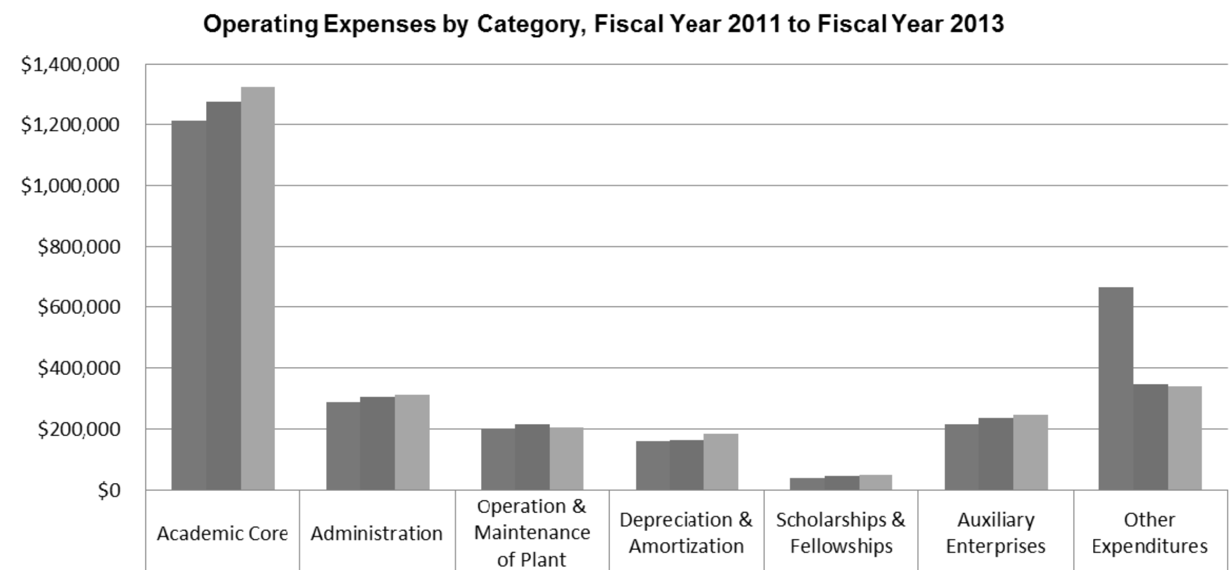
University of Massachusetts
Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2013, 2012, and 2011
(in thousands of dollars)

	University June 30, 2013	University June 30, 2012	FY12-13 Change	University June 30, 2011
Operating Revenues				
Tuition and Fees (net of scholarship allowances)	$707,495	$659,180	$48,315	$597,200
Grants and Contracts	512,458	536,031	(23,573)	543,727
Auxiliary Enterprises	319,544	297,956	21,588	272,020
Other Operating Revenues	613,257	562,360	50,897	816,166
Total Operating Revenues	**2,152,754**	**2,055,527**	**97,227**	**2,229,113**
Operating Expenses	**2,663,837**	**2,589,626**	**74,211**	**2,788,784**
Operating Loss	**(511,083)**	**(534,099)**	**23,016**	**(559,671)**
Nonoperating Revenues / (Expenses)				
Federal Appropriations	6,774	6,845	(71)	5,826
State Appropriations	519,311	517,392	1,919	505,799
State Appropriations - Federal Stimulus Funds		10	(10)	37,897
Interest on Indebtedness	(91,364)	(64,434)	(26,930)	(65,358)
Other Nonoperating Income	102,061	65,738	36,323	119,709
Nonoperating Federal Grants	70,586	73,908	(3,322)	70,643
Net Nonoperating Revenues	**607,368**	**599,459**	**7,909**	**674,516**
Income Before Other Revenues, Expenses, Gaines and Losses	**96,285**	**65,360**	**30,925**	**114,845**
Capital Appropriations, Grants and Other Sources	156,442	193,913	(37,471)	62,824
Disposal of Plant Facilities	(8,802)	(13,606)	4,804	(10,682)
Other Additions / (Deductions)	2,939	2,317	622	5,250
Total Other Revenues, Expenses, Gains, and Losses	**150,579**	**182,624**	**(32,045)**	**57,392**
Total Increase in Net Assets	**246,864**	**247,984**	**(1,120)**	**172,237**
Net Position				
Net Position at the Beginning of the Year	2,389,377	2,141,392	247,985	1,969,153
Net Position at the End of the Year	**$2,636,241**	**$2,389,376**	**$246,865**	**$2,141,390**

University of Massachusetts Condensed Statement of Revenues, Expenses, and Changes in Net Position for University Related Organizations For the Year Ended June 30, 2013, 2012, and 2011 (in thousands of dollars)	University Related Organizations June 30, 2013	University Related Organizations June 30, 2012	FY12-13 Change	University Related Organizations June 30, 2011
Operating Expenses	**$12,852**	**$15,905**	**($3,053)**	**$12,107**
Operating Loss	**(12,852)**	**(15,905)**	**(3,053)**	**(12,107)**
Nonoperating Revenues / (Expenses)				
Other Nonoperating Income	35,152	3,731	31,421	52,571
Net Nonoperating Revenues	**35,152**	**3,731**	**31,421**	**52,571**
Income Before Other Revenues, Expenses, Gaines and Losses	**22,300**	**(12,174)**	**34,474**	**40,464**
Additions to Permanent Endowments	16,056	19,604	(3,548)	15,195
Other Additions / (Deductions)	(9,979)	(16)	(9,963)	171
Total Other Revenues, Expenses, Gains, and Losses	**6,077**	**19,588**	**(13,511)**	**15,366**
Total Increase / (Decrease) in Net Assets	**28,377**	**7,414**	**20,963**	**55,830**
Net Position				
Net Position at the Beginning of the Year	357,835	350,421	7,414	294,591
Net Position at the End of the Year	**$386,212**	**$357,835**	**$28,377**	**$350,421**



Total operating revenues for fiscal year 2013 were $2.15 billion. This represents a $97.2 million increase from the $2.06 billion in operating revenues in fiscal year 2012. Total operating revenues for fiscal year 2011 were $2.23 billion. The most significant sources of operating 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 chart above as “Other Operating Revenues”. While not classified in the financial statements as operating revenue, state appropriations serve as a primary source for funding the core mission of the University. State appropriation revenue, described in detail in a section below, is used almost exclusively to fund payroll for University employees. The chart above displays operating revenues by source for the University in fiscal years 2013, 2012, and 2011.



	Academic Core	Administration	Operation & Maintenance of Plant	Depreciation & Amortization	Scholarships & Fellowships	Auxiliary Enterprises	Other Expenditures
June 30, 2011	$1,210,410	$288,588	$202,950	$159,854	$41,238	$216,852	$668,892
June 30, 2012	$1,274,037	$306,187	$215,292	$163,166	$47,626	$235,633	$347,685
June 30, 2013	$1,324,805	$312,068	$204,449	$185,261	$49,731	$248,765	$338,758

In fiscal year 2013, operating expenditures, including depreciation and amortization of $185.3 million, totaled $2.66 billion. Of this total, $1.32 billion or 50% was used to support the academic core activities of the University, including $405.3 million in research. In fiscal year 2012, operating expenditures totaled $2.59 billion. The chart above displays fiscal year 2013, 2012, and 2011 operating spending.

Public Service Activities

Other operating revenues includes Public Service Activities and consists largely of sales and services provided to third parties by the UMass Medical School campus through its Commonwealth Medicine ("CWM") programs, which provide public consulting and services in health care 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 CWM revenues of $358.7 million and $346.7 million for the years ended June 30, 2013 and 2012, respectively. Included in expenditures are CWM expenditures of $347.4 million and $311.6 million for the years ended June 30, 2013 and 2012, 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 Health Care, Inc. ("UMass Memorial") as required by the enabling legislation enacted by the Commonwealth in 1997. Educational services revenues included in public service revenues were $153.0 million and $112.3 million for the years ended June 30, 2013 and 2012, respectively. Finally, Public Service Activity expenditures also include payments made to the Commonwealth of Massachusetts of $65.0 million and $60.0 million for the years ended June 30, 2013 and 2012, respectively, pursuant to requirements of legislation enacted by the State Legislature of Massachusetts.

State Appropriations

In fiscal year 2013, state appropriations represent approximately 19% 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 increased by $1.92 million from fiscal year 2012, with the increase attributable to a higher level of fringe benefit support allocated to University employees paid through the state appropriation.

The financial statements for the years ended June 30, 2013 record as tuition revenue approximately $35.1 million of tuition the University remits to the State Treasurer's Office for the general fund of the Commonwealth of Massachusetts. 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. The amount of tuition remitted to the Commonwealth was $37.0 million in fiscal year 2012 and $49.7 million in fiscal year 2011. 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 for the Amherst Campus in fiscal year 2005 and starting in fiscal year 2012 all of the University's campuses were authorized to retain tuition from non-resident students. The amount of tuition retained by the University during 2013, 2012, and 2011 was $74.5 million, $50.8 million, and $34.6 million, respectively.

The following table details the Commonwealth operating appropriations received by the University for fiscal years ended June 30, 2013, 2012, and 2011:

	FY2013	FY2012	FY2011**
Gross Commonwealth Appropriations	$447,837	$425,656	$434,963
Plus: Fringe Benefits*	130,005	154,953	147,511
	577,842	**580,609**	**582,474**
Less: Tuition Remitted	(35,103)	(37,029)	(49,731)
Less: Mandatory Waivers	(23,428)	(26,188)	(26,944)
Net Commonwealth Support	**$519,311**	**$517,392**	**$505,799**

**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.*

***It should be highlighted that in fiscal year 2011 the Commonwealth distributed federal stimulus funding to the University in addition to the state appropriations. The $37.9 million provided in FY2011 is not included in the table.*

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 with $112.6 million of capital support provided to the University through appropriations and grants from the Commonwealth which was $37.8 million less than the capital appropriations provided in fiscal year 2012. This decrease is attributed to the Commonwealth's Division of Capital Asset Management ("DCAM") funding of several large capital projects in fiscal year 2012 which include: the Lab Science Building on the Amherst campus, the Science Complex on the Boston campus, Carney Library improvements on the Dartmouth campus, the Health Social Sciences Building on the Lowell campus and the Albert Sherman Center on the Worcester campus. The University projects that although capital support will fluctuate year to year, the level of capital appropriations from the Commonwealth will continue to be significant through the completion of major construction projects managed by the Commonwealth's construction agency that are underway at all five of the University's campuses.

Grant and Contract Revenue

Collectively, the University's Amherst Campus and Medical School in Worcester account for approximately 78% 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 have significant sponsored research activity.

The following table details the University's grant and contract revenues (in thousands) for the fiscal years ended June 30, 2013, 2012, and 2011:

	FY2013	FY2012	FY2011
Federal Grants and Contracts	$334,697	$355,792	$371,426
State Grants and Contracts	68,794	67,927	62,597
Local Grants and Contracts	2,253	3,077	1,937
Private Grants and Contracts	106,714	109,235	107,767
Total Grants and Contracts	**$512,458**	**$536,031**	**$543,727**

Discretely Presented Component Units

University of Massachusetts Foundation, Inc.
The combined University and Foundation endowment has increased to approximately $664.7 million at June 30, 2013 from $564.0 million at June 30, 2012 and from $527.7 million at June 30, 2011.

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 Foundation revised its policy during fiscal year 2011 and it went into effect for the fiscal year 2012 distribution. The new policy is to have an annual distribution of 4% of the endowment fund's average market value for the preceding twelve quarters on a one year lag. Only quarters with funds on deposit shall be included in the average. In addition, a prudence rule will be utilized to limit spending from a particular endowment fund to no lower than 93% of its book value. The Foundation distributed $15.1 million (4%) and $13.6 million (4%) in fiscal years 2013 and 2012, respectively.

The total investment returns of the Foundation for fiscal year 2013, including realized and unrealized investment activity, was a net gain of approximately $64.0 million as compared to a net loss of $0.2 million in fiscal year 2012 and a net gain of $93.3 million in fiscal year 2011. This is consistent with investment return performance at other institutions.

University of Massachusetts Dartmouth Foundation, Inc.
Total marketable securities for the Dartmouth Foundation were $47.9 million at June 30, 2013 up from $43.2 million at June 30, 2012, and up from $40.4 million at June 30, 2011, and are held by the University of Massachusetts Foundation, Inc. The increase was primarily due to favorable market conditions and new gifts. The Dartmouth Foundation total investment return for fiscal year 2013, including realized and unrealized investment activity, was a net gain of approximately $2.9 million as compared to a net loss of $0.2 million in 2012 and a net gain of $4.2 million in 2011.

Tuition and Fees
The University strives to provide students with the opportunity to obtain a quality education. 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 who had initially paid the $1,500 increase for academic year 2009-2010. Due to the fact that the full $1,500 increase approved for the 2009-2010 academic year stayed in effect for the 2010-2011 academic year, the University's Board decided that this in effect served as a significant increase over the prior year student charge level and voted in June 2010 to keep mandatory student charges at the currently approved level. The University's Board of Trustees voted to increase mandatory student charges by 7.5% for resident undergraduate students for the 2011-2012 academic year and an additional 4.9% for the 2012-2013 academic year.

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 of the Commonwealth and non-residents on a competitive basis. In the fall 2011 semester, Massachusetts residents accounted for approximately 83% and 56% of the University's total undergraduate and graduate enrollment, respectively. Total enrollment in the fall of 2012 was 60,337 FTE (70,774 headcount students). Enrollments at the University have shown significant increases over the last five years (53,140 FTE in fall 2008). The 14% enrollment growth is consistent with the University's efforts to increase its reach across the Commonwealth and to recruit non-resident students and is reflective of the quality education provided by the University of Massachusetts.

Degrees Awarded
The University awards four levels of degrees, including associate, bachelors, masters and doctoral/professional degrees. A total of 15,688 degrees were awarded in the 2011-2012 academic year, reflecting a 6% increase from the previous year. Of these awards, 66.3% were at the undergraduate level and 26.3% were at the graduate level. The remaining 7.4% were associates degrees and undergraduate certificates.

Bonds Payable
As of June 30, 2013, the University had outstanding bonds of approximately $2.14 billion representing $2.13 billion of University of Massachusetts Building Authority bonds (the "Building Authority Bonds"), $40.7 million of University of Massachusetts bonds financed through the Massachusetts Health and Educational Facilities Authority which has been merged into MassDevelopment (the "UMass HEFA Bonds"), and $284.4 million of bonds financed through the Worcester City Campus Corporation (the "WCCC Bonds"). Bonds payable is the University's largest liability at June 30, 2013. The Building Authority's active projects include residence hall construction and renovation, renovation of general education buildings, replacement of core infrastructure, and construction of academic, laboratory, and research 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).

On March 8, 2013, the Building Authority issued $212,585,000 of Senior Series 2013-1 Project Revenue Bonds (the "2013-1 Bonds") and $71,790,000 of Senior Series 2013-2 Project Revenue Bonds (the "2013-2 Bonds"). The 2013-1 Bonds are tax-exempt and mature at various dates through 2043. The interest on the bonds is payable semi-annually each November 1st and May

1st and the interest rates on the bonds range from 2% to 5%. The 2013-2 bonds are taxable, mature at various dates through 2043 and the interest on the bonds is payable semi-annually each November 1st and May 1st. The interest rates on the bonds range from .43 to 2.686%. The 2013-1 Bonds and 2013-2 Bonds will be used to finance capital projects in the University's capital plan.

On August 8, 2013, the Authority issued its $24,640,000 Project and Refunding Revenue Bonds, Senior Series 2013-3 (the "2013-3 bonds"). The 2013-3 bonds were issued to finance and refinance a project set forth in the University's capital plan, the Edward M. Kennedy Institute for the United States Senate on the Boston campus of the University (the "EMK Project"). The proceeds of the 2013-3 bonds were used to finance the costs of such project, to fund capitalized interest on a portion of the 2013-3 Bonds, to refund a portion of the Authority's Project Revenue Bonds, Senior Series 2009-1 allocable to the construction of the EMK Project, and to pay costs of issuing the 2013-3 Bonds.

The 2013-3 Bonds are due (serially) through 2043 with fixed interest rates ranging from 4.0% – 5.0%.

On August 13, 2013, the Authority issued Commercial Paper Notes, Series 2013 A and 2013 B in the amount of $25.0 million for each respective series, with a total amount outstanding of $50.0 million. The maximum aggregate principal amount of commercial paper which may be outstanding at one time is $200.0 million. A portion of these notes is secured by an Irrevocable Letter of Credit ("LOC") provided by State Street Bank and Trust Company ("State Street") with respect to the $125 million Commercial Paper Notes, Series 2013 A, which expires in August of 2016. The remaining $75 million Commercial Paper Notes, Series 2013 B are secured by a Standby Liquidity Facility Agreement provided by U.S. Bank National Association, which expires in August 2016.

In fiscal year 2011, the Building Authority issued bonds in the amount of $552.3 million through three Series and refunded two series as follows:

- The Building Authority issued Series 2010-1 bonds in the amount of $119.0 million, Series 2010-2 Build America bonds in the amount of $430.3 million, and Series 2010-3 bonds in the amount of $3.0 million for various construction and renovation projects at the Amherst, Boston, Dartmouth, and Lowell campuses.
- The Building Authority refunded two outstanding variable-rate demand bond series that had been issued in 2008. These bonds were being supported by two liquidity agreements with Bank of America that were set to expire on June 10, 2011. The refunding was completed in order to replace the expiring agreements. The Bank of America liquidity support was replaced with a Wells Fargo liquidity facility, Series 2011-1 for $135.0 million and Citibank Window Bonds, Series 2011-2 for $101.7 million. The 2011-1 Bonds were used to redeem the 2008-3 Bonds, and the 2011-2 bonds were used to redeem the 2008-4 Bonds.

Capitalized Lease Obligations

At June 30, 2013, the University had capital lease obligations with remaining principal payments of approximately $6.5 million which is a $5.5 million decrease from the remaining principal payments of $12.0 million at June 30, 2012. At June 30, 2011, the remaining principal payments were $17.6 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 lease payments.

University Rating

The University is relying on a carefully planned and executed debt strategy to support master and strategic planning at the campuses and for the University as a whole. The University has been rewarded for its strategic planning by recent ratings upgrades. Bonds issued by the University of Massachusetts and the University of Massachusetts Building Authority are now AA, Aa2 and AA- as rated by Fitch, Moody's and Standard & Poor's rating agencies, respectively.

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 8% 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. The amount of bond obligation guaranteed by the Commonwealth at June 30, 2013 was $129.5 million, at June 30, 2012 was $136.9 million and at June 30, 2011 was $138.5 million.

Capital Plan

In September 2013, the University's Trustees approved a $5.5 billion five-year (fiscal years 2014-2018) update to its capital plan with $3.8 billion of projects approved to continue or commence over the next 24 months. The University generally has funded its capital plans through a combination of funding received from University operations, bonds issued by the University of Massachusetts Building Authority, MassDevelopment (formerly Massachusetts Health and Educational Facilities Authority) financing, Commonwealth appropriations, and private fund raising. The execution of many projects from the University's capital plan is from funding from the Commonwealth through the Higher Education and Life Sciences Bond Bills.

Campus	Total 5-Year Plan	Total Sept Approved Projects
Amherst	$ 1,417,236,000	$ 1,414,736,000
Boston	1,291,935,410	943,785,410
Dartmouth	721,328,374	438,510,374
Lowell	1,516,400,000	828,400,000
Worcester	523,597,500	151,840,000
TOTAL	**$ 5,470,497,284**	**$ 3,777,271,784**
Projects	**255**	**183**

The University's five-year capital plan for fiscal years 2014-2018 includes both new projects and major projects that were previously approved by the University Trustees in prior-year capital plans. New projects added to each campus as "approved" by the Board of Trustees are as follows and are included in the $3.8 billion in approved projects summarized above:

Campus	Campus Project Names	Est. September 2013
Amherst	Campus Core Accessibility, Waterproofing and Landscape Improvements study	$1,000,000
Amherst	Machmer Repairs	12,600,000
Amherst	University Health Services design	4,000,000
Amherst	Liquified Natural Gas infrastructure	1,200,000
Boston	McCormack Hall: Roof Replacement and Building Envelope Repairs	3,500,000
Boston	Calf Pasture Pumping Station: Secure and Button Up Envelope and Improve Exterior Appearance	1,000,000
Boston	Study Bayside Parcel for Future Permanent Use, Including Sea Level Rise Requirements	1,000,000
Boston	Master Plan Phase I: New Baseball Facility To Be Constructed at Boston College High School	1,000,000
Boston	Healey Building: Renovations to Improve and Increase Student Learning Space, Including Necessary Fire Protection Improvements	12,500,000
Boston	Instructional Equipment Upgrades and Replacements	5,000,000
Boston	WUMB: Relocation WUMB Radio to New Facility	4,000,000
Dartmouth	Update Campus Master Plan	1,500,000
Dartmouth	ATMC Acquisition	11,400,000
Dartmouth	Wind Turbine Project	1,317,457
Dartmouth	Residence Halls - Wireless Network Installation	1,200,000
Dartmouth	Centennial Way Retail Corridor	10,000,000
Lowell	McGauvran Dining Conversion	30,000,000
Lowell	Residence Hall Acquisition & Construction	100,000,000
Lowell	Athletic & Recreational Facility Improvements - incl. Division 1	10,000,000
Worcester	Basic Research and Student Lab Wing Improvements (Floors 5&6)	15,500,000
Worcester	LRB Teaching and Learning Space - Backfill Project (Floor 1)	2,000,000
Worcester	Campus Electrical Distribution Efficiency Improvements	2,500,000
Worcester	Library repurposing and renovations	5,500,000
Worcester	Student Services and Delivery Services Improvements	3,600,000
Worcester	A Level Animal Quarters Improvements (cage wash, mechanical, finishes)	14,500,000
Worcester	Steam Chiller 2 & 3 Retrofits	1,000,000
Worcester - WCCC	MBL - AAV Production Facility (not including filling suite)	5,000,000
SUBTOTAL - NEW PROJECTS		**$261,817,457**

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.

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, realizing strong financial results, investing in capital assets, expanding fundraising capacity, operating more efficiently, being the most effective University for students and the Commonwealth given the available resources, 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.

Despite challenging economic times in the Commonwealth since fiscal year 2009, the University of Massachusetts continues to focus on improving its competitive position. To meet increased student demand, boost academic credentials, and improve campus infrastructure, the University has expanded and acquired several strategic properties in the past few fiscal years:

- 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. 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. On July 1, 2010, the University of Massachusetts Dartmouth began operation of the law school, now known as UMass Law School at Dartmouth. The focus of the law school is on public service, with a curriculum concentrating on civil and human rights, legal support for businesses, economic justice, and community law. Implementing its strategic plan to receive full accreditation from the American Bar Association, the School of Law has been provisionally approved by the accrediting Council of the Bar Association. If the Law School continues to meet Bar Association standards over the next three years, it will receive full accreditation.

- Also 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 has been remodeled and is a vibrant addition to the University and the surrounding communities. The Tsongas Center is host to hockey games, concerts, functions, school events and other community activities.

- In May 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. The Boston Campus will be using the property temporarily for parking and storage space as it completes major capital projects over the next few years but it continues to collaborate with the City of Boston on the master planning around the ideal development of the property in the future.

- In January 2011, the University's Lowell Campus purchased the former Saint Joseph's Hospital in Lowell. When acquired, the property consisted of six buildings totaling 300,000 square feet located within walking distance of the University's North, South, and East campuses in Lowell. The Lowell Campus is in the process of converting the property through a combination of new construction and renovation into an important campus connection point focused on student and administrative services to be known as University Crossing.

- In late 2012, the Albert Sherman Center opened at the Medical School to unify the UMass Medical School's Worcester campus, double its research capacity and support the school's new learner-centered curriculum. This interdisciplinary, state-of-the-art research and education facility will foster interaction and collaboration among scientists and promote innovation and synergies across disciplines. It attracts researchers, physicians, faculty, students and industry partners, enhancing the Medical School's position as a leader in medical research and education.

- Included in the fiscal year 2013 budget was funding to alleviate student overcrowding. On the Lowell campus, a satellite campus in Haverhill is currently being explored to better serve its student population. Additionally, the Amherst campus is developing a presence in downtown Springfield and is currently reviewing proposals for available space to serve its students in that City.

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 greatest challenges facing the University. Despite investing more than $2.5 billion in capital improvements over the last decade, the University's FY14-18 Capital Plan projects spending another $5.5 billion over the next five years. The commitment of operating funds for servicing debt and/or funding capital expenditures has an ongoing impact on the overall financial position of the University. In order to support the University's capital plan, the University of Massachusetts Building Authority will be issuing new bonds for renovations, new construction, and deferred maintenance projects at the Amherst, Boston, Dartmouth, Lowell, and Worcester campuses in support of the capital plan. The University is currently working with the Building Authority to determine the timing of the next bond issuance in support of the FY14 – FY18 Capital Plan.

The University, as well as Legislative and Executive Leadership in the Commonwealth, understand that despite the significant level of capital activity being financed through University debt, a much higher level of state support needs to be dedicated to higher education facilities. As such, the Massachusetts Legislature passed a higher education bond bill in August 2008 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 plans prepared by the Commonwealth's Executive Office for Administration and Finance maintain the commitment to fund $1 billion of capital activity at the University over the ten-year period from FY09-FY18. To date the $1 billion dedicated by the State to the University has been programmed toward funding critical capital projects at all of the campuses and the University is currently working with the Commonwealth to secure additional authorizations for the future.

In addition, a major state effort to assist the Commonwealth in increasing its competitive position in the Life Sciences Industry 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. $90 million has already been dedicated to partially fund the Sherman Center at the University's Medical School in Worcester. Additionally $95 million has been provided for a research facility at the Amherst Campus and significant capital investments in collaborative facilities and programs involving the Boston, Dartmouth, and Lowell campuses.

The impact of this increased level of state capital support from both the Higher Education Bond Bill and the Life Sciences Bond Bill is illustrated in the financial statements where capital appropriations and grants exceeded $112 million in fiscal year 2013.

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 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. Construction is now underway to develop, adjacent to the campus, the Edward M. Kennedy Institute for the United States Senate. The Kennedy Institute will focus 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.

Research funding for the University of Massachusetts was strong despite Federal sequestration of funds, approaching the $600 million mark for fiscal year 2012. Research expenditures were $597.5 million in Fiscal Year 2012, up from $586.7 million in Fiscal Year 2011. Most research at the University is externally funded, with the federal government providing a majority of the funding through the National Institutes of Health, the National Science Foundation, and other sources. Among Massachusetts colleges and universities, UMass ranks third in research and development expenditures, behind only MIT and Harvard. The University, as well as most major public research universities across the United States, is closely monitoring the potential reduction in federal funding for research and development programs.

In recent years the online learning consortium of the University, UMassOnline, 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. UMassOnline provides marketing and technology support for UMass' online offerings that enable students, professionals, and lifelong learners to take courses anywhere, anytime. With over 100 undergraduate and graduate degree, certificate and professional development programs and more than 1,500 courses available from University faculty, UMassOnline is one of the largest accredited online programs available.

For fiscal year 2013, UMass Online and the Continuing Education units at the five campuses collaboratively generated tuition revenue in excess of $78.2 million and supported 59,154 enrollments, an increase of 8.6% for revenue and enrollments.

The University continues to increase its global reach through 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.

In keeping with the University's mission to remain accessible, leadership followed a strategy beginning in 2004 which limited 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 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.

The Commonwealth's budget for fiscal year 2012 signed by Governor Patrick included a base state appropriation for the University of approximately $418 million for the current fiscal year. While this appears to be a $6.0 million decline from fiscal year 2011, the Governor's budget is actually provided level funding for the University. This is due to the fact that the Legislature passed a bill that permitted the University's Boston, Dartmouth, Lowell, and Worcester campuses to retain tuition collected from non-resident students starting in fiscal year 2012. The amount of non-resident tuition estimated to be collected by these four campuses totaled $11.6 million for the initial year. Prior to the legislation, the approximately $11.6 million of non-resident tuition would have been remitted to the Commonwealth. Therefore, the $418 million base state appropriation provided for fiscal year 2012 is equal to the $424.0 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, the Commonwealth's fiscal year 2012 budget included $6.4 million of line item funding specific to the University. However, this positive support was offset by the fact that the University received almost no ARRA stimulus funds in fiscal year 2012. As a result of the flat state support, the elimination of the federal stimulus funding, and the realization that the Commonwealth would 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 mandatory student charges by 7.5% for resident undergraduate students for the 2011-2012 academic year.

The Commonwealth's fiscal year 2013 budget approved in June 2012 included a base state appropriation amount for the University equal to the base state appropriation received in fiscal year 2012. In addition to the base state appropriation, the budget also provided $25.6 million to cover the FY13 cost of the collective bargaining increases for the University's union employees and $6.6 million of line item funding specific to the University. With state support consistent with the FY11 level despite the fact that enrollment has increased at the University by 15% over the last five years, the University's Board of Trustees approved a 4.9% tuition and fee increase for undergraduate students for the 2012-2013 academic year. In January of 2013, the Governor imposed mid-year budget reductions to bring the State budget into balance. As part of the reductions, the University received a 1% reduction equating to $4.2 million. Through working with the Legislature, the University was able to utilize revenues to meet the reduction so that there would be no impact on the fringe support provided by the State. Each campus and the central office absorbed the reduction into operations for fiscal year 2013.

The fiscal year 2014 budget approved in July 2013 included a new funding model that would have the State assume 50% of the cost to educate a Massachusetts student at the University. The 50:50 funding proposal required an investment by the Commonwealth of $39.1 million in each of the next two fiscal years (Fiscal Years 2014 and 2015). This investment along with the additional fringe support of $10.8 million gained from the increase in the State appropriation will provide the University with $100 million in additional appropriation over the next two fiscal years. The budget included language (outside section 162) providing for the second year commitment to reach the goal of 50:50. This initiative has had an immediate and meaningful impact on thousands of Massachusetts residents who have not had an increase in their tuition and mandatory curriculum fees for the upcoming academic year. It also provides them with more long-term relief by allowing them to graduate and enter the workforce with less student debt. The total appropriation for fiscal year 2014 is $478.7 million. These State funds are used entirely to support salary costs and the associated fringe benefit from having employees funded using the State appropriation.

Despite increased State support for FY14, the University continues to examine its operations and implement meaningful, financially impactful improvements wherever possible. Understanding that the current fiscal environment poses significant challenges for the University and its students, the responsibility to be a good steward of limited resources is taken seriously. The University, through its Board of Trustees, created a permanent Task Force on Efficiencies and Effectiveness charged with helping to ensure that improving quality through more efficient and effective operations continues to be a priority for the University. The Task Force, along with the President's Office and the campuses is working to promote a more standardized approach for cross campus collaboration and oversight of the entire effort, track and report progress, and quantify the benefits to the University and its campuses. Over the last few years the University has achieved measureable savings and efficiencies and expects current efforts to yield additional savings going forward.

As the University begins planning for fiscal year 2015, it continues to work with the State on the 50:50 proposal to ensure the second year of funding toward this plan. In addition, as the campuses continue to make progress on capital projects, the University is looking to the State for its next round of bond funding in support of new and deferred maintenance projects in support of the plan. Meanwhile, each campus continues its fundraising efforts including the Amherst campus celebration of the 150th anniversary of its founding as Massachusetts Agricultural College in 1863 following the passage of the federal Morrill Act. The year-long anniversary celebration will include a series of events and activities along with an aggressive fundraising campaign.

Contacting the University

This financial report is designed to provide the University, the Commonwealth, the public and other interested parties with an overview of the financial results of the University and an explanation of the University's financial condition. If you have any questions about this report or require additional information, contact the University by calling the University Controller, Sarah Mongeau, at (774) 455-7520 or by email at smongeau@umassp.edu.

University of Massachusetts
Statements of Net Position
As of June 30, 2013 and 2012
(in thousands of dollars)

ASSETS	University June 30, 2013	University Related Organizations June 30, 2013	University June 30, 2012	University Related Organizations June 30, 2012
Current Assets				
Cash and Cash Equivalents	$93,939		$61,769	
Cash Held By State Treasurer	23,883		17,167	
Accounts, Grants and Loans Receivable, net	235,988		227,740	
Pledges Receivable, net	12,461	$887	4,199	$1,648
Short Term Investments	170,916		268,600	
Inventories, net	19,769		21,442	
Accounts Receivable from UMass Memorial, net	12,734		5,808	
Due From Related Organizations	230	380	173	542
Other Assets	9,974	2,563	10,195	407
Total Current Assets	**579,894**	**3,830**	**617,093**	**2,597**
Noncurrent Assets				
Cash and Cash Equivalents		1,041		778
Cash Held By State Treasurer	9,339		11,874	
Cash and Securities Held By Trustees	622,791		819,794	
Accounts, Grants and Loans Receivable, net	39,388		41,993	
Pledges Receivable, net	3,907	1,109	2,828	8,586
Investments	717,729	389,376	609,242	355,088
Other Assets	32,110	173	32,774	64
Investment In Plant Net of Accumulated Depreciation	3,705,516	8,619	3,098,186	8,822
Total Noncurrent Assets	**5,130,780**	**400,318**	**4,616,691**	**373,338**
Total Assets	**$5,710,674**	**$404,148**	**$5,233,784**	**$375,934**
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Change in Fair Value of Interest Rate Swaps	$40,207		$75,635	
LIABILITIES				
Current Liabilities				
Accounts Payable	$129,238	$94	$169,787	$49
Accrued Salaries and Wages	106,016		93,555	
Accrued Compensated Absences	73,118		71,892	
Accrued Workers' Compensation	4,198		4,467	
Accrued Interest Payable	22,316		20,218	
Bonds Payable	328,126		415,860	
Capital Lease Obligations	4,302		5,501	
Assets Held on behalf of Others		12,307		11,978
Accounts Payable to UMass Memorial	4,364		3,613	
Due To Related Organizations	380	230	542	173
Deferred Revenues and Credits	40,388	1,973	46,248	2,412
Advances and Deposits	7,946		10,154	
Other Liabilities	52,530		38,267	
Total Current Liabilities	**772,922**	**14,604**	**880,104**	**14,612**
Noncurrent Liabilities				
Accrued Compensated Absences	30,410		30,820	
Accrued Workers' Compensation	10,429		9,805	
Bonds Payable	2,144,776		1,824,474	
Capital Lease Obligations	2,238		6,539	
Derivative Instruments, Interest Rate Swaps	69,325		106,110	
Deferred Revenues and Credits	20,199		16,501	
Advances and Deposits	27,943		26,697	
Other Liabilities	36,398	3,332	18,993	3,487
Total Noncurrent Liabilities	**2,341,718**	**3,332**	**2,039,939**	**3,487**
Total Liabilities	**$3,114,640**	**$17,936**	**$2,920,043**	**$18,099**
Net Position:				
Invested in Capital Assets Net of Related Debt	$1,682,173	$8,619	$1,502,171	$8,822
Restricted				
Nonexpendable	18,058	290,858	17,773	273,995
Expendable	156,469	74,706	162,341	60,278
Unrestricted	779,541	12,029	707,091	14,740
Total Net Position	**$2,636,241**	**$386,212**	**$2,389,376**	**$357,835**

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

University of Massachusetts
Statements of Revenues, Expenses, and Changes in Net Position
For The Years Ended June 30, 2013 and 2012
(in thousands of dollars)

REVENUES	University June 30, 2013	University Related Organizations June 30, 2013	University June 30, 2012	University Related Organizations June 30, 2012
Operating Revenues				
Tuition and Fees (net of scholarship allowances of $189,753 at June 30, 2013 and $177,420 at June 30, 2012)	$707,495		$659,180	
Federal Grants and Contracts	334,697		355,792	
State Grants and Contracts	68,794		67,927	
Local Grants and Contracts	2,253		3,077	
Private Grants and Contracts	106,714		109,235	
Sales and Service, Educational	19,237		19,311	
Auxiliary Enterprises	319,544		297,956	
Other Operating Revenues:				
Sales and Service, Independent Operations	46,062		61,087	
Sales and Service, Public Service Activities	447,119		383,855	
Other	100,839		98,107	
Total Operating Revenues	**2,152,754**		**2,055,527**	
EXPENSES				
Operating Expenses				
Educational and General				
Instruction	661,467		633,481	
Research	405,326		417,124	
Public Service	74,620	$12,573	75,665	$15,240
Academic Support	147,031		147,767	
Student Services	109,737		107,246	
Institutional Support	202,331		198,941	
Operation and Maintenance of Plant	204,449		215,292	
Depreciation and Amortization	185,261	202	163,166	203
Scholarships and Fellowships	49,731	77	47,626	462
Auxiliary Enterprises	248,765		235,633	
Other Expenditures				
Independent Operations	47,826		53,734	
Public Service Activities	327,293		293,951	
Total Operating Expenses	**2,663,837**	**12,852**	**2,589,626**	**15,905**
Operating Loss	**(511,083)**	**(12,852)**	**(534,099)**	**(15,905)**
NONOPERATING REVENUES/(EXPENSES)				
Federal Appropriations	6,774		6,845	
State Appropriations	519,311		517,392	
State Appropriations - Federal Stimulus funds			10	
Gifts	30,044	9,452	22,143	8,891
Investment Income	56,037	24,540	27,192	(5,255)
Endowment Income	13,614	1,160	15,623	95
Interest on Indebtedness	(91,364)		(64,434)	
Nonoperating Federal Grants	70,586		73,908	
Other Nonoperating Income	2,366		780	
Net Nonoperating Revenues	**607,368**	**35,152**	**599,459**	**3,731**
Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses	**96,285**	**22,300**	**65,360**	**(12,174)**
OTHER REVENUES, EXPENSES, GAINS, AND LOSSES				
Capital Appropriations	112,581		150,367	
Capital Grants and Contracts	39,347		43,891	
Additions to Permanent Endowments		16,056		19,604
Net Amounts Earned/Received on Behalf of Others		(928)		107
Capital Contribution	4,514		(345)	
Disposal of Plant Facilities	(8,802)		(13,606)	
Other Additions/(Deductions)	2,939	(9,051)	2,317	(123)
Total Other Revenues, Expenses, Gains, and Losses	**150,579**	**6,077**	**182,624**	**19,588**
Total Increase in Net Assets	**246,864**	**28,377**	**247,984**	**7,414**
NET POSITION				
Net Position at Beginning of Year	2,389,377	357,835	2,141,392	350,421
Net Position at End of Year	**$2,636,241**	**$386,212**	**$2,389,376**	**$357,835**

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

University of Massachusetts
Consolidated Statements of Cash Flows
For The Years Ended June 30, 2013 and 2012
(in thousands of dollars)

	University June 30, 2013	University June 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	$780,541	$730,873
Grants and Contracts	695,492	667,310
Payments to Suppliers	(1,038,532)	(989,163)
Payments to Employees	(1,292,185)	(1,206,719)
Payments for Benefits	(283,775)	(317,157)
Payments for Scholarships and Fellowships	(49,725)	(47,620)
Loans Issued to Students and Employees	(7,229)	(6,308)
Collections of Loans to Students and Employees	5,755	5,353
Auxiliary Enterprises Receipts	305,907	301,266
Sales and Service, Educational	19,372	17,769
Sales and Service, Independent Operations	69,181	68,408
Sales and Service, Public Service Activities	466,113	415,292
Net Cash Used for Operating Activities	**(329,086)**	**(360,696)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	577,841	580,609
State Appropriations - Federal Stimulus Funds	0	10
Tuition Remitted to the State	(35,103)	(37,029)
Federal Appropriations	6,774	6,845
Gifts and Grants for Other Than Capital Purposes	23,047	24,794
Nonoperating Federal Grants	70,586	73,908
Student Organization Agency Transactions	(518)	(40)
Net Cash Provided by Noncapital Financing Activities	**642,627**	**649,097**
CASH FLOWS FROM CAPITAL AND OTHER FINANCING ACTIVITIES		
Proceeds from Capital Debt	303,752	
Bond Issuance Costs Paid	(2,151)	(24)
Capital Appropriations	112,582	133,653
Capital Grants and Contracts	40,324	46,187
Purchases of Capital Assets and Construction	(273,885)	(318,942)
Principal Paid on Capital Debt and Leases	(76,347)	(72,885)
Interest Paid on Capital Debt and Leases	(95,550)	(54,929)
Use of Debt Proceeds on Deposit with Trustees	(537,050)	(345,214)
Net Cash Used for Capital Financing Activities	**(528,325)**	**(612,154)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	1,067,589	1,379,520
Interest on Investments	9,172	17,872
Purchase of Investments	(1,022,629)	(1,409,649)
Net Cash Provided by (Used for) Investing Activities	**54,132**	**(12,257)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(160,652)**	**(336,010)**
Cash and Cash Equivalents - Beginning of the Year	**910,604**	**1,246,614**
Cash and Cash Equivalents - End of Year	**$749,952**	**$910,604**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	($511,083)	($534,099)
Adjustments to reconcile loss to net cash used by Operating Activities:		
Depreciation and Amortization Expense	185,261	163,166
Changes in Assets and Liabilities:		
Receivables, net	(14,984)	(6,038)
Inventories	1,673	1,146
Due to/from Related Organizations	(105)	(212)
Accounts Receivable/Payable UMass Memorial	(6,175)	(7,953)
Other Assets	(2,090)	(1,969)
Accounts Payable (non-capital)	(7,039)	10,079
Accrued Liabilities	13,632	16,623
Deferred Revenue	(2,162)	(4,036)
Advances and Deposits	(962)	3,169
Other Liabilties	14,948	(572)
Net Cash Used for Operating Actvities	**($329,086)**	**($360,696)**
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:		
Assets acquired and included in accounts payable and other liabilities	$61,743	$95,253
Loss on disposal of capital assets	(8,802)	(13,606)
Unrealized gain (loss) on investments	7,932	(17,711)

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 position, and cash flows of the University of Massachusetts (“the 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 (“the Building Authority”).

The Building Authority is a public instrumentality of the Commonwealth created by Chapter 773 of the Acts of 1960 (referred to as the “Enabling Act”), whose purpose is to provide dormitories, dining commons, and other buildings and structures for use by the University. WCCC, of which U Health Solutions, Inc. ((“UHS”) see note 6) is a subsidiary, 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 accompanying financial statements includes the financial information of the University’s discretely presented component units. The University of Massachusetts Foundation, Inc. (“the 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 an enterprise fund of the Commonwealth of Massachusetts (“Commonwealth”). 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 financial statements are reported on a consolidated basis, and all intra-University transactions are eliminated.

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. Other revenues, expenses, gains and losses represent all capital items, 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. Pledges to restricted non-expendable endowments are recognized as revenues in the period 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 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 position 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 position subject to externally imposed stipulations that they be maintained permanently by the University.

- **Restricted Expendable:** Net position 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 position that is 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 statements of revenues, expenses, and changes in net position, and included in supplies and services in the statements of cash flows. Discounts and allowances for tuition and fees and auxiliary enterprises are calculated using the Alternate Method which reports tuition and fee revenue net of scholarship allowances.

NEW GASB PRONOUNCEMENTS

In November of 2011, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* (GASB 60). The objective of GASB 60 is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in Statement No. 60, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. GASB 60 applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. The implementation of GASB 60 in 2013 had no impact on the University.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). GASB 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The adoption of GASB 63 resulted in the separate presentation of deferred outflows of resources on the Statement of Net Position.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. GASB 63 amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The adoption of GASB 63 in 2013 required the University to change the reference of net assets to net position.

CLASSIFICATION OF ASSETS AND LIABILITIES

The University presents current and non-current assets and liabilities in the statements of net position. 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 the restrictions imposed on the balances by external parties.

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.

Private equities and certain other non-marketable securities held by the Foundation are valued using current estimates of 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 amounts 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 accompanying financial statements.

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, 2013 and 2012 was $113.9 million and $124.7 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 whether they are realizable, 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% of the endowment fund's average market value for the preceding twelve quarters on a one year lag. Only quarters with funds on deposit shall be included in the average. In addition, a prudence rule will be utilized limiting spending from a particular endowment fund to no lower than 93% of its book value. The actual spending rate approved was 4% for 2013 and 2012. 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. In fiscal years 2013 and 2012, the deficiencies were $0.1 million and $1.2 million, respectively. The Foundation believes that these adjustments are temporary and will not require permanent funding.

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 value.

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 capitalized. 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. Effective fiscal year 2012, the University no longer capitalizes library book acquisitions.

Following is the range of useful lives for the University's depreciable assets:

Buildings	20-50 years
Building Improvements	3-20 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 statements of net position reflect 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 only from repayments of outstanding principal amounts plus accumulated interest received thereon.

TUITION AND STATE APPROPRIATIONS

The accompanying financial statements for the years ended June 30, 2013 and 2012 present as tuition revenue approximately $35.1 million and $37.0 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. This program has been approved, effective 2012, for the remaining campuses. The amount of tuition retained by the University during 2013 and 2012 was $74.5 million and $50.8 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):

	2013	2012
Gross Commonwealth Appropriations	$447,837	$425,656
Plus: Fringe Benefits	130,005	154,953
	577,842	580,609
Less: Tuition Remitted	(35,103)	(37,029)
Less: Mandatory Waivers	(23,428)	(26,188)
Net Commonwealth support	$519,311	$517,392

AUXILIARY ENTERPRISES

Auxiliary Enterprise revenue of $319.5 million and $298.0 million for the years ended June 30, 2013 and 2012, respectively, are stated net of room and board charge allowances of $0.7 million and $0.6 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 care 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 $358.7 million and $346.7 million for the years ended June 30, 2013 and 2012, respectively. Included in expenditures are Commonwealth Medicine expenditures of $347.4 million and $311.6 million for the years ended June 30, 2013 and 2012, respectively.

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 $153.0 million and $112.3 million for the years ended June 30, 2013, and 2012, respectively. Finally, Public Service Activity expenditures also include payments made to the Commonwealth of Massachusetts of $65 million and $60.0 million for the years ended June 30, 2013 and 2012, 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 compensation, 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 applicable GASB standards. 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 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, 2013 and June 30, 2012, 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 and University of Massachusetts Building Authority are agencies of the Commonwealth of Massachusetts and are exempt from Federal income tax under Section 115(a) of the Internal Revenue Code. The Worcester City Campus Corporation, U Health Solutions, Inc. and the University Related Organizations are 501(c)(3) organizations and are exempt from Federal Income tax under the Internal Revenue Code and similar state provisions. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

COMPARATIVE INFORMATION AND RECLASSIFICATIONS

The University's financial statements include prior year comparative information. Certain reclassifications were made within prior year net position as a result of a correction of a prior year error. These amounts were determined to be immaterial to the financial statements by management.

2. CASH AND 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 24.5% and 22.8% of the University's investments at June 30, 2013 and 2012, 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. The University does not have a formal policy for custodial credit risk. 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, 2013 and 2012, all cash and investment accounts were held on behalf of the University by the Trustees, in the Trustees' name.

The University maintains depository, payroll, disbursement, receipt, and imprest accounts. In addition to bank account deposits, the University held money market instruments which are classified as investments. Interest bearing and money market accounts carry Federal Deposit Insurance Corporation (FDIC) insurance up to $250,000 per account; non-interest bearing accounts are fully insured through December 31, 2013. None of the accounts are collateralized above the FDIC insured amounts. The

University also invested in individual CD's and BNY Mellon's CDARS program. These funds are invested in individual certificates of deposit in $250,000 increments and are therefore fully insured by the FDIC.

At June 30, 2013 and 2012, the carrying amounts, bank balances and FDIC insured amounts were as follows (in thousands):

	2013			2012		
	Book Balance	Bank Balance	FDIC Insured	Book Balance	Bank Balance	FDIC Insured
Depository Accounts	$ 73,056	$ 86,519	$ 5,938	$ 42,057	$ 59,054	$ 58,698
Certificates of Deposit	30,650	30,650	30,400	40,650	40,650	40,400
Money Market	129,004	129,004	2,251	217,006	217,006	1,500
Total	$ 232,710	$ 246,173	$ 38,589	$ 299,713	$ 316,710	$ 100,598

At June 30, 2013 the University held a carrying and fair market value of $723.5 million in non-money market investments compared to a carrying and fair market value of $638.7 million at June 30, 2012. In the event of negligence due to the University's custodian and/or investment manager(s), it is expected that investment balances of $723.5 million and $638.7 million at June 30, 2013 and 2012, respectively, would be fully recovered. However, these amounts are subject to both interest rate risk and credit risk.

***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. The University does not have a formal policy for concentration of credit risk.

As of June 30, 2013 and June 30, 2012, 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 allows 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, 2013 and 2012, respectively:

Asset Class	June 30, 2013 Fair Value	Average Credit Quality	June 30, 2012 Fair Value	Average Credit Quality
Short duration	$230,161	AAA	$304,965	AAA
Intermediate duration	282,837	A	246,646	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, 2013 and 2012, respectively:

Rated Debt Investments - 2013
(in thousands)

		S&P Quality Ratings							
	Fair Value	AAA	AA	A	BBB	BB	B	<B	Unrated
U.S Agencies	$ 20,463	$ -	$ 20,463	$ -	$ -	$ -	$ -	$ -	$ -
U.S Government	20,334		19,218	1,116	-	-	-	-	-
Certificates of Deposit	30,500	30,500	-	-	-	-	-	-	-
Corporate Debt	99,737	20,886	11,087	36,377	15,602	966	353	1,851	12,615
Bond Mutual Funds	2,248	-	289	1,959	-	-	-	-	-
Municipal/Public Bonds	173,923	66,575	11,235	25,369	40,202	15,299	8,310	1,238	5,695
Money Market Funds	165,793	165,183	222	-	-	-	-	-	388
	$ 512,998	$ 283,144	$ 62,514	$ 64,821	$ 55,804	$ 16,265	$ 8,663	$ 3,089	$ 18,698

Rated Debt Investments - 2012
(in thousands)

		S&P Quality Ratings							
	Fair Value	AAA	AA	A	BBB	BB	B	<B	Unrated
U.S Agencies	$ 19,180	$ 1,124	$ 18,020	$ -	$ -	$ -	$ -	$ 36	$ -
U.S Government	24,244	73	23,053	1,118	-	-	-	-	-
Foreign Govn't Bonds	2,186	1,141	91	26	202	410	-	-	316
Certificates of Deposit	40,500	40,500	-	-	-	-	-	-	-
Corporate Debt	123,489	24,213	11,472	40,316	16,537	4,946	5,685	3,051	17,269
Bond Mutual Funds	96,456	39,924	4,016	13,524	18,308	1,833	694	359	17,798
Municipal/Public Bonds	4,725	752	2,044	1,386	169	-	55	-	319
Money Market Funds	240,831	237,034	1,090	-	-	-	-	-	2,707
	$ 551,611	$ 344,761	$ 59,786	$ 56,370	$ 35,216	$ 7,189	$ 6,434	$ 3,446	$ 38,409

***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 University's Investment Policy and Guidelines Statement 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, 2013 and 2012, respectively:

Asset Class	6/30/13 Allocation	6/30/13 Fair Value	6/30/12 Allocation	6/30/12 Fair Value
Short Duration	26%	$230,161	35%	$304,965
Intermediate Duration	32%	282,837	28%	246,646
Alternative Assets	25%	217,442	23%	200,219
Equities	14%	130,175	11%	102,895
Commodities	2%	21,020	2%	17,836
Real Estate	1%	7,010	0%	5,281

Investments - 2013

(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	$ 20,463	$ 5,611	$ 5,103	$ 881	$ 8,868
US Government	20,334	-	12,333	8,001	-
Certificates of Deposit	30,500	30,500	-	-	-
Corporate Debt	99,737	13,083	51,898	10,726	24,030
Bond Mutual Funds	2,248	470	1,489	289	-
Municipal/Public Bonds	173,923	14,704	72,774	47,857	38,588
Money Market Mutual Funds	165,793	165,793	-	-	-
Sub Total Debt Securities	**$ 512,998**	**$ 230,161**	**$ 143,597**	**$ 67,754**	**$ 71,486**

Other Investments	
Alternative Assets	$ 217,442
Equity Securities- International	21,020
Equity Securities- Domestic	71,086
Commodities	59,089
Real Estate	7,010
Grand Total	**$ 888,645**

Investments - 2012

(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	$ 19,180	$ 5,883	$ 3,130	$ -	$ 10,167
US Government	24,244	1,145	18,005	5,021	73
Foreign Government Bonds	2,186	-	500	691	995
Certificates of Deposit	40,500	40,500	-	-	-
Corporate Debt	123,489	12,187	45,211	22,394	43,697
Bond Mutual Funds	96,456	4,188	67,662	14,017	10,589
Municipal/Public Bonds	4,725	231	865	1,347	2,282
Money Market Mutual Funds	240,831	240,831	-	-	-
Sub Total Debt Securities	**$ 551,611**	**$ 304,965**	**$ 135,373**	**$ 43,470**	**$ 67,803**

Other Investments	
Alternative Assets	$ 200,219
Equity Securities- International	44,472
Equity Securities- Domestic	58,423
Commodities	17,836
Real Estate	5,281
Grand Total	**$ 877,842**

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 $33.2 million at June 30, 2013 and $29.0 million at June 30, 2012. The University has recorded a comparable amount of cash held by the State Treasurer for the benefit of the University, which will be subsequently utilized to pay for such liabilities. The cash is held in the State Treasurer's pooled cash account. The Commonwealth requires all bank deposits in excess of insurance coverage by the Federal Deposit Insurance Corporation (FDIC) to be collateralized with a perfected pledge of eligible collateral. Eligible collateral must be pledged in an amount equal to 102% of the amount of the deposits that exceed FDIC insurance. Sufficient collateral to cover total Commonwealth deposits in excess of the FDIC insured amount must be pledged and held in safekeeping by a custodian that is approved by and under the control of the Treasurer and Receiver – General.

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, 2013 and June 30, 2012 there are investments of $7,000 and $63,000, respectively, available from Master Lease agreements entered into by the University for capital asset purchases at the Amherst and Boston campuses. Additionally, there is $13.6 million and $13.7 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 $608.5 million and $805 million, respectively, held by trustees related to the Building Authority.

Pursuant to Trust Agreements between the Building Authority and its bond trustees, all funds deposited with those trustees (approximately $0.6 billion at June 30, 2013 and $0.8 billion at June 30, 2012) 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.

Cash Deposits – Custodial Credit Risk The Building 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 Building Authority's Enabling Act or in money market mutual funds that have been specifically permitted by state legislation. The Building Authority's cash and cash equivalents consisted of the following as of June 30, 2013 and 2012 (in thousands):

	2013	2012
Cash	$ 5,130	$ 56
Permitted money market accounts ("MMA")	518,739	575,203
Total cash and cash equivalents	$ 523,869	$ 575,259

Custodial credit risk is the risk that, in the event of a bank failure, the Building 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 Building Authority does not have a deposit policy for custodial credit risk. As of June 30, 2013, the bank balances of uninsured deposits totaled $4.8M. At June 30, 2012, the Building Authority's cash deposits of $56,075 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, 2013, the Building Authority's investments consisted of the following:

		Investment Maturities (in Years)		
	Fair value	Less than 1	1 to 5	6 to 10
Investment type				
Debt Securities				
US Treasuries	$ 10,324	$ 10,324	$ -	$ -
US Agencies	69,461	50,383	19,078	-
Repurchase Agreements	5,318	-	-	5,318
MMA	523,870	523,870	-	-
Total	$ 608,973	$ 584,577	$ 19,078	$ 5,318

As of June 30, 2012, the Building Authority's investments consisted of the following:

		Investment Maturities (in Years)		
	Fair value	Less than 1	1 to 5	6 to 10
Investment type				
Debt Securities				
US Treasuries	$ 10,247	$ -	$ 10,247	$ -
US Agencies	214,500	30,495	184,005	-
Repurchase Agreements	5,318	-	-	5,318
MMA	575,203	575,203	-	-
Total	$ 805,268	$ 605,698	$ 194,252	$ 5,318

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

Interest Rate Risk The Building 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 Building 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 Building Authority. These permitted investments 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 certificate of deposits fully secured by Treasuries or Agencies, and Treasuries and Agencies subject to repurchase agreements. Other legislation allows the Building Authority to invest in the Massachusetts Municipal Depository Trust (the "MMDT"), a money market account sponsored by the Treasurer of the Commonwealth and managed by Federated Investors, Inc. Additionally, the Building Authority's Bond Trustee invests some of the Building Authority's funds in money market accounts that are permitted and collateralized by Treasuries.

No credit risk disclosures are required under GASB 40 relating to the Building Authority's investment in Treasuries. The Building Authority's investments in Agencies are highly rated by Standard & Poor's Rating Services and Moody's Investors Service, Inc. The Building Authority's investments in repurchase agreements are not rated but are fully collateralized by Treasuries and Agencies. 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 Building 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.

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 Building Authority's Bond Trustee as the Building Authority's agent. In accordance with the Building 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 Building Authority places no limit on the amount it may invest in any one issuer. As of June 30, 2013, the Building Authority had 28.8% of its investments with the Federal Home Loan Mortgage Corporation, 41.6% of its investments with the Federal Home Loan Bank and 11.5% of its investments with the Federal National Mortgage Association. As of June 30, 2012, the Authority had 10.1% of its investments with the Federal Home Loan Mortgage Corporation.

5. ACCOUNTS, GRANTS AND LOANS RECEIVABLE

Accounts, grants and loans receivable as of June 30, 2012 and 2013 respectively (in thousands):

	2013	2012
Student Accounts Receivable	$ 51,449	$ 47,167
Less allowance for uncollectible accounts	(18,319)	(16,329)
	33,130	30,838
Grants and Contracts Receivable	85,028	82,335
Less allowance for uncollectible accounts	(2,989)	(2,427)
	82,039	79,908
Student Loans Receivable	44,257	42,938
Less allowance for uncollectible accounts	(302)	(309)
	43,955	42,629
Commonwealth Medicine	64,094	56,216
Less allowance for uncollectible accounts	(825)	(1,007)
	63,269	55,209
Other	53,537	62,611
Less allowance for uncollectible accounts	(554)	(1,462)
	52,983	61,149
Total, net	275,376	269,733
Less current portion, net	(235,988)	(227,740)
Long-term, net	$ 39,388	$ 41,993

UMASS MEMORIAL

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, a separate entity, is not under the control of the University, and therefore 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; and 2) a participation payment based on a percentage of net operating income of UMass Memorial for which revenue is recognized by the University when the amounts are received.

The University is reimbursed by, and reimburses UMass Memorial for shared services, cross-funded employees, and other agreed upon activities provided and purchased. For the years ended June 30, 2013 and 2012, the reimbursements for services provided to UMass Memorial were $124.0 million and $128.5 million, respectively. Included in these amounts are payroll paid by the University on behalf of UMass Memorial in an agency capacity in the amount of $73.8 million and $83.1 million for fiscal years 2013 and 2012, respectively. At June 30, 2013 and 2012, the University has recorded a receivable in the amount of $12.7 million and $5.8 million, respectively from UMass Memorial which includes $5.8 million and $2.8 million, respectively, in payroll and related fringe charges. The University has recorded a payable at June 30, 2013 of $4.4 million primarily for cross-funded payroll. At June 30, 2012, the University had a payable of $3.6 million for amounts due to UMass Memorial primarily consisting of a prepayment for educational services, capital projects and cross-funded payroll.

6. RELATED ORGANIZATIONS

Related party activity with the Foundation includes loan agreements, and investments of the University's endowment assets and Intermediate Term Investment Fund (ITIF) with the Foundation. As of June 30, 2013, the net assets of the Foundation included as related organizations in the combined financial statements of the University are $394.3 million, of which $366.7 million are restricted funds and $27.5 million are unrestricted funds. During the fiscal year ended June 30, 2013, the University received approximately $49.9 million from the Foundation, and disbursed approximately $121.8 million to the Foundation of which $52.1 million related to the establishment of quasi-endowment. At June 30, 2013, the University's investments include $311.4 million of endowment funds held in a custodial relationship at the Foundation, and $272.5 million in ITIF.

As of June 30, 2012, the net assets of the Foundation included as related organizations in the combined financial statements of the University are $365.4 million, of which $342.5 million are restricted funds and $23.0 million are unrestricted funds. During the fiscal year ended June 30, 2012, the University received approximately $40.6 million from the Foundation, and disbursed approximately $42.9 million to the Foundation of which $ 35.2 million related to the establishment of quasi-endowment. At June 30, 2012, the University's investments include $242.9 million of endowment funds held in a custodial relationship at the Foundation, and $229.9 million in ITIF.

The University leases office space from the Foundation for an annual rent of approximately $0.5 million.

UHealthSolutions, Inc. (formerly Public Sector Partners, Inc. "PSP") and its previously wholly-owned subsidiary, MedMetrics Health Partners, Inc., is a corporation that offers a wide range of program management and consulting services to both public sector agencies and nonprofit organizations. UHS is affiliated with Commonwealth Medicine, a division of the Medical School and WCCC is its sole member. The majority of the net assets of MHP were sold to a third party on April 11, 2012, and the remainder of the MHP assets were transferred to UHS. UHS received $12.7 million as consideration and recognized a gain of the sale of the net assets of $9.7 million.

The Building Authority and the Commonwealth 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, 2013 and 2012, the Authority had provided operating support for the Club of approximately $0.2 million and $0.2 million, respectively.

7. INVESTMENT IN PLANT

Investment in plant activity for the year ended June 30, 2013 is comprised of the following (in thousands):

University:	Beginning Balance	Additions/ Adjustments	Retirements/ Adjustments	Ending Balance
Buildings and Improvements	$3,322,211	$754,586	($18,238)	$4,058,559
Equipment and Furniture	604,487	30,339	(47,348)	587,478
Software	134,082	4,036	(3,560)	134,558
Library Books	101,618	-	(8,527)	93,091
	4,162,398	788,961	(77,673)	4,873,686
Accumulated Depreciation	(1,990,577)	(182,252)	49,836	(2,122,993)
Sub-Total	2,171,821	606,709	(27,837)	2,750,693
Land	57,831	8,055	-	65,886
Construction in Progress	868,534	583,747	(563,344)	888,937
Sub-Total	926,365	591,802	(563,344)	954,823
Total	$3,098,186	$1,198,511	($591,181)	$3,705,516

University Related Organizations:	Beginning Balance	Additions/ Adjustments	Retirements/ Adjustments	Ending Balance
Buildings and Improvements	$7,942	-	-	$7,942
Equipment and Furniture	170	-	($2)	168
	8,112	-	(2)	8,110
Accumulated Depreciation	(650)	($201)	-	(851)
Sub-Total	7,462	(201)	(2)	7,259
Land	1,360	-	-	1,360
Total	$8,822	($201)	($2)	$8,619

Investment in plant activity for the year ended June 30, 2012 is comprised of the following (in thousands):

University:	Beginning Balance	Additions/ Adjustments	Retirements/ Adjustments	Ending Balance
Buildings and Improvements	$3,126,849	$207,543	($12,181)	$3,322,211
Equipment and Furniture	614,625	28,305	(38,443)	604,487
Software	133,264	2,915	(2,097)	134,082
Library Books	110,423	-	(8,805)	101,618
	3,985,161	238,763	(61,526)	4,162,398
Accumulated Depreciation	(1,868,779)	(163,582)	41,784	(1,990,577)
Sub-Total	2,116,382	75,181	(19,742)	2,171,821
Land	56,556	2,216	(941)	57,831
Construction in Progress	409,713	537,862	(79,041)	868,534
Sub-Total	466,269	540,078	(79,982)	926,365
Total	$2,582,651	$615,259	($99,724)	$3,098,186

University Related Organizations:	Beginning Balance	Additions/ Adjustments	Retirements/ Adjustments	Ending Balance
Buildings and Improvements	$7,942	-	-	$7,942
Equipment and Furniture	172	-	($2)	170
	8,114	-	(2)	8,112
Accumulated Depreciation	(455)	($195)	-	(650)
Sub-Total	7,659	(195)	(2)	7,462
Land	1,360	-	-	1,360
Total	$9,019	($195)	($2)	$8,822

At June 30, 2013 and 2012, investment in plant included capital lease assets of approximately $52.0 million and $84.7 million, respectively, net of accumulated depreciation on capital lease assets of approximately $45.5 million and $74.0 million, respectively (see Note 9).

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, 2013 and 2012, the University capitalized net interest costs of $27.4 million and $41.4 million respectively.

8. BONDS PAYABLE

Amounts outstanding at June 30, 2013 are as follows (in thousands):

Issue Borrowing		Original Borrowing	Maturity Date	Interest Rate		Amount Outstanding
University of Massachusetts Building Authority:						
Series 2003-1	$	137,970	2014	3.875-5.25%	$	12,035
Series 2004-A		96,025	2015	4.2-4.5%		6,715
Series 2004-1		183,965	2016	5.25%		24,500
Series 2005-1		25,595	2016	5.0%		8,020
Series 2005-2		212,550	2025	5.0%		180,195
Series 2006-2		21,240	2014	5.47-5.49%		2,760
Series 2008-A		26,580	2038	variable		22,795
Series 2008-1		232,545	2038	variable		201,655
Series 2008-2		120,560	2038	4.0-5.0%		108,300
Series 2009-1		247,810	2039	3.0-5.0%		216,870
Series 2009-2		271,855	2039	6.423-6.573%		271,855
Series 2009-3		28,570	2039	5.283-6.173%		27,715
Series 2010-1		118,985	2020	5.0%		107,950
Series 2010-2		430,320	2040	3.8-5.45%		430,320
Series 2010-3		3,005	2040	5.75%		2,925
Series 2011-1		135,040	2034	variable		132,450
Series 2011-2		101,700	2034	variable		100,020
Series 2013-1		212,585	2043	2.00%-5.00%		212,585
Series 2013-2		71,790	2043	.43-2.686%		71,790
						2,141,455
				Unamortized Bond Premium		54,032
				Less Deferred Loss on Refunding		(68,945)
				SUBTOTAL		2,126,542
University of Massachusetts HEFA/MDFA:						
2000 Series A	$	20,000	2030	variable		20,000
2002 Series C		35,000	2034	4.2%		-
2007 Series D		10,435	2031	3.5-4.25%		9,750
Series 2011		29,970	2034	2.5-4.0%		29,810
						59,560
				Unamortized Bond Premium		1,112
				SUBTOTAL		60,672
WCCC HEFA/MDFA:						
Series 2005-D	$	99,325	2029	5.0-5.25%		81,860
Series 2007-E		118,750	2036	3.5-5.0%		108,135
Series 2007-F		101,745	2036	4.0-5.0%		87,110
Series 2011		10,495	2023	2.0-5.0%		9,765
						286,870
				Unamortized Bond Premium		8,889
				Deferred Loss on Refunding		(11,409)
				SUBTOTAL		284,350
MDFA:						
Clean Renewable Energy Bonds	$	1,625	2027	3.5%		1,338
				TOTAL	$	2,472,902

Bond Payable activity for the year ended June 30, 2013 is summarized as follows (in thousands):

	Beginning Balance	Additions/ Amortization	Retirements/ Repayments	Ending Balance
University of Massachusetts Building Authority:				
Series 2003-1	$ 17,665		$ (5,630)	$ 12,035
Series 2004-A	8,765		(2,050)	6,715
Series 2004-1	32,195		(7,695)	24,500
Series 2005-1	10,440		(2,420)	8,020
Series 2005-2	189,645		(9,450)	180,195
Series 2006-2	5,375		(2,615)	2,760
Series 2008-A	23,630		(835)	22,795
Series 2008-1	208,515		(6,860)	201,655
Series 2008-2	110,750		(2,450)	108,300
Series 2009-1	228,665		(11,795)	216,870
Series 2009-2	271,855			271,855
Series 2009-3	28,155		(440)	27,715
Series 2010-1	114,275		(6,325)	107,950
Series 2010-2	430,320			430,320
Series 2010-3	2,965		(40)	2,925
Series 2011-1	133,765		(1,315)	132,450
Series 2011-2	100,875		(855)	100,020
Series 2013-1		212,585		212,585
Series 2013-2		71,790		71,790
Plus: unamortized bond premium	35,946	19,376	(1,290)	54,032
Less: deferred loss on refunding	(69,719)	774		(68,945)
Subtotal	1,884,082	304,525	(62,065)	2,126,542
UMass HEFA/MDFA:				
2000 Series A	20,000			20,000
2002 Series C	740		(740)	-
2007 Series D	10,090		(340)	9,750
Series 2011	29,970		(160)	29,810
Plus: unamortized bond premium	1,161		(49)	1,112
Subtotal	61,961		(1,289)	60,672
WCCC HEFA/MDFA:				
WCCC 2005 Series D	84,895		(3,035)	81,860
WCCC 2007 Series E	110,520		(2,385)	108,135
WCCC 2007 Series F	89,695		(2,585)	87,110
Series 2011	10,495		(730)	9,765
Plus: unamortized bond premium	9,381		(492)	8,889
Less: deferred loss on refunding	(12,129)	720		(11,409)
Subtotal	292,857	720	(9,227)	284,350
MDFA: Clean Renewable Energy Bonds	1,434		(96)	1,338
Total	$ 2,240,334	$ 305,245	$ (72,677)	$ 2,472,902

Maturities and interest, which is estimated using rates in effect at June 30, 2013, on bonds payable are for the next five fiscal years and in subsequent five-year periods are as follows (in thousands):

	Principal	Interest
2014	$ 77,846	$ 103,271
2015	84,521	98,423
2016	86,576	94,691
2017	89,626	91,367
2018	91,196	87,329
2019-2023	496,163	371,827
2024-2028	484,257	273,220
2029-2033	446,845	179,546
2034-2038	385,995	96,011
2039-2043	221,550	22,611
2044-2048	24,650	501
Total	$ 2,489,225	$ 1,418,797

Bond payable activity for the year ended June 30, 2012 is summarized as follows (in thousands):

	Beginning Balance	Additions	Retirements/ Repayments	Ending Balance
University of Massachusetts Building Authority:				
Series 2000-A	$ 1,645		$ (1,645)	-
Series 2003-1	23,045		(5,380)	17,665
Series 2004-A	10,735		(1,970)	8,765
Series 2004-1	39,935		(7,740)	32,195
Series 2005-1	12,745		(2,305)	10,440
Series 2005-2	197,825		(8,180)	189,645
Series 2006-2	7,860		(2,485)	5,375
Series 2008-A	24,435		(805)	23,630
Series 2008-1	215,120		(6,605)	208,515
Series 2008-2	113,105		(2,355)	110,750
Series 2009-1	240,120		(11,455)	228,665
Series 2009-2	271,855			271,855
Series 2009-3	28,570		(415)	28,155
Series 2010-1	118,985		(4,710)	114,275
Series 2010-2	430,320			430,320
Series 2010-3	3,005		(40)	2,965
Series 2011-1	135,040		(1,275)	133,765
Series 2011-2	101,700		(825)	100,875
Plus: unamortized bond premium	44,031		(8,085)	35,946
Less: deferred loss on refunding	(72,376)	2,657		(69,719)
Subtotal	1,947,700	2,657	(66,275)	1,884,082
UMass HEFA/MDFA:				
2000 Series A	20,000			20,000
2001 Series B	280		(280)	-
2002 Series C	30,660		(29,920)	740
2007 Series D	10,140		(50)	10,090
Series 2011		29,970		29,970
Plus: unamortized bond premium		1,161		1,161
Subtotal	61,080	31,131	(30,250)	61,961
WCCC HEFA/MDFA:				
WCCC 2001 Series B	12,545		(12,545)	-
WCCC 2005 Series D	87,800		(2,905)	84,895
WCCC 2007 Series E	112,295		(1,775)	110,520
WCCC 2007 Series F	92,165		(2,470)	89,695
Series 2011		10,495		10,495
Plus: unamortized bond premium	8,638	1,113	(370)	9,381
Less: deferred loss on refunding	(12,568)	439		(12,129)
Subtotal	300,875	12,047	(20,065)	292,857
MDFA: Clean Renewable Energy Bonds	1,530		(96)	1,434
Total	$ 2,311,185	$ 45,835	$ (116,686)	$ 2,240,334

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 2009-1, Series 2009-2 (federally taxable), Series 2009-3 (federally taxable), Series 2010-1, Series 2010-2(federally taxable), Series 2010-3 (federally taxable), Series 2011, Series 2013-1 and Series 2013-2.

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.

Variable Rate Bonds The 2008-1 bonds were supported with an irrevocable direct pay letter of credit (the "Lloyds LOC") issued by Lloyds TSB Bank plc ("Lloyds"). Upon presentation of required documentation, the Lloyds LOC would be required to pay the Bond Trustee the amount necessary to pay the principal and accrued interest on the bonds. The Lloyds LOC expired in April 2013. Under the terms of the Lloyds LOC, the Authority was 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 Building Authority in connection with the Lloyds LOC totaled $492,500 and $570,000 for the years ended June 30, 2013 and 2012, respectively. On April 23, 2013, the Building Authority entered into a standby bond purchase agreement with J.P. Morgan Chase Bank, N.A. ("J.P. Morgan") which requires J.P. Morgan to purchase bonds that are tendered and not remarketed. Under the terms of the J.P. Morgan standby bond purchase agreement, the Building Authority is required to pay J.P. Morgan in quarterly installments a facility fee in the amount of 25 basis points (or higher, under certain circumstances) of the commitment amount. Fees accrued by the Building Authority in connection with the J.P. Morgan agreement totaled $106,100 for the year ended June 30, 2013. The agreement expires in April 2016 and may be extended if a mutual interest exists between both the Building Authority and J.P. Morgan.

The 2008-A bonds were supported by a standby bond purchase agreement with Bank of America, N.A. ("BofA") which required 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 was 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 and was subject to adjustment from time to time in accordance with the provisions of the agreement. The agreement expired in April 2013 and could have been extended at the option of BofA. Fees accrued by the Building Authority in connection with the standby bond purchase agreement totaled $24,800 and $43,600 for the years ended June 30, 2013 and 2012, respectively. On April 16, 2013, the Building Authority entered into a standby bond purchase agreement with Barclays Bank PLC ("Barclays") which requires Barclays to purchase bonds that are tendered and not remarketed. Under the terms of the Barclays standby bond purchase agreement, the Building Authority is required to pay Barclays in quarterly installments a facility fee in the amount of 32.5 basis points (or higher, under certain circumstances) of the commitment amount. The agreement expires in April 2016 and may be extended if a mutual interest exists between both the Building Authority and Barclays. Fees accrued by the Building Authority in connection with the Barclays agreement totaled $132,500 for the year ended June 30, 2013.

The 2011-1 bonds are supported by a standby bond purchase agreement with Wells Fargo Bank, N.A. ("Wells") which requires Wells to purchase bonds tendered and not remarketed in an amount not to exceed the principal on the bonds plus accrued interest up to 185 days at an annual interest rate not to exceed 12 percent. Under this agreement, the Building Authority is required to pay Wells in quarterly installments a facility fee in the amount of 40 basis points (or higher, under certain circumstances) of the initial commitment. The initial commitment under the agreement was set at $135.0 million and is subject to adjustment from time to time in accordance with the provisions of the agreement. The agreement expires on June 9, 2014 and may be extended at the option of Wells. Fees accrued by the Building Authority in connection with Wells totaled $665,500 and $674,600 for the years ended June 30, 2013 and 2012, respectively.

Window Bonds In fiscal year 2011, the Building Authority issued its 2011-2 bonds in a variable rate Window Bond mode. As with the Building Authority's other variable rate bonds, the Window Bondholders can tender the bonds at any time. But unlike the Building Authority's other variable rate bonds, where the bondholders will receive payment on any tendered bonds 7 days from the tender, Window Bondholders are not required to receive funds for the tender until after a 30 day remarketing period and an additional 180 day funding window period. Due to this 210 day funding period, the Building Authority is not required to obtain any type of liquidity support for the 2011-2 bonds and the bonds are considered supported with self-liquidity. Window Bondholders receive an interest rate on the Window Bonds at a fixed spread over the Securities Industry and Financial Markets Association Municipal Swap Index^{TM} ("SIFMA"). The initial spread to the SIFMA index is 9 basis points (.09%).

Bond Refundings There were no advanced refundings in fiscal year 2013. In previous fiscal years, the Building Authority has advanced refunded various bonds by depositing into various trust accounts funds sufficient to provide for all future debt service payments on the refunded bonds until the bonds could be called. Assets held in the trust accounts for this purpose had aggregate market values of approximately $298.0 million and $311.7 million as of June 30, 2013 and 2012, respectively. The unpaid principal amount of the refunded bonds totaled $289.6 million and $292.0 million as of June 30, 2013 and 2012, respectively.

These advanced 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 financial statements.

In connection with the Building Authority's prior advanced refundings, the Building Authority recorded a difference between the reacquisition price and the net carrying amount of the old debt of approximately $45.5 million. 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 Building Authority's debt service payments in future years by approximately $26.2 million and resulted in an economic gain (the present value of the savings) of approximately $16.0 million.

Bond Premium and Issuance Expenses In connection with the Building Authority's bond issues, the Building Authority received premiums at issuance totaling approximately $86.7 million. The Building Authority will amortize the premiums received as a reduction in interest expense over the life of the respective bond issue.

In connection with the Building Authority's bond issues, the Building Authority incurred certain issuance costs associated with the bond offerings, as of June 30, 2013, bond issuance costs were $19.0 million and $19.8 million, net of accumulated amortization of $2.5 million and $1.7 million, respectively. These issuance costs have been capitalized by the Building Authority and will be amortized over the life of the respective bond issue.

Interest Rate Swaps The Building Authority uses derivative instruments in an attempt to manage the impact of interest rate changes on its cash flows and net position. The Building Authority utilizes these instruments in an attempt to mitigate its exposure to certain market risks associated with operations, and does not use derivative instruments for trading or speculative purposes.

The Authority's contracts are evaluated pursuant to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB Statement No. 53") to determine whether they meet the definition of derivative instruments, and if so, whether they effectively hedge the expected cash flows associated with interest rate risk exposures.

The Building Authority applies hedge accounting for derivative instruments that are deemed effective hedges and under GASB 53 are referred to as hedging derivative instruments. Under hedge accounting, changes in the fair value of a hedging derivative instrument is reported as a deferred inflow or deferred outflow in the Statement of Net Position until the contract is settled or terminated.

All settlement payments or receipts for hedging derivative instruments are recorded as interest expense in the period settled.

The Building Authority's hedging derivative instruments at June 30, 2013 and 2012 were as follows (in thousands):

	Fair Value June 30, 2013	Net Change in Fair Value	Fair Value June 30, 2012	Type of Hedge	Financial Statement Classification for Changes in Fair Value
Series 2008-1 Swap	$ (28,125)	$ 16,596	$ (44,721)	Cash Flow	Deferred outflow
Series 2008-A Swap	(3,232)	1,894	(5,126)	Cash Flow	Deferred outflow
Series 2006-1 Swap	(37,969)	18,294	(56,263)	Cash Flow	Deferred outflow
Total	$ (69,326)	$ 36,784	$ (106,110)		

The terms of the Building Authority's financial derivative instruments that were outstanding at June 30, 2013 are summarized in the table below (in thousands):

	Type	Effective Date	Termination Date	Rate Authority Pays	Authority Receives	Original Notional Value
Series 2008-1 Swap	Synthetic Fixed	May 1, 2008	May 1, 2038	3.388%	70% of 1-Month LIBOR	$ 232,545
Series 2008-A Swap	Synthetic Fixed	Nov 13, 2008	May 1, 2038	3.378%	70% of 1-Month LIBOR	$ 26,580
Series 2006-1 Swap	Synthetic Fixed	Apr. 20, 2006	Nov. 1, 2034	3.482%	60% of 3-Month LIBOR + .18%	$ 243,830

Fair Values. The fair values of the swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the agreements, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rate implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the agreements. As of June 30, 2013 and 2012, the Building Authority's swaps had a negative fair value of $69.3 million and $106.1 million, respectively.

Credit risk. As of June 30, 2013, the Building Authority was not exposed to credit risk on the swaps with as the fair value was negative. Since changes in interest rates affect the fair values of swap agreements, it is possible that the swap agreements with negative fair values become positive which would expose the Building Authority to credit risk. To mitigate the potential for credit risk, when a counterparty has a positive fair value and 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.

The credit ratings for the Building Authority's counterparties at June 30, 2013 are as follows:

	Credit Ratings		
	Moody's	S & P	Fitch
UBS AG	A2	A	A
Deutsche Bank AG	A2	A+	A+
Citi Bank NA	A3	A	A

Basis risk. The Building Authority is exposed to basis risk on its pay-fixed interest rate swaps because the variable-rate payments received by the Building Authority (a percent of LIBOR) on these hedging derivative instruments are based on indexes other than the actual interest rates the Building Authority pays on its hedged variable rate debt. Should the relationship between LIBOR and the actual variable rate interest payments on the bonds converge, the expected cost savings may not materialize. The terms of the related hedging fixed rate swap transactions are summarized in the chart above.

Termination risk. The Building Authority's swaps are governed under the International Swap Dealers Association Master Agreement (the "Master Agreement"), which includes standard termination events, such as failure to pay and bankruptcy. Additionally, the Master Agreement was amended so that the swap may be terminated by the Building Authority if the counterparty's credit quality rating falls below certain levels or the counterparty fails to have a rating. Further, the swap may be terminated by the counterparties if the long-term, unsecured, unenhanced senior debt rating of any bonds issued by the Building Authority is withdrawn, suspended or falls below certain levels or the Building Authority fails to have a rating. The Building Authority or the counterparties may terminate the swaps if the other party fails to perform under the terms of the contract. The Building Authority may also terminate the swaps at its option. If the swap is terminated, the variable-rate bonds would no longer carry a synthetic fixed interest rate and the Building Authority's interest payment would be based solely upon the rate required by the related bonds as issued. When a termination event occurs, a mark-to-market (or "fair market value") calculation is performed to determine whether the Building Authority is owed or must pay cash to close out the swap position. A negative fair value means the Building Authority would incur a loss and need to make a termination payment to settle the swap position. A positive fair value means the Building Authority would realize a gain and receive a termination payment in settlement of the swap position.

Contingencies. All of the Building Authority's swaps include provisions that require the Building Authority to post collateral in the event its credit rating falls below certain levels. In the event the Building Authority is rated A2 by Moody's Investors Service or A by Standard & Poor's, the Building Authority would need to post collateral equal to amounts above the fair value of its swaps in liability positions above $10 million. In the event the Building Authority is not rated or rated below A3 by Moody's Investors Service or below A- by Standard & Poor's, the Building Authority must post collateral in the amount of the fair value of the swaps in liability positions. The collateral posted is to be in the form of cash, obligations guaranteed by the U.S. Treasury, or negotiable debt obligations issued by the Federal Home Loan Mortgage Association or the Federal National Mortgage Association. If the Building Authority does not post collateral, the derivative instrument may be terminated by the counterparty. The Building Authority's credit rating is Aa2 from Moody's Investors Service, AA from Fitch Ratings, and AA- from Standard and Poor's at June 30, 2013; therefore, no collateral has been posted.

Termination of Hedge Accounting. In June of 2011, the Building Authority undertook an advance refunding of the 2008-3 and 2008-4 variable rate bonds hedged by the Series 2006-1 Swap. As part of the refunding, the Series 2006-1 swap was re-assigned to a new underlying notional (the 2011-1 and 2011-2 Bonds) with identical terms. This refunding and reassignment effectively terminated the original hedge. At June 30, 2011, the Series 2006-1 Swap was considered a hedging derivative instrument. In accordance with GASB 53, at the time of a termination event related to an advance refunding of the hedged debt, the balance of the amounts in deferred outflows is to be included in the net carrying amount of the refunded debt for the purposes of calculating the deferred loss on refunding. The balance of the deferred outflows that was included in the net carrying amount of the refunded debt at the time of the refunding was $22.2 million. The change in fair value of the Series 2006-1 Swap from the refunding date to June 30, 2013 is reported as a deferred outflow as the swap was determined to be effective at June 30, 2013.

Swap payments and associated debt. Using rates as of June 30, 2013, 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.

in thousands

Fiscal Year Ending June 30,	Principal	Interest	Interest Rate Swaps, Net	Total
2014	$ 10,050	$ 388	$ 14,578	$ 25,016
2015	10,430	381	14,251	25,062
2016	10,845	374	13,932	25,151
2017	11,625	366	13,536	25,527
2018	11,770	358	13,182	25,310
2019-2023	116,785	1,579	57,620	175,984
2024-2028	155,640	904	33,965	190,509
2029-2033	112,390	298	11,768	124,456
2034-2038	16,495	21	787	17,303
Total	$ 456,030	$ 4,669	$ 173,619	$ 634,318

As actual rates vary, variable-rate bond interest payments and net swap payments will vary.

MassDevelopment

Effective October 1, 2010, Massachusetts Health and Educational Facilities Authority ("MHEFA") was merged into the Massachusetts Development Finance Agency ("MassDevelopment"), a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts. 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, D and 2011

The University, through MassDevelopment, has issued bonds in order to construct new student centers on the Boston and Lowell Campuses; to create a pool of funds to acquire telecommunications, electronics, computer, office, research, equipment and administrative systems; and to fund the related renovation costs and to refund previously issued bonds.

Variable Rate Debt 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 could finance and refinance the acquisition of certain equipment 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 with a long-term rate of 2.20%. The long-term rate period ended on March 31, 2013 and the Remarketed Series A Bonds were subject to mandatory tender for purchase on April 1, 2013. The Remarketed Series A Bonds were remarketed again on April 1, 2013 and now bear interest at the long term rate of 0.70%. The newest long term rate period will end on March 31, 2016 and the Remarketed Series A Bonds will be subject to mandatory tender for purchase on April 1, 2016. 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. 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 newest 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 2013 and 2012 were approximately 1.85% and 2.20%, respectively. At June 30, 2013 and 2012, the outstanding principal balance on the Bonds is $20.0 million.

Debt covenants The University of Massachusetts Series A, D, and 2011 bonds include a covenant for 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.

Refundings In November 2011, the University issued $30.0 million of Massachusetts Development Finance Agency Revenue Refunding Bonds (the "Series 2011 Bonds"). The University deposited the proceeds into an irrevocable trust fund to provide for payment of the MHEFA Revenue Bonds, University of Massachusetts Issue, 2002 Series C (the "Series C Bonds"). This payment was made as a lump sum in October 2012. The Series 2011 bonds were issued at a premium of $1.2 million. These bonds bear interest at various fixed rates ranging from 2.5% to 4.0% and mature on October 1, 2034. At June 30, 2013, the aggregate principal payments outstanding on these bonds were $29.8 million. As a result of the change in future payments, the University will reduce its aggregate debt service payments by approximately $4.8 million and achieve an economic gain of $3.4 million.

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 advance refund a portion of the MHEFA Revenue Bonds, University of Massachusetts Issue, 2001 Series B (the "Series B Bonds"). These advance refunded bonds were defeased, and accordingly, the liability for the bonds payable and the assets held to repay the debt have not been included in the University's financial statements.

Worcester City Campus Corporation Series D, E , F and 2011

The Worcester City Campus Corporation (WCCC) through MassDevelopment has issued bonds to finance the construction or acquisition of the Lazare Research Building, South Road parking garage, Ambulatory Care Center ("ACC"), two buildings housing the operations of MassBiologics, Two Biotech Park, and to refund previously issued bonds.

Refundings In November 2011, WCCC issued $10.5 million of Massachusetts Development Finance Agency Revenue Refunding Bonds (the "WCCC Series 2011 Bonds"). The WCCC Series 2011 Bonds were issued at a premium of $1.1 million. These bonds bear interest at various fixed rates ranging from 2.00% to 5.00% and mature October 1, 2023. At June 30, 2013 and 2012, the aggregate principal payments outstanding on these bonds were $9.8 million and $10.5 million, respectively. The proceeds of the WCCC Series 2011 Bonds were used to refund the remaining outstanding portion of the MHEFA Revenue Bonds, WCCC Issue (University of Massachusetts Project), 2001 Series B (the "WCCC Series B Bonds"), which were used to finance the construction of a parking garage and the acquisition and installation of equipment at the Lazare Research Building.

In January 2007, WCCC issued $101.7 million of MHEFA Revenue Bonds, WCCC Issue (University of Massachusetts Project), 2007 Series F (the "Series F Bonds"). The Series F Bonds were issued at a premium of $2.8 million. These bonds bear interest at various fixed rates ranging from 4.00% to 5.00% and mature October 1, 2036. At June 30, 2013 and June 30, 2012, the aggregate principal payments outstanding on this portion of the Series F Bonds were $29.8 million and $30.4 million, respectively. The remaining portion of the bonds bear interest at various fixed rates ranging from 4.00% to 4.50% and mature October 1, 2031. At June 30, 2013 and 2012, the aggregate principal payments outstanding on this portion of the Series F Bonds were $57.4 million and $59.3 million, respectively.

In January 2007, WCCC issued $118.8 million of MHEFA Revenue Bonds, WCCC Issue (University of Massachusetts Project), 2007 Series E (the "Series E Bonds"). The Series E Bonds were issued at a premium of $3.9 million. The Corporation deposited $32.4 million of the proceeds into an irrevocable trust fund to provide for partial advanced refunding of outstanding MHEFA WCCC Series B Revenue Bonds. In accordance with the applicable guidance, a portion of the WCCC Series B Bonds totaling $30.8 million and the related irrevocable trust has been derecognized by the Corporation. At June 30, 2013 and June 30, 2012, the aggregate principal payments outstanding on the Series E Bonds were $108.1 million and $110.5 million, respectively.

In April 2005, WCCC issued $99.3 million of MHEFA Revenue Bonds, WCCC Issue (University of Massachusetts Project), 2005 Series D (the "WCCC Series D Bonds"). The Corporation deposited the proceeds into an irrevocable trust fund to provide for payment of the MHEFA Revenue Bonds, WCCC Issue (University of Massachusetts Project), 2000 Series A (the “WCCC Series A Bonds”). In accordance with the applicable guidance, the WCCC Series A Bonds and the related irrevocable trust were derecognized by the Corporation. These bonds bear interest at various fixed rates ranging from 3.00% to 5.25% per year and mature October 1, 2029. The WCCC Series D Bonds were issued at a premium of $4.1 million. At June 30, 2013 and 2012, the aggregate principal payment outstanding on the WCCC Series D Bonds was $81.9 million and $84.9 million, respectively. The proceeds from the WCCC Series A Bonds were previously used to fund the construction of the Lazare Research Building.

These advanced refunded bonds are considered defeased and, accordingly, the liability for the bonds payable and the assets held to repay the debt have not been included in the University’s financial statements.

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 2013 and 2012, respectively.

Clean Renewable Energy Bonds

During 2011, the University entered into an Energy Services agreement for Solar Panel construction with the Commonwealth’s Division of Capital Asset Management and Century Bank and Trust Company. The financing arrangement includes $1.6 million in Clean Renewable Energy Bonds.

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 $16.8 million and $20.0 million for the years ended June 30, 2013 and 2012, respectively. The master leases primarily consist of telecommunications, software, and co-generation systems. The University also leases space to third party tenants. During 2013 and 2012, the amount reported as rental income was $17.7 million and $13.6 million, respectively. The master leases primarily consist of telecommunications, software, and co-generation systems.

The following presents 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, 2013 (in thousands):

	University Capital Leases			
Year	Master Leases	Other Leases	Total	Operating Leases
2014	$4,372	$131	$4,503	$14,151
2015	2,186	87	2,273	13,479
2016	-	-	-	12,812
2017	-	-	-	11,681
2018 and thereafter	-	-	-	28,650
Total Payments	6,558	218	6,776	$80,773
Less: Amount representing interest	(226)	(10)	(236)	
Present Value of Minimum Lease Payments	$6,332	$208	$6,540	

June 30, 2013	University Capital Lease Obligations	
Year	Principal	Interest
2014	$4,307	$196
2015	2,233	40
Total Payments	$6,540	$236

10. CAPITAL LEASES AND OTHER LONG-TERM LIABILITIES

During the year ended June 30, 2013 the following changes occurred in long-term liabilities as recorded in the statements of net position (in thousands):

	Balance		Adjustments*	Balance
University:				
Capital lease obligations	$6,539	$ -	($4,301)	$2,238
Compensated absences	30,820	-	(410)	30,410
Workers' compensation	9,805	624	-	10,429
Deferred revenues and credits	16,501	10,354	(6,656)	20,199
Advances and deposits	26,698	1,486	(241)	27,943
Other Liabilities	18,993	18,050	(645)	36,398
University Related Organization:				
Other Liabilities	$3,487	$ -	($155)	$3,332

During the year ended June 30, 2012 the following changes occurred in long-term liabilities as recorded in the statement of net position (in thousands):

	Beginning Balance	Additions/ Adjustments*	Reductions/ Adjustments*	Ending Balance
University:				
Capital lease obligations	$12,116	$ -	($5,577)	$6,539
Compensated absences	26,541	4,279	-	30,820
Workers' compensation	9,821	-	(16)	9,805
Deferred revenues and credits	20,080	7,270	(10,849)	16,501
Advances and deposits	26,688	367	(357)	26,698
Other Liabilities	6,850	12,459	(316)	18,993
University Related Organization:				
Other Liabilities	$3,413	$74	$ -	$3,487

** Adjustments include changes in estimates*

11. FRINGE BENEFITS

Expenditures for the years ended June 30, 2013 and 2012 include $229.5 million and $272.7 million, respectively, for the employer portion of fringe benefit costs (pension expense, health insurance for active employees and retirees, and unemployment compensation) that was paid directly by the Commonwealth of Massachusetts. Of this amount, $99.5 million for 2013 and $117.8 million for 2012 was reimbursed to the Commonwealth and $130.0 million and $155.0 million, respectively, is included in revenue as state appropriations.

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 primary care medicine for two or four full years (depending on conditions) in the Commonwealth. 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 $66.3 million and $63.8 million at June 30, 2013 and 2012, respectively. Cumulative repayments totaled approximately $48.8 million and $46.4 million as of June 30, 2013 and 2012, respectively.

13. RETIREMENT PLANS

The Commonwealth of Massachusetts is statutorily responsible for the pension benefit of University employees who participate in the Massachusetts State Employees' Retirement System ("MSERS"). MSERS, a single employer defined benefit public employee retirement system, is administered by the Massachusetts State Retirement Board and covers substantially all non-student employees. Massachusetts General Laws establish the benefit and contribution requirements. These requirements provide for a superannuation retirement allowance benefit up to a maximum of 80% of the average of a member's highest consecutive three years of regular compensation, if membership started before April 2, 2012, or of the average of a member's highest consecutive five years of regular compensation, if membership started after April 2, 2012. Benefit payments are based upon a member's age, length of creditable service, and group creditable service and group classification. The authority for amending these provisions rests with the Legislature. Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service (at any age), or upon reaching the age of 55 with 10 years of service, if membership started before April 2, 2012, or upon reaching age 60 with ten years of service, if membership started on or after April 2, 2012. Members contribute 5%, 7%, 8% and 9% of regular compensation for membership start dates prior to January 1, 1975, from January 1, 1975 to December 31, 1983, from January 1, 1984 to June 30, 1996 and on or after July 1, 1996, respectively. Employees whose membership began on or after January 1,1979 also contribute an additional 2% of regular compensation in excess of $30,000.

The University makes contributions on behalf of the employees through a fringe benefit charge assessed by the Commonwealth. Such pension expense amounted to approximately $ 52 million and $64 million for the years ended June 30, 2013 and 2012, respectively. Annual covered payroll approximated 75.4% and 75.0% for the years ended June 30, 2013 and 2012, respectively of annual total payroll for the University. SERS does not issue stand-alone financial statements; however, SERS financial information is contained in the Commonwealth Comprehensive Annual Financial Report and can be obtained by contacting the State Comptroller, One Ashburton Place, 9th Floor, Boston, MA 02108.

Non-vested faculty and certain other employees of the University can opt out of MSERS and participate in a defined contribution plan, the Massachusetts Optional Retirement Program ("ORP"), administered by the Commonwealth's Department of Higher Education. At June 30, 2013 and 2012, there were approximately 4,433 and 4,060 University employees, respectively participating in ORP. Employees contribute at the same rate as members in SERS do and the Commonwealth matches 5% of employee contributions. The Commonwealth contributed $8.7 million and $8.0 million in 2013 and 2012, respectively. University employees contributed $20.6 million and $18.2 million in 2013 and 2012, respectively.

The MSERS and ORP retirement contributions of employees who become members of MSERS or ORP after January 1, 2011 are subject to a state compensation limit. Effective January 1, 2011, the University established a defined contribution plan, the University of Massachusetts 401(a) Retirement Gap Plan ("the Gap Plan"), administered by the University's Treasury Office. Employees with MSERS or ORP membership dates after January 1, 2011 are eligible employees for the Gap Plan. Eligible employees begin participation in the Gap Plan when their regular compensation exceeds the state compensation limit in effect for the plan year, at which point their contributions to MSERS or ORP are required to stop for the remainder of the plan year. Employee contributions to the Gap Plan are mandatory and at the same rate as MSERS and ORP; the University contributes 5%. At June 30, 2013 plan assets totaled approximately $410,000.

14. CONCENTRATION OF CREDIT RISK (Other than Cash and Investments)

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 4.4% and 2.1% of total accounts receivable for the University at June 30, 2013 and 2012, respectively. The University also had uncollateralized receivables from three other organizations comprising approximately 5.8%, 5.5% and 5.7% of the total outstanding receivables at June 30, 2013 and 6.9%, 3.8% and 4.8% of the total outstanding receivables at June 30, 2012.

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 $171.1 million and $306.7 million at June 30, 2013 and 2012, respectively. In connection with the investments in certain limited partnership agreements, the Foundation has $26.5 million and $8.9 million in committed calls as of June 30, 2013 and 2012, respectively, which are scheduled to be funded over a number of years. The University has entered an Energy Performance Contract that is being managed by the Commonwealth's Division of Capital Asset Management (DCAM) under its Clean Energy Investment Program. This project includes 32 energy conservation measures. The installation costs will be incurred over 2 phases with Phase 1 being approximately $18.0 million and Phase 2 being approximately $13.5 million. The term of these transactions is 20 years. The University has a commitment to the Commonwealth for Clean Energy Investment Program Funds used through June 30, 2013 and 2012 in the amount of $29.8 million and $16.2 million, respectively.

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 University of Massachusetts Building Authority located on a campus of the University, such as the Mullins Center, dining commons, and most dormitories, are insured by the Building 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. The University has recorded a liability for future expected costs of its workers' compensation claims of approximately $14.6 million as of June 30, 2013 and $14.3 million as of June 30, 2012. Estimated future payments related to such costs have been discounted at a rate of 4.0%.

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 University is aware that the Office of the Inspector General for the U.S. Department of Health and Human Services performed an audit of Medicaid Supplemental Revenues ("MSR") received by UMass Memorial Medical Center (UMMMC), the final report for which was issued December 2009. Portions of this report continue to be contested and the final outcome of this audit is currently unknown. Dependent on the final outcome, UMMMC may be required to repay any MSR received deemed to be disallowed as a result of the audit. Dependent on that outcome, the University, consistent with the Agreement for Medical Educational Services, made part of the Definitive Agreement between the University and UMMMC, and its subsequent amendments and the indemnification provisions in these Agreements, may be required to indemnify UMMMC for a portion of any amounts due. Although the final 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 University's financial position and results of operations.

Five Universities in the Commonwealth of Massachusetts jointly formed the Massachusetts Green High Performance Computing Center, Inc. (MGHPCC) and MGHPCC Holyoke, Inc. in May 2010 and April 2012, respectively, to construct and operate a research computing center located in Holyoke, Massachusetts. MGHPCC and MGHPCC Holyoke, Inc. are tax-exempt organizations under nternal Revenue Code section 501(c) (3). Each respective university agreed to contribute $10.0 million and as of June 30, 2013, each university had contributed the required amounts. The University will amortize its $10.0 million investment over ten years beginning this fiscal year. The University's unamortized $9.0 million investment is included in its Statement of Financial Position within Prepaids ($1.0 million) and Other Assets ($8.0 million).

16. SUBSEQUENT EVENT

On August 8, 2013, the Building Authority issued its $25.0 million Project and Refunding Revenue Bonds, Senior Series 2013-3 (the "2013-3 bonds"). The 2013-3 bonds were issued to finance and refinance a project set forth in the University's capital plan, the Edward M. Kennedy Institute for the United States Senate on the Boston campus of the University (the "EMK Project"). The proceeds of the 2013-3 bonds were used to finance the costs of such project, to fund capitalized interest on a portion of the 2013-3 bonds, to refund a portion of the Authority's Project Revenue Bonds, Senior Series 2009-1 allocable to the construction of the EMK Project, and to pay costs of issuing the 2013-3 bonds.

The 2013-3 bonds are due serially through 2043 with fixed interest rates ranging from 4.0% to 5.0%

On August 13, 2013, the Building Authority issued Commercial Paper Note, Series 2013 A and 2013 B in the amount of $25.0 million for each respective series, with a total amount outstanding of $50.0 million. The maximum aggregate principal amount of commercial paper which may be outstanding at one time is $200.0 million. A portion of these notes are secured by an Irrevocable Letter of Credit provided by State Street Bank with respect to the $125.0 million Commercial Paper Notes, Series 2013 A, which expires in August of 2013. The remaining $75.0 million Commercial Paper Notes, Series 2013 B are secured by a Standby Bond Purchase Agreement provided by U.S. Bank National Association, which expires in August 2016.

Management has evaluated subsequent events through December 18, 2013, which is the date the financial statements were available for issuance. There were no subsequent events that require adjustments to or disclosure in the financial statements.

University of Massachusetts
2013 Annual Financial Report
Supplemental Financial Information
Table of Contents

Grant Thornton

Grant Thornton LLP
75 State Street, 13th Floor
Boston, MA 02109-1827

T 617.723.7900
F 617.723.3640
GrantThornton.com
linkd.in/GrantThorntonUS
twitter.com/GrantThorntonUS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees of the
University of Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller of the United States, the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the University of Massachusetts as of and for the years ended June 30, 2013 and 2012, and our report thereon dated December 20, 2013 expressed an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on these basic consolidated financial statements as a whole.

The accompanying supplementary information listed in the accompanying index is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic consolidated financial statements as a whole.

Grant Thornton LLP

Boston, Massachusetts
December 20, 2013

University of Massachusetts
CENTRAL ADMINISTRATION
Statements of Net Position
As of June 30, 2013 and 2012
(in thousands of dollars)

	June 30, 2013	June 30, 2012
ASSETS		
Current Assets		
Cash and Cash Equivalents	$13,554	$7,854
Cash Held By State Treasurer	542	743
Accounts, Grants and Loans Receivable, net	2,996	2,386
Short Term Investments	41,890	46,901
Due From Other Campuses	500	182
Other Assets	4,268	4,218
Total Current Assets	63,750	62,284
Noncurrent Assets		
Cash and Securities Held By Trustees	44,470	70,549
Investments	121,082	88,781
Other Assets	8,385	9,404
Investment In Plant Net of Accumulated Depreciation	54,762	31,393
Total Noncurrent Assets	228,699	200,127
Total Assets	$292,449	$262,411
LIABILITIES		
Current Liabilities		
Accounts Payable	$7,125	$5,675
Accrued Salaries and Wages	1,566	1,336
Accrued Compensated Absences	3,991	3,632
Accrued Interest Payable	453	459
Bonds Payable	16,770	15,822
Due To Campuses	50,290	35,187
Due To Related Organizations	539	436
Deferred Revenues and Credits	1,243	2,067
Advances and Deposits	942	464
Other Liabilities	3,609	6,304
Total Current Liabilities	86,528	71,382
Noncurrent Liabilities		
Accrued Compensated Absences	475	375
Bonds Payable	56,488	57,412
Deferred Revenues and Credits	5	192
Total Noncurrent Liabilities	56,968	57,979
Total Liabilities	$143,496	$129,361
Net Position:		
Invested in Capital Assets Net of Related Debt	$20,312	$23,720
Restricted		
Nonexpendable	2,206	2,206
Expendable	24,372	25,168
Unrestricted	102,063	81,956
Total Net Position	$148,953	$133,050

University of Massachusetts
CENTRAL ADMINISTRATION
Statements of Revenues, Expenses and Changes in Net Position
For The Years Ended June 30, 2013 and 2012
(in thousands of dollars)

REVENUES	**June 30, 2013**	**June 30, 2012**
Operating Revenues		
Tuition and Fees	$7,024	$7,153
Federal Grants and Contracts	2,450	2,577
State Grants and Contracts	2,983	2,584
Local Grants and Contracts	173	78
Private Grants and Contracts	3,691	4,305
Sales and Service, Educational	2,023	1,478
Allocation from Campuses	60,710	55,898
Other Operating Revenues:		
Other	8,772	17,603
Total Operating Revenues	**87,826**	**91,676**
EXPENSES		
Operating Expenses		
Educational and General		
Instruction	12,507	13,058
Research	3,084	3,279
Public Service	1,144	1,149
Institutional Support	60,064	57,157
Operation and Maintenance of Plant	6,288	6,213
Scolarships and Fellowships	6	6
Depreciation and Amortization	5,641	5,879
Total Operating Expenses	**88,734**	**86,741**
Operating Income	**(908)**	**4,935**
NONOPERATING REVENUES/(EXPENSES)		
State Appropriations	10,847	12,730
State Appropriations - Federal Stimulus funds		7
Investment Return	4,760	2,089
Endowment Return	224	231
Interest on Indebtedness	(680)	172
Other Nonoperating Income	335	(78)
Net Nonoperating Revenues	**15,486**	**15,151**
Income Before Other Revenues, Expenses, Gains, and Losses	**14,578**	**20,086**
OTHER REVENUES, EXPENSES, GAINS, AND LOSSES		
Capital Grants and Contracts		2,282
Other Additions/(Deductions)	1,326	1,206
Total Other Revenues, Expenses, Gains, and Losses	**1,326**	**3,488**
Total Increase in Net Assets	**15,904**	**23,574**
NET POSITION		
Net Position at Beginning of Year	133,049	109,476
Net Position at End of Year	**$148,953**	**$133,050**

University of Massachusetts
AMHERST CAMPUS
Statements of Net Position
As of June 30, 2013 and 2012
(in thousands of dollars)

	June 30, 2013	June 30, 2012
ASSETS		
Current Assets		
Cash and Cash Equivalents	$27,226	$15,060
Cash Held By State Treasurer	11,299	6,815
Accounts, Grants and Loans Receivable, net	36,083	36,581
Pledges Receivable, net	1,761	1,444
Short Term Investments	57,465	97,686
Inventories, net	5,196	5,902
Due From Other Campuses	23,276	15,955
Other Assets	605	592
Total Current Assets	162,911	180,035
Noncurrent Assets		
Cash Held By State Treasurer	4,738	4,996
Cash and Securities Held By Trustees	155,081	217,426
Accounts, Grants and Loans Receivable, net	18,852	18,180
Pledges Receivable,net	2,318	1,588
Investments	249,222	215,069
Other Assets	6,817	7,450
Investment In Plant Net of Accumulated Depreciation	1,472,368	1,241,597
Total Noncurrent Assets	1,909,396	1,706,306
Total Assets	$2,072,307	$1,886,341
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Change in Fair Value of Interest Rate Swaps	$27,820	$49,888
LIABILITIES		
Current Liabilities		
Accounts Payable	$51,032	$47,224
Accrued Salaries and Wages	42,386	37,140
Accrued Compensated Absences	24,305	23,593
Accrued Workers' Compensation	2,020	2,226
Accrued Interest Payable	6,501	5,565
Bonds Payable	147,295	243,670
Capital Lease Obligations	4,184	4,039
Deferred Revenues and Credits	13,426	12,402
Advances and Deposits	690	510
Other Liabilities	8,034	6,090
Total Current Liabilities	299,873	382,459
Noncurrent Liabilities		
Accrued Compensated Absences	11,876	11,840
Accrued Workers' Compensation	5,017	4,885
Bonds Payable	630,900	458,437
Derivative Instrument , Interest Rate Swap	41,838	64,570
Capital Lease Obligations	2,148	6,332
Deferred Revenues and Credits	11,307	10,917
Advances and Deposits	13,348	12,998
Total Noncurrent Liabilities	716,434	569,979
Total Liabilities	$1,016,307	$952,438
Net Position:		
Invested in Capital Assets Net of Related Debt	$777,589	$685,396
Restricted		
Nonexpendable	3,971	3,963
Expendable	48,526	65,084
Unrestricted	253,734	229,348
Total Net Position	$1,083,820	$983,791

University of Massachusetts
AMHERST CAMPUS
Statements of Revenues, Expenses and Changes in Net Position
As of June 30, 2013 and 2012
(in thousands of dollars)

REVENUES	**June 30, 2013**	**June 30, 2012**
Operating Revenues		
Tuition and Fees (net of scholarship allowances of $89,345 at June 30, 2013 and $84,524 at June 30, 2012)	$323,331	$301,888
Federal Grants and Contracts	97,930	103,168
State Grants and Contracts	12,734	13,580
Local Grants and Contracts	316	530
Private Grants and Contracts	30,547	31,164
Sales and Service, Educational	8,615	7,339
Auxiliary Enterprises	195,577	177,650
Other Operating Revenues:		
Other	19,225	15,713
Total Operating Revenues	**688,275**	**651,032**
EXPENSES		
Operating Expenses		
Educational and General		
Instruction	294,707	283,236
Research	103,727	108,227
Public Service	24,882	27,357
Academic Support	56,305	56,433
Student Services	49,763	48,304
Institutional Support	59,033	55,203
Operation and Maintenance of Plant	77,610	80,231
Depreciation and Amortization	71,594	68,995
Scholarships and Fellowships	22,115	19,146
Auxiliary Enterprises	164,212	148,153
Total Operating Expenses	**923,948**	**895,285**
Operating Loss	**(235,673)**	**(244,253)**
NONOPERATING REVENUES/(EXPENSES)		
Federal Appropriations	6,774	6,845
State Appropriations	241,423	239,383
State Appropriations - Federal Stimulus funds		3
Gifts	13,950	13,750
Investment Return	19,471	8,591
Endowment Return	6,258	7,960
Interest on Indebtedness	(25,427)	(19,562)
Nonoperating Federal Grants	23,867	25,069
Other Nonoperating Income	(78)	(357)
Net Nonoperating Revenues	**286,238**	**281,682**
Income Before Other Revenues, Expenses, Gains, and Losses	**50,565**	**37,429**
OTHER REVENUES, EXPENSES, GAINS, AND LOSSES		
Capital Appropriations	52,934	62,480
Capital Grants and Contracts	3,226	5,389
Disposal of Plant Facilities	(3,978)	(4,667)
Other Additions/(Deductions)	(2,718)	(657)
Total Other Revenues, Expenses, Gains, and Losses	**49,464**	**62,545**
Total Increase in Net Assets	**100,029**	**99,974**
NET POSITION		
Net Position at Beginning of Year	983,791	883,817
Net Position at End of Year	**$1,083,820**	**$983,791**

University of Massachusetts
BOSTON CAMPUS
Statements of Net Position
As of June 30, 2013 and 2012
(in thousands of dollars)

	June 30, 2013	June 30, 2012
ASSETS		
Current Assets		
Cash and Cash Equivalents	$7,951	$5,765
Cash Held By State Treasurer	3,649	2,864
Accounts, Grants and Loans Receivable, net	22,803	23,246
Pledges Receivable, net	331	
Short Term Investments	23,983	40,606
Inventories, net	766	722
Due From Other Campuses	5,617	4,189
Other Assets	298	404
Total Current Assets	65,398	77,796
Noncurrent Assets		
Cash Held By State Treasurer	885	2,170
Cash and Securities Held By Trustees	302,781	246,172
Accounts, Grants and Loans Receivable, net	7,696	6,415
Pledges Receivable, net	718	
Investments	94,117	80,515
Other Assets	3,706	3,453
Investment In Plant Net of Accumulated Depreciation	302,084	231,286
Total Noncurrent Assets	711,987	570,011
Total Assets	$777,385	$647,807
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Change in Fair Value of Interest Rate Swaps	$1,102	$3,099
LIABILITIES		
Current Liabilities		
Accounts Payable	$14,902	$6,949
Accrued Salaries and Wages	17,764	15,674
Accrued Compensated Absences	10,827	10,347
Accrued Workers' Compensation	328	305
Accrued Interest Payable	3,657	2,658
Bonds Payable	37,172	20,554
Capital Lease Obligations	118	1,462
Deferred Revenues and Credits	5,585	5,626
Advances and Deposits	2,001	2,847
Other Liabilities	6,101	3,821
Total Current Liabilities	98,455	70,243
Noncurrent Liabilities		
Accrued Compensated Absences	3,978	3,952
Accrued Workers' Compensation	816	670
Bonds Payable	360,322	293,365
Capital Lease Obligations	90	207
Derivative Instrument, Interest Rate Swap	4,442	6,585
Deferred Revenues and Credits	783	1,317
Advances and Deposits	4,545	3,649
Other Liabilities	1,889	1,960
Total Noncurrent Liabilities	376,865	311,705
Total Liabilities	$475,320	$381,948
Net Position:		
Invested in Capital Assets Net of Related Debt	$187,018	$153,190
Restricted		
Nonexpendable	6,673	6,569
Expendable	18,387	18,292
Unrestricted	91,089	90,907
Total Net Position	$303,167	$268,958

University of Massachusetts
BOSTON CAMPUS
Statements of Revenues, Expenses and Changes in Net Position
For The Years Ended June 30, 2013 and 2012
(in thousands of dollars)

	June 30, 2013	June 30, 2012
REVENUES		
Operating Revenues		
Tuition and Fees (net of scholarship allowances of $31,413 at June 30, 2013 and $30,066 at June 30, 2012)	$153,084	$139,759
Federal Grants and Contracts	27,142	31,893
State Grants and Contracts	10,089	9,520
Local Grants and Contracts	1,127	1,589
Private Grants and Contracts	10,832	11,327
Sales and Service, Educational	3,000	2,546
Auxiliary Enterprises	9,743	10,054
Other Operating Revenues:		
Other	749	781
Total Operating Revenues	**215,766**	**207,469**
EXPENSES		
Operating Expenses		
Educational and General		
Instruction	134,004	127,268
Research	30,568	30,869
Public Service	11,125	11,084
Academic Support	30,356	27,098
Student Services	21,773	22,444
Institutional Support	32,732	31,250
Operation and Maintenance of Plant	24,026	25,606
Depreciation and Amortization	12,770	14,032
Scholarships and Fellowships	11,832	11,684
Auxiliary Enterprises	10,565	10,223
Total Operating Expenses	**319,751**	**311,558**
Operating Loss	**(103,985)**	**(104,089)**
NONOPERATING REVENUES/(EXPENSES)		
State Appropriations	89,435	87,749
Gifts	3,767	2,346
Investment Return	8,692	5,570
Endowment Return	1,718	2,285
Interest on Indebtedness	(9,570)	(6,593)
Nonoperating Federal Grants	20,817	20,365
Other Nonoperating Income		189
Net Nonoperating Revenues	**114,859**	**111,911**
Income Before Other Revenues, Expenses, Gains, and Losses	**10,874**	**7,822**
OTHER REVENUES, EXPENSES, GAINS, AND LOSSES		
Capital Appropriations	26,401	15,616
Capital Grants and Contracts		53
Disposal of Plant Facilities	(1,039)	(1,288)
Other Additions/(Deductions)	(2,029)	(1,879)
Total Other Revenues, Expenses, Gains, and Losses	**23,333**	**12,502**
Total Increase in Net Assets	**34,207**	**20,324**
NET POSITION		
Net Position at Beginning of Year	268,960	248,634
Net Position at End of Year	**$303,167**	**$268,958**

University of Massachusetts
DARTMOUTH CAMPUS
Statements of Net Position
As of June 30, 2013 and 2012
(in thousands of dollars)

	June 30, 2013	June 30, 2012
ASSETS		
Current Assets		
Cash and Cash Equivalents	$2,412	$1,658
Cash Held By State Treasurer	1,680	1,674
Accounts, Grants and Loans Receivable, net	23,753	13,047
Short Term Investments	3,879	7,151
Inventories, net	792	894
Due From Other Campuses	1,310	993
Due From Related Organizations	230	173
Other Assets	102	354
Total Current Assets	34,158	25,944
Noncurrent Assets		
Cash Held By State Treasurer	766	1,819
Cash and Securities Held By Trustees	54,725	49,849
Accounts, Grants and Loans Receivable, net	2,340	2,025
Investments	14,666	13,072
Other Assets	2,541	3,227
Investment In Plant Net of Accumulated Depreciation	318,533	273,250
Total Noncurrent Assets	393,571	343,242
Total Assets	$427,729	$369,186
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Change in Fair Value of Interest Rate Swaps	$5,496	$12,805
LIABILITIES		
Current Liabilities		
Accounts Payable	$6,490	$4,736
Accrued Salaries and Wages	10,357	9,342
Accrued Compensated Absences	5,829	5,529
Accrued Workers' Compensation	344	359
Accrued Interest Payable	1,505	1,744
Bonds Payable	89,332	66,009
Due To Other Campuses	500	182
Deferred Revenues and Credits	1,147	1,145
Advances and Deposits	1,191	1,320
Other Liabilities	3,660	2,969
Total Current Liabilities	120,355	93,335
Noncurrent Liabilities		
Accrued Compensated Absences	3,724	3,759
Accrued Workers' Compensation	855	788
Bonds Payable	123,813	136,190
Derivative Instrument, Interest Rate Swap	15,522	23,294
Deferred Revenues and Credits	295	200
Advances and Deposits	2,749	2,591
Other Liabilities	30,255	16,249
Total Noncurrent Liabilities	177,213	183,071
Total Liabilities	$297,568	$276,406
Net Position:		
Invested in Capital Assets Net of Related Debt	$118,144	$85,504
Restricted		
Expendable	7,516	8,151
Unrestricted	9,997	11,930
Total Net Position	$135,657	$105,585

University of Massachusetts
DARTMOUTH CAMPUS
Statements of Revenues, Expenses and Changes in Net Position
For The Years Ended June 30, 2013 and 2012
(in thousands of dollars)

REVENUES	**June 30, 2013**	**June 30, 2012**
Operating Revenues		
Tuition and Fees (net of scholarship allowances of $31,279	$76,821	$74,904
at June 30, 2013 and $30,000 June 30, 2012)		
Federal Grants and Contracts	9,421	10,863
State Grants and Contracts	6,268	7,546
Local Grants and Contracts	315	601
Private Grants and Contracts	3,850	5,084
Sales and Service, Educational	125	50
Auxiliary Enterprises	48,405	47,300
Other Operating Revenues:		
Other	5,079	6,356
Total Operating Revenues	**150,284**	**152,704**
EXPENSES		
Operating Expenses		
Educational and General		
Instruction	68,426	66,161
Research	18,274	18,852
Public Service	5,513	5,581
Academic Support	25,687	27,219
Student Services	10,971	10,159
Institutional Support	14,104	17,527
Operation and Maintenance of Plant	19,604	23,402
Depreciation and Amortization	13,438	11,409
Scholarships and Fellowships	6,011	8,116
Auxiliary Enterprises	30,055	31,425
Total Operating Expenses	**212,083**	**219,851**
Operating Loss	**(61,799)**	**(67,147)**
NONOPERATING REVENUES/(EXPENSES)		
State Appropriations	57,242	55,993
Investment Return	2,190	1,890
Endowment Income	1,509	1,430
Interest on Indebtedness	(8,434)	(7,873)
Nonoperating Federal Grants	10,492	12,779
Other Nonoperating Income	755	627
Net Nonoperating Revenues	**63,754**	**64,846**
Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses	**1,955**	**(2,301)**
OTHER REVENUES, EXPENSES, GAINS, AND LOSSES		
Capital Appropriations	16,037	30,650
Capital Grants and Contracts	13,813	
Disposal of Plant Facilities	(1,140)	(1,270)
Other Additions/(Deductions)	(593)	(170)
Total Other Revenues, Expenses, Gains, and Losses	**28,117**	**29,210**
Total Increase in Net Assets	**30,072**	**26,909**
NET POSITION		
Net Position at Beginning of Year	105,585	78,676
Net Position at End of Year	**$135,657**	**$105,585**

University of Massachusetts
LOWELL CAMPUS
Statements of Net Position
As of June 30, 2013 and 2012
(in thousands of dollars)

	June 30, 2013	June 30, 2012
ASSETS		
Current Assets		
Cash and Cash Equivalents	$6,996	$4,059
Cash Held By State Treasurer	5,088	3,774
Accounts, Grants and Loans Receivable, net	31,100	24,790
Pledges Receivable, net	659	795
Short Term Investments	17,186	25,070
Due From Other Campuses	5,732	3,875
Other Assets	706	313
Total Current Assets	67,467	62,676
Noncurrent Assets		
Cash Held By State Treasurer	2,787	2,558
Cash and Securities Held By Trustees	35,345	106,652
Accounts, Grants and Loans Receivable, net	4,874	4,869
Pledges Receivable, net	871	1,240
Investments	64,665	51,471
Other Assets	4,042	2,535
Investment In Plant Net of Accumulated Depreciation	478,769	342,341
Total Noncurrent Assets	591,353	511,666
Total Assets	$658,820	$574,342
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Change in Fair Value of Interest Rate Swaps	$5,789	$9,843
LIABILITIES		
Current Liabilities		
Accounts Payable	$17,910	$22,747
Accrued Salaries and Wages	16,402	15,380
Accrued Compensated Absences	8,676	7,912
Accrued Workers' Compensation	404	329
Accrued Interest Payable	2,856	2,086
Bonds Payable	20,272	53,283
Deferred Revenues and Credits	4,388	5,209
Advances and Deposits	1,516	894
Other Liabilities	7,919	3,379
Total Current Liabilities	80,343	111,219
Noncurrent Liabilities		
Accrued Compensated Absences	5,014	5,090
Accrued Workers' Compensation	1,003	723
Bonds Payable	277,573	197,864
Derivative Instruments, Interest Rate Swap	7,523	11,661
Deferred Revenues and Credits	3,238	1,393
Advances and Deposits	3,854	4,012
Other Liabilities	250	250
Total Noncurrent Liabilities	298,455	220,993
Total Liabilities	$378,798	$332,212
Net Position:		
Invested in Capital Assets Net of Related Debt	$193,871	$169,687
Restricted		
Nonexpendable	4,185	4,018
Expendable	14,946	11,043
Unrestricted	72,809	67,225
Total Net Position	$285,811	$251,973

University of Massachusetts
LOWELL CAMPUS
Statements of Revenues, Expenses and Changes in Net Position
For The Years Ended June 30, 2013 and 2012
(in thousands of dollars)

REVENUES	**June 30, 2013**	**June 30, 2012**
Operating Revenues		
Tuition and Fees (net of scholarship allowances of $34,956 at June 30, 2013 and $29,990 at June 30, 2012)	$139,748	$127,679
Federal Grants and Contracts	23,151	22,404
State Grants and Contracts	5,091	5,622
Local Grants and Contracts	322	279
Private Grants and Contracts	10,160	10,700
Sales and Service, Educational	129	375
Auxiliary Enterprises	36,188	32,564
Other Operating Revenues:		
Other	6,046	4,202
Total Operating Revenues	**220,835**	**203,825**
EXPENSES		
Operating Expenses		
Educational and General		
Instruction	105,148	101,858
Research	35,921	36,794
Public Service	1,321	1,824
Academic Support	22,656	23,058
Student Services	21,280	20,516
Institutional Support	39,316	39,376
Operation and Maintenance of Plant	30,056	32,737
Depreciation and Amortization	19,657	16,927
Scholarships and Fellowships	9,767	8,674
Auxiliary Enterprises	21,176	19,832
Total Operating Expenses	**306,298**	**301,596**
Operating Loss	**(85,463)**	**(97,771)**
NONOPERATING REVENUES/(EXPENSES)		
State Appropriations	79,228	77,868
Gifts	2,170	2,463
Investment Return	6,440	3,975
Endowment Return	1,554	1,329
Interest on Indebtedness	(9,625)	(5,310)
Nonoperating Federal Grants	15,410	15,695
Other Nonoperating Income	114	126
Net Nonoperating Revenues	**95,291**	**96,146**
Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses	**9,828**	**(1,625)**
OTHER REVENUES, EXPENSES, GAINS, AND LOSSES		
Capital Appropriations	17,164	41,220
Capital Grants and Contracts	5,613	2,105
Capital Contribution	3,000	
Disposal of Plant Facilities	(1,388)	(4,528)
Other Additions/(Deductions)	(379)	1,332
Total Other Revenues, Expenses, Gains, and Losses	**24,010**	**40,129**
Total Increase in Net Assets	**33,838**	**38,504**
NET POSITION		
Net Position at Beginning of Year	251,973	213,469
Net Position at End of Year	**$285,811**	**$251,973**

University of Massachusetts
WORCESTER CAMPUS
Statements of Net Position
As of June 30, 2013 and 2012
(in thousands of dollars)

	Worcester Campus June 30, 2013	Worcester Campus June 30, 2012	Worcester City Campus Corporation June 30, 2013	Worcester City Campus Corporation June 30, 2012	Eliminations June 30, 2013	Eliminations June 30, 2012	Combined Totals Memorandum Only June 30, 2013	Combined Totals Memorandum Only June 30, 2012
ASSETS								
Current Assets								
Cash and Cash Equivalents	$8,696	$6,966	$27,104	$20,407			$35,800	$27,373
Cash Held By State Treasurer	1,625	1,297					1,625	1,297
Accounts, Grants and Loans Receivable, net	118,558	125,400	695	2,290			119,253	127,690
Pledges Receivable, net	9,710	1,960					9,710	1,960
Short Term Investments	26,513	51,186					26,513	51,186
Inventories, net	13,015	13,924					13,015	13,924
Accounts Receivable UMass Memorial, net	12,690	5,808	44				12,734	5,808
Due From Other Campuses	14,355	10,175					14,355	10,175
Due From Related Organizations	1,907	1,480	48,343	41,801	($49,711)	($43,281)	539	
Other Assets	3,456	3,452	539	862			3,995	4,314
Total Current Assets	210,525	221,648	76,725	65,360	(49,711)	(43,281)	237,539	243,727
Noncurrent Assets								
Cash Held By State Treasurer	163	331					163	331
Cash and Securities Held By Trustees	30,365	129,146	24				30,389	129,146
Accounts, Grants and Loans Receivable, net	5,626	6,016		4,488			5,626	10,504
Investments	173,977	160,334					173,977	160,334
Other Assets	3,702	3,847	2,917	2,858			6,619	6,705
Investment In Plant Net of Accumulated Depreciation	664,682	582,793	414,318	395,526			1,079,000	978,319
Total Noncurrent Assets	878,515	882,467	417,259	402,872			1,295,774	1,285,339
Total Assets	$1,089,040	$1,104,115	$493,984	$468,232	($49,711)	($43,281)	$1,533,313	$1,529,066
LIABILITIES								
Current Liabilities								
Accounts Payable	$27,562	$79,750	$4,217	$2,706			$31,779	$82,456
Accrued Salaries and Wages	17,541	14,683					17,541	14,683
Accrued Compensated Absences	19,490	20,879					19,490	20,879
Accrued Workers' Compensation	1,102	1,248					1,102	1,248
Accrued Interest Payable	3,697	4,248	3,647	3,458			7,344	7,706
Bonds Payable	8,195	7,295	9,090	9,227			17,285	16,522
Accounts Payable UMass Memorial	4,364	3,613					4,364	3,613
Due to Related Organizations	48,184	41,907	1,907	1,480	($49,711)	($43,281)	380	106
Deferred Revenues and Credits	14,599	19,799					14,599	19,799
Advances and Deposits	1,606	4,119					1,606	4,119
Other Liabilities	19,759	12,200	3,448	3,504			23,207	15,704
Total Current Liabilities	166,099	209,741	22,309	20,375	(49,711)	(43,281)	138,697	186,835
Noncurrent Liabilities								
Accrued Compensated Absences	5,343	5,804					5,343	5,804
Accrued Workers' Compensation	2,738	2,739					2,738	2,739
Bonds Payable	390,198	397,574	305,482	283,632			695,680	681,206
Deferred Revenues and Credits	4,571	2,482					4,571	2,482
Advances and Deposits	3,447	3,447					3,447	3,447
Other Liabilities	3,500		504	534			4,004	534
Total Noncurrent Liabilities	409,797	412,046	305,986	284,166			715,783	696,212
Total Liabilities	$575,896	$621,787	$328,295	$304,541	($49,711)	($43,281)	$854,480	$883,047
Net Position:								
Invested in Capital Assets Net of Related Debt	$288,219	$289,045	$97,020	$95,629			$385,239	$384,674
Restricted								
Nonexpendable	1,023	1,017					1,023	1,017
Expendable	39,775	31,718	2,947	2,885			42,722	34,603
Unrestricted	184,127	160,548	65,722	65,177			249,849	225,725
Total Net Position	$513,144	$482,328	$165,689	$163,691			$678,833	$646,019

University of Massachusetts
WORCESTER CAMPUS
Statements of Revenues, Expenses and Changes in Net Position
For The Years Ended June 30, 2013 and June 30, 2012
(in thousands of dollars)

	Worcester Campus June 30, 2013	Worcester Campus June 30, 2012	Worcester City City Campus Corporation June 30, 2013	Worcester City City Campus Corporation June 30, 2012	Eliminations June 30, 2013	Eliminations June 30, 2012	Combined Totals Memorandum Only June 30, 2013	Combined Totals Memorandum Only June 30, 2012
REVENUES								
Operating Revenues								
Tuition and Fees (net of scholarship allowances of $2,760 at June 30, 2013 and $2,840 at June 30, 2012)	$14,367	$14,107					$14,367	$14,107
Federal Grants and Contracts	174,603	184,887					174,603	184,887
State Grants and Contracts	33,140	30,462					33,140	30,462
Private Grants and Contracts	48,391	47,782					48,391	47,782
Sales and Service, Educational	5,345	7,523					5,345	7,523
Auxiliary Enterprises	33,101	30,388			($3,470)		29,631	30,388
Other Operating Revenues:								
Sales and Service, Independent Operations	46,062	61,087					46,062	61,087
Sales and Service, Public Service Activities	446,925	382,861	$33,277	$32,449	(33,083)	($31,455)	447,119	383,855
Other	42,674	42,257	57,238	45,697	(38,944)	(32,861)	60,968	55,093
Total Operating Revenues	**844,608**	**801,354**	**90,515**	**78,146**	**(75,497)**	**(64,316)**	**859,626**	**815,184**
EXPENSES								
Operating Expenses								
Educational and General								
Instruction	53,969	48,743			(74)	(110)	53,895	48,633
Research	215,744	221,028			(86)		215,658	221,028
Public Service	30,657	28,836					30,657	28,836
Academic Support	12,129	14,061			(102)	(102)	12,027	13,959
Student Services	5,950	5,823					5,950	5,823
Institutional Support	58,067	56,480			(275)	(513)	57,792	55,967
Operation and Maintenance of Plant	50,956	49,343	26,100	17,906	(30,191)	(20,146)	46,865	47,103
Depreciation and Amortization	41,582	26,599	20,579	19,325			62,161	45,924
Auxiliary Enterprises	24,557	27,800			(1,800)	(1,800)	22,757	26,000
Other Expenditures								
Independent Operations	54,434	60,339			(6,608)	(6,605)	47,826	53,734
Public Service Activities	334,845	304,812	28,809	24,179	(36,361)	(35,040)	327,293	293,951
Total Operating Expenses	**882,890**	**843,864**	**75,488**	**61,410**	**(75,497)**	**(64,316)**	**882,881**	**840,958**
Operating Income/(Loss)	**(38,282)**	**(42,510)**	**15,027**	**16,736**			**(23,255)**	**(25,774)**
NONOPERATING REVENUES/(EXPENSES)								
State Appropriations	41,136	43,669					41,136	43,669
Gifts	10,157	3,584					10,157	3,584
Investment Return	13,933	4,640	551	437			14,484	5,077
Endowment Return	2,351	2,388					2,351	2,388
Interest on Indebtedness	(23,759)	(11,234)	(13,869)	(14,034)			(37,628)	(25,268)
Other Nonoperating Income	1,240	273					1,240	273
Net Nonoperating Revenues	**45,058**	**43,320**	**(13,318)**	**(13,597)**			**31,740**	**29,723**
Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses	**6,776**	**810**	**1,709**	**3,139**			**8,485**	**3,949**
OTHER REVENUES, EXPENSES, GAINS, AND LOSSES								
Capital Appropriations	45	401					45	401
Capital Grants and Contracts	16,695	34,062					16,695	34,062
Disposal of Plant Facilities	(1,248)	(1,601)	(9)	(252)			(1,257)	(1,853)
Contributions for Capital Expenditures			1,514	(345)			1,514	(345)
Other Additions/Deductions	8,548	4,918	(1,216)	(2,433)			7,332	2,485
Total Other Revenues, Expenses, Gains, and Losses	**24,040**	**37,780**	**289**	**(3,030)**			**24,329**	**34,750**
Total Increase in Net Assets	**30,816**	**38,590**	**1,998**	**109**			**32,814**	**38,699**
NET POSITION								
Net Position at Beginning of Year	482,328	443,738	163,691	163,582			646,019	607,320
Net Position at End of Year	**$513,144**	**$482,328**	**$165,689**	**$163,691**			**$678,833**	**$646,019**

Combining Statements of Net Position for University Related Organizations as of June 30, 2013 and 2012
(in thousands of dollars)

Supplemental Schedule I

ASSETS	Total June 30, 2013	Eliminations and Adjustments June 30, 2013	The University of Massachusetts Foundation, Inc. June 30, 2013	University of Massachusetts Dartmouth Foundation, Inc. June 30, 2013	Total June 30, 2012	Eliminations and Adjustments June 30, 2012	The University of Massachusetts Foundation, Inc. June 30, 2012	University of Massachusetts Dartmouth Foundation, Inc. June 30, 2012
Current Assets								
Accounts, Grants and Loans Receivable, net								
Pledges Receivable, net	$887	($6,114)	$6,513	$488	$1,648	($7,712)	$8,325	$1,034
Due From Related Organizations	380	380			542	451		91
Other Assets	2,563		2,550	13	407		401	6
Total Current Assets	**3,830**	**(5,734)**	**9,063**	**501**	**2,597**	**(7,261)**	**8,726**	**1,131**
Noncurrent Assets								
Cash and Cash Equivalents	1,041		81	960	778		84	694
Pledges Receivable, net	1,109	(9,333)	8,978	1,464	8,586	(7,755)	14,721	1,619
Investments	389,376	(628,633)	970,061	47,948	355,088	(511,083)	822,949	43,222
Other Assets	173		113	60	64		7	57
Investment In Plant Net of Accumulated Depreciation	8,619		8,619		8,822		8,822	
Total Noncurrent Assets	**400,318**	**(637,966)**	**987,852**	**50,432**	**373,338**	**(518,838)**	**846,583**	**45,592**
Total Assets	**$404,148**	**($643,700)**	**$996,915**	**$50,933**	**$375,934**	**($526,098)**	**$855,309**	**$46,723**
LIABILITIES								
Current Liabilities								
Accounts Payable	$94		$13	$81	$49		$40	$9
Due To Related Organizations	230	(5,409)		5,639	173	($4,644)		4,817
Assets Held on Behalf of the University		(585,005)	585,005			(472,119)	472,119	
Assets Held on Behalf of Others	12,307		12,307		11,978		11,978	
Deferred Revenues and Credits	1,973		1,973		2,412		2,412	
Total Current Liabilities	**14,604**	**(590,414)**	**599,298**	**5,720**	**14,612**	**(476,763)**	**486,549**	**4,826**
Noncurrent Liabilities								
Notes Payable								
Other Liabilities	3,332		3,332		3,487	177	3,310	
Total Noncurrent Liabilities	**3,332**		**3,332**		**3,487**	**177**	**3,310**	
Total Liabilities	**$17,936**	**($590,414)**	**$602,630**	**$5,720**	**$18,099**	**($476,586)**	**$489,859**	**$4,826**
Net Position:								
Invested in Capital Assets Net of Related Debt	$8,619	$8,619			$8,822	$8,822		
Restricted								
Nonexpendable	290,858	(43,525)	$303,973	$30,410	273,995	(47,539)	$286,266	$35,268
Expendable	74,706	(9,761)	71,889	12,578	60,278	(1,973)	56,225	6,026
Unrestricted	12,029	(8,619)	18,423	2,225	14,740	(8,822)	22,959	603
Total Net Position	**$386,212**	**($53,286)**	**$394,285**	**$45,213**	**$357,835**	**($49,512)**	**$365,450**	**$41,897**

Combining Statements of Revenues, Expenses, and Changes in Net Position for University Related Organizations
For The Years Ended June 30, 2013 and 2012
(in thousands of dollars)

Supplemental Schedule II

	Total June 30, 2013	Eliminations and Adjustments June 30, 2013	The University of Massachusetts Foundation, Inc. June 30, 2013	University of Massachusetts Dartmouth Foundation, Inc. June 30, 2013	Total June 30, 2012	Eliminations and Adjustments June 30, 2012	The University of Massachusetts Foundation, Inc. June 30, 2012	University of Massachusetts Dartmouth Foundation, Inc. June 30, 2012
EXPENSES								
Operating Expenses								
Educational and General								
Public Service	$12,573	($732)	$10,308	$2,997	$15,240	($1,000)	$14,302	$1,938
Depreciation	202		202		203		203	
Scholarships and Fellowships	77	(1,175)	561	691	462	(1,045)	805	702
Total Operating Expenses	**12,852**	**(1,907)**	**11,071**	**3,688**	**15,905**	**(2,045)**	**15,310**	**2,640**
Operating Income/(Loss)	**(12,852)**	**1,907**	**(11,071)**	**(3,688)**	**(15,905)**	**2,045**	**(15,310)**	**(2,640)**
NONOPERATING REVENUES/(EXPENSES)								
Gifts	9,452	217	6,300	2,935	8,891	(802)	7,862	1,831
Investment Income	24,540	(35,589)	57,662	2,467	(5,255)	1,346	(6,264)	(337)
Endowment Income	1,160	(13,936)	15,096		95	(13,592)	13,687	
Net Nonoperating Revenues	**35,152**	**(49,308)**	**79,058**	**5,402**	**3,731**	**(13,048)**	**15,285**	**1,494**
Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses	**22,300**	**(47,401)**	**67,987**	**1,714**	**(12,174)**	**(11,003)**	**(25)**	**(1,146)**
OTHER REVENUES, EXPENSES, GAINS, AND LOSSES								
Additions to Permanent Endowments	16,056	(844)	16,457	443	19,604	1,466	16,793	1,345
Less: Amounts Earned/Received on Behalf of the University		(637)	637			(20,677)	20,677	
Less: Amounts Earned/Received on Behalf of Others	(928)		(928)		107		107	
Distribution to University		46,764	(46,764)			32,107	(32,107)	
Other Additions/Deductions	(9,051)	(1,656)	(8,554)	1,159	(123)	(144)	21	
Total Other Revenues, Expenses, Gains, and Losses	**6,077**	**43,627**	**(39,152)**	**1,602**	**19,588**	**12,752**	**5,491**	**1,345**
Total Increase/(Decrease) in Net Assets	**28,377**	**(3,774)**	**28,835**	**3,316**	**7,414**	**1,749**	**5,466**	**199**
NET POSITION								
Net Position at Beginning of Year	357,835	(49,512)	365,450	41,897	350,421	(51,261)	359,984	41,698
Net Position at End of Year	**$386,212**	**($53,286)**	**$394,285**	**$45,213**	**$357,835**	**($49,512)**	**$365,450**	**$41,897**

[Intentionally Left Blank]

APPENDIX D

SUMMARY OF LEGAL DOCUMENTS

[Intentionally Left Blank]

APPENDIX D-1

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 Project 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.

"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.

"Business Day" shall mean any day other than a Saturday, Sunday or day on which the New York Stock Exchange or banking institutions are authorized or required by law or executive order to be closed for commercial banking purposes in New York or Massachusetts, or in any city in which is located the designated corporate trust office of the Trustee.

"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 the Amended and Restated Master Contract for Financial Assistance, Management and Services dated as of February 25, 2014 by and among the Authority, the University and the Commonwealth, as such Contract may be supplemented from time to time to make additional Projects and Authority bonds or notes subject to the terms thereof.

"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. "Derivative" 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 2014-1 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 2014-1 Bonds from gross income for federal income tax purposes or the exemption from taxation of the

Series 2014-1 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.

"Fitch" shall mean Fitch Ratings, 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, *"Fitch"* 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.

"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.

"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 (i) insured by the Federal Deposit Insurance Corporation or any successor thereof, or (ii) 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.

"MDFA Financing Agreements" means those certain financing agreements entered into between the University and the Massachusetts Health and Educational Facilities Authority and its successor, the Massachusetts Development Finance Agency ("HEFA") in connection with the issuance of bonds by HEFA the for the benefit of the University or portions thereof.

"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 with the Agreement 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 (ii) 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 this 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.

"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.

"Specific Revenue Projects" shall mean such projects as designated by the Authority in the Contract for which specific fees will be set by the Authority.

"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.

PLEDGE AND ASSIGNMENT OF THE AUTHORITY PURSUANT TO THE AGREEMENT

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.

(d) 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.

(e) 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.

(f) 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:

(a) 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)

(b) 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)

(c) 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)

(d) Optional Redemption Account

(6) Section 10 Reserve Fund

(7) Property Fund:

(a) General Account

(b) Insurance Proceeds Account

(c) 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)

(d) 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 of 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:

<u>First</u>, 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 portion 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, 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 centum (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 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) to add 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.

APPENDIX D-2

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 "Project Trust Agreement") or the Trust Agreement dated as of December 1, 2000 by and between the Authority and the trustee named therein or its successor (the "Facilities Trust Agreement" and together with the Project Trust Agreement, the "Trust Agreements"). Bonds issued pursuant to the Project Trust Agreement are referred to herein as "Project Revenue Bonds," and bonds issued pursuant to the Facilities Trust Agreement are referred to herein as "Facilities Revenue Bonds." The trustees named in each Trust Agreement are referred to herein as the "Bond Trustee."

PROJECTS

General

From time to time, upon the request of the University, the Authority undertakes Projects on behalf of the Commonwealth and the University. The Prior Projects are listed in the Contract. Additional Projects will become subject of the terms of the Contract upon designation thereof by the Authority and the University, as evidenced by the listing of such Projects on a Certificate delivered by the Authority and the University. Delivery of the Certificate makes the Projects listed thereon, in addition to the Prior Projects, subject to the terms of the Contract, so long as any bonds or notes of the Authority remain outstanding.

Undertaking and Completion of Projects by the Authority and the University

The Authority shall proceed with all reasonable speed to undertake, acquire, plan, construct, and complete the Projects in accordance with the written requests authorized by the University of Massachusetts Board of Trustees (the "University Trustees"), subject to such further approvals by the University Trustees and other officials as may be required by the Act or the Contract. The Authority may use any mode of procurement of acquisition, design and construction with regard to each Project that is from time to time permitted by the Act or other applicable law.

The Authority may engage such consulting architects, engineers, and other experts as it deems advisable in connection with the Projects. The plans and specifications for each of the Projects shall comply, or provide for compliance, with all applicable building codes, laws relating to health, safety and access and other applicable laws, and with all applicable rules and regulations promulgated thereunder by any governmental authority including without limitation executive orders issued by the Governor of the Commonwealth. Upon award of a contract or contracts for the doing of any work included in, or in connection with any acquisitions of, the Projects, as applicable, the Authority shall provide and maintain competent and adequate architectural and engineering observation of the Projects as the Authority deems appropriate until acceptance thereof by the University Trustees for occupancy. The Authority and the University Trustees shall permit each other free access to the Projects at all times. The Authority shall permit the University Trustees to examine such records of the Authority pertaining to the Projects as the University Trustees may desire, and the University Trustees shall permit the Authority to examine such records of the University and the Commonwealth pertaining to the Projects as the Authority may desire.

The Authority and the University Trustees shall use their best efforts to cause the Projects to be completed or acquired, as applicable, so as to be ready for use (and, where applicable, occupancy) as promptly as reasonably possible and, upon completion of all work in connection with any of the Projects, the Authority shall furnish or cause to be furnished to the University Trustees a certificate or certificates to the effect that such work has been completed free from defects and inadequacies and otherwise in conformity with the working drawings and detail specifications as amended or modified by any change order or additional work authorizations, that no mechanics', laborers', materialmen's or other liens exist or can be created on the Projects on account of such work, and that the Authority has made payment or cause such payment to be made in full for the doing of the work or acquisition in question, or has made other proper arrangements so that it is no longer liable for any claims for payment for such work or materials or supplies furnished to such portion of the Projects; or that the Authority is disputing any such claims.

During the period the Projects are being undertaken and completed the University Trustees shall also furnish to the site thereof (a) steam or other sources 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 University Trustees for the doing of work upon the Projects.

Operation, Maintenance and Repair of Projects

The Authority and the University, as applicable, shall administer and operate each of the Projects in accordance with the Act, the Contract and the applicable Trust Agreement.

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 tax-exempt bonds or notes issued by the Authority. The University will avoid such private use of the Projects, which would jeopardize the tax-exempt status of the tax-exempt bonds or notes. During the time that any tax-exempt bond or note 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 such bonds or notes and will not enter into any transaction which might result in a private use without notifying the Authority.

Fees, Rents, Rates and Other Charges for Projects

The Authority or the University, as applicable, shall establish and revise rules and regulations to ensure the use (and, where applicable, occupancy) of, and fix and revise fees, rents, rates and other charges allocable to 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 or allocable to the Projects (collectively, the "Revenues") (x) 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 (y) so as to provide Revenues sufficient to:

(i) pay the cost of maintaining, repairing and operating the Projects;

(ii) 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 notes or bonds secured or provided for under the Trust Agreements or other instruments, 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;

(iii) pay the principal of (including Sinking Fund Installments) and the interest on notes and bonds issued to finance or refinance the Projects, as such principal and interest shall become due and payable;

(iv) 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 tax-exempt bonds or notes 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;

(v) 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 bonds or notes;

(vi) 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 the Trust Agreement or the Contract; and

(vii) 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.

Other Obligations of the University for Projects

The University Trustees shall make available to the Authority the services of officers and employees of and facilities in the University for the performance of any and all activities with respect to the Projects as necessary to operate them in furtherance of the purposes of the University and to maintain the Projects in good order and repair, as determined by the University.

In performing the foregoing services the University Trustees may act in the name of the Commonwealth or in their name, as may be consistent with law, and in their discretion as to the manner, method and time of performance.

The obligation of the University Trustees under the Contract 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.

Other Obligations of the Authority for Projects

The Authority shall at all times conduct its business and affairs in such manner that:

(i) 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; and

(ii) 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.

The Authority shall account separately for all revenues, income, reserves and funds, from whatever source, received or held by the Authority for:

(i) the undertaking, acquisition, completion, operation or maintenance of the Projects;

(ii) for any of the purposes set forth in any resolution authorizing the issue of bonds or notes or in the Trust Agreements or other instruments;

(iii) 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;

(iv) for Projects and property of the Authority for which the Authority has issued notes or bonds;

(v) for bonds and notes to be refunded by bonds issued under either Trust Agreement;

provided that the Authority may, except as otherwise provided in the Trust Agreements or other instrument or any Authority resolution relating to bonds or notes to be refunded by bonds to be issued under the Trust Agreements, 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 or notes 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.

Pursuant to the Contract, the Authority authorizes and directs the University 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 University 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.

Insurance

The Authority shall purchase and maintain in effect with respect to each of its Projects policies of insurance and fidelity bonds against such risks and losses and in such amounts as it shall deem to be reasonable.

ISSUANCE OF BONDS OR NOTES

General

From time to time, the Authority shall issue bond or notes to achieve its corporate purposes in undertaking Projects on behalf of the Commonwealth and the University and paying related expenses or to refund prior indebtedness of the Authority or other indebtedness with respect to the University, all as set forth in the Act. The bonds or notes shall be issued pursuant to the Trust Agreements or other instruments permitted by the Act. The Prior Bonds subject to the terms of the Contract are listed in the Contract. Additional bonds or notes will become subject to the terms of the Contract upon designation thereof by the Authority and the University, as set forth in the Certificate related to such bonds or notes. The Certificate shall set forth (i) whether the bonds or notes constitute Facility Revenue Bonds, Project Revenue Bonds or other bonds or notes issued under the Trust Agreements or other instrument, and (ii) the aggregate principal amount of such indebtedness. The Authority shall apply the proceeds of the bonds or notes as set forth in the Act, the applicable Trust Agreement, the applicable Series Resolution and the Certificate with respect to such bonds or notes.

Commonwealth Guaranty for Certain Bonds and Notes

In accordance with the Act, certain bonds and notes of the Authority will be guaranteed by the Commonwealth with the approval of the University Trustees, acting on behalf of the Commonwealth. The Prior Bonds of the Authority guaranteed by the Commonwealth are listed in the Contract (the "Prior Guaranteed Bonds"). From time to time, the Authority may issue additional bonds or notes guaranteed by the Commonwealth, as determined by the Authority and the University Trustees, on behalf of the Commonwealth, as set forth in the Certificate with respect to such bonds or notes.

With respect to the Prior Guaranteed Bonds and other guaranteed bond or notes so designated in a Certificate, the Commonwealth agrees to guarantee to the Owners thereof and to the Bond Trustee, as trustee for such Owners, the payment of the principal of and interest on all of the guaranteed bonds or notes 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 agrees to make such payment as the same becomes due and payable and pledges its full faith and credit for the performance of this guaranty, provided that the total outstanding 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.

Such guaranteed bonds or notes shall include a guaranty in the form of Exhibit B to the Contract executed by the University Trustees, on behalf of the Commonwealth.

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 indebtedness.

In accordance with the Act, the Section 10 Reserve Account shall be funded in connection the issuance of guaranteed bonds or notes in an amount determined in accordance with the Act and the Trust Agreement. Moneys in the Section 10 Reserve Fund may be applied as set forth in the Trust Agreements and Series Resolutions.

Special Provisions for Facilities Revenue Bonds

A Capital Improvements Reserve Account shall be funded in connection the issuance of Facilities Revenue Bonds in an amount determined by the Authority, in consultation with the University. Moneys in the Capital Improvements Reserve Account may be applied to any lawful purpose of the Authority, all as set forth in the Trust Agreements and Series Resolutions.

Special Provisions for Derivatives

In connection with any Derivatives related to bonds or notes issued by the Authority, the Authority shall establish a General Reserve Fund. The Authority shall deposit into the General Reserve Fund from time to time, amounts received by the Authority on account of the Derivatives related to the bonds or notes, initially based on an amount equal to .19875% per annum of the notional amounts thereof or such other amount as determined by the Authority and set forth in a Series Resolution with respect the bonds or notes related to the Derivative. 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.

SECURITY FOR PAYMENT OF BONDS AND NOTES

General Obligation of the University

Pursuant to the Contract, the University Trustees pledge all funds of the University permitted by law to be applied thereto, to the making of all payments required under the Contract, including without limitation all payments of debt service on bonds or notes issued by the Authority under the Act and the Trust Agreements or other instruments and payments with respect to any Liquidity Facility, Credit Facility or Derivatives. **Notwithstanding the foregoing, this pledge does not apply to payments with respect to bonds or notes issued for Specific Revenue Projects under the Facilities Trust Agreement**.

Without limiting the generality of the foregoing, the University Trustees, in the name and on behalf of the Commonwealth, pledge to the making of payments required by the Contract the Unrestricted Net Assets, Authority Eligible Gifts, University Eligible Gifts and Trust Funds, each as defined in Exhibit C to the Contract.

Pledge of the University for Bonds and Notes Related to Specific Revenue Projects

Pursuant to the Contract, the University Trustees pledge to the making of all payments required under the Contract with respect to bonds or notes issued for Specific Revenue Projects under the Facilities Trust Agreement, revenues generated from the rates and charges established by the University for such Specific Revenue Project, including amounts which constitute Authority Eligible Gifts, University Eligible Gifts and Trust Funds. Amounts payable under the Contract with respect to Specific Revenue Projects are not secured by the general obligation of the University, including without limitation Unrestricted Net Assets.

General Provisions Related to Pledged Funds

All Revenues collected or received by the Commonwealth or the University, 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, and needed to pay the Certified Amount shall be held in trust by the University for the Authority and paid to the Authority, as applicable, separate from all other moneys held by the University or the Commonwealth. Such amounts ("Pledged Funds") shall be applied solely as provided in the Act, the Contract, the Series Resolutions or the Trust Agreements and shall be remitted by the University Trustees to the Bond Trustee under the Trust Agreements or the Authority, as applicable, at such times and in such amounts as may be directed in writing by the Authority in accordance with the Authority's annual certification process described below under subsection (D) of this Section IV.

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 University Trustees shall take all actions necessary to protect and effectuate such pledge provided, however, that nothing in this Section shall be deemed to limit the right of the University Trustees, to the extent permitted by law, to create a pledge, lien or other charge on any or all such Pledged Funds to other Projects and bonds and notes issued for such Projects in accordance with the Contract or on a basis junior and subordinate to the pledge created by the Contract.

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 (hereinafter defined) required to be paid therefrom and to provide for any other payments required under the HEFA Financing Agreements.

Authority Certification of Amounts Due under the Contract

On or before March 1 of each year for the twelve-month period commencing the next succeeding November 1, the Authority shall certify in writing to the University 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 or notes, 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 University Trustees to reimburse Specific Revenue Project expenses 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.

University Certification of Unrestricted Net Assets

On or before April 1 of each year, the University shall certify in writing to the Authority whether or not there are sufficient funds in the Unrestricted Net Assets to pay the Certified Amounts 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.

The University Trustees authorize and, pursuant to Chapter 3A of Chapter 75 of the Massachusetts General Laws and other applicable law or resolution, delegate power to the President of the University, the Senior Vice President for Administration and Finance & Treasurer 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 under the Contract.

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 of the Contract. The Authority shall promptly notify the University Trustees in writing of the matters set forth in the foregoing sentence. Pursuant to the Contract, the University Trustees approve, and agree to confirm such approval from time to time, all fees, rents, rates and other charges adopted or revised by the Authority pursuant to 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.

Payments from Pledged Funds

The University Trustees on behalf of the University will transfer to the Authority or the Bond Trustees, as applicable, amounts required to pay the Certified Amount (defined in *Authority Certification of Amounts Due under the Contract* above), including but not limited to the amounts necessary to pay principal of, premium if any, and interest on the Prior Bonds and on additional bonds and notes issued by the Authority from all funds of the University legally permitted to be applied thereto, including, but not limited to University Eligible Gifts, Authority Eligible Gifts, other available Revenues of the University, including without limitation, amounts available in the University's Unrestricted Net Assets.

Expenses incurred by the University Trustees in connection with the repair and maintenance of the Projects shall be paid for or reimbursed to the University Trustees from the Pledged Funds. The Authority, in its discretion, may (a) authorize the University Trustees to deduct from the Pledged Funds, prior to remittance thereof to the Bond Trustee, amounts equal to amounts budgeted by the Authority for such expenses, or (b) instruct the University Trustees to certify to the Authority the amount of such expenses, if any, incurred by the University Trustees and not authorized to be deducted, such amounts to be reimbursed to the University Trustees from Pledged Funds transmitted to the Bond Trustee. Any amount deducted by the University 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 University Trustees within 30 days and shall be retained by the University 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 University Trustees shall remit to the Authority such portion of the Pledged Funds deducted under (a) as is necessary to reimburse the Authority.

DEFAULTS AND RIGHTS

Upon the failure of the Authority to pay debt service on any bond or note issued by the Authority (other than as a result of the failure of the University Trustees under the Contract) or to observe or perform any other agreement or condition under the Contract (or failure to cure the same), after 15 days notice thereof to the Authority by the University Trustees, the Authority shall be deemed to be in default under the Contract. Thereupon, the Commonwealth may, acting by and through the University Trustees, assume the rights and obligations of the Authority under the Contract until such time as the University Trustees may declare the default to be cured.

Upon the failure of the Authority or the University 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 University Trustees, as the case may be, shall be deemed in default under the Contract. Thereupon, the Authority or the Trustee may institute legal proceedings to enforce such covenant or requirement or to enforce the pledge and lien granted under the 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, including without limitation and upon agreement of the parties, mediation or arbitration. Without limiting the generality of the foregoing, in the case of an Authority default, the Commonwealth may, acting by and through the University Trustees, assume the rights and obligations of the Authority under the Contract until such time as the University Trustees may declare the default to be cured, and, in the case of the University 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 University Trustees, shall in any way affect the obligations of the University Trustees under the Contract. No action by the University Trustees under the Contract, and no default or breach by the Authority, shall in any way affect the obligations of the Commonwealth under the Contract. Whenever a breach of the Contract, whether substantial or otherwise, and whether before or after notice of the breach has been given to the Authority or the University Trustees, has been corrected, the obligations and rights under the Contract shall be reinstated and performance of the Contract shall continue as if such breach had never occurred.

The University Trustees, the University or the Authority may, to the extent authorized by law, act under the Contract or authorize an officer or officers to act in their name thereunder, and the action of any duly authorized officer or committee of the University Trustees, the University or the Authority shall be deemed to be the action of the Commonwealth, acting by and through the University Trustees, the University or the Authority, as the case may be.

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

NOTICES AND DEMANDS

Any notice or demand permitted or required under the Contract to be given or served by any of the parties to the Contract to or upon another party to the Contract 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 University 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, 33rd Floor, Boston, Massachusetts 02110 or such other place as the University Trustees may designate by written notice to the Authority. The principal office of the Authority shall be deemed to be 225 Franklin Street, 12th Floor, Boston, Massachusetts 02110 or such other place as the Authority may designate by written notice to the President of the University.

NON-ASSIGNABILITY

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 under the Contract and to enforce the provisions of the Contract may be assigned to the Bond Trustee.

AMENDMENTS

The Contract may be amended only by the execution of an Amendment in writing by the Authority, the University Trustees and the Commonwealth, acting by and through the University Trustees, or their successors.

[Intentionally Left Blank]

APPENDIX E

PROPOSED FORM OF OPINIONS OF BOND COUNSEL

MINTZ LEVIN

One Financial Center
Boston, MA 02111
617-542-6000
617-542-2241 fax
www.mintz.com

[Closing Date]

University of Massachusetts Building Authority
225 Franklin Street, 12th Floor
Boston, MA 02110

Re: University of Massachusetts Building Authority (the "Authority") Project Revenue Bonds, Senior Series 2014-1 (the "Series 2014-1 Bonds) and Project Revenue Bonds, Senior Series 2014-2 (Federally Taxable) (the "Series 2014-2 Bonds" and together with the Series 2014-1, the "Bonds")

We have acted as bond counsel to the Authority in connection with the issuance by the Authority of the 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 2014-1 Bonds adopted by the Authority on September 12, 2013 (the "2014-1 Series Resolution") and the Series Resolution Authorizing the Issuance of the Series 2014-2 Bonds adopted by the Authority on September 12, 2013 (the "2014-2 Series Resolution" and together with the 2014-1 Series Resolution, the "Series Resolutions"). 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 Amended and Restated Master Contract for Financial Assistance, Management and Services dated as of February 25, 2014 (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 Series Resolutions.

Under the Trust Agreement, the Authority has pledged certain revenues (the "Revenues") for the payment of the principal of and interest on the 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 Series Resolutions, perform the agreements on its part contained therein and issue the Bonds.

2. The Trust Agreement, the Series Resolutions 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 Bonds issued thereunder on a parity with other bonds issued under the Trust Agreement.

5. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding limited obligations of the Authority, payable solely from the Revenues and other funds provided therefor in the Trust Agreement. Neither the Commonwealth nor any political subdivision or instrumentality thereof, including the Authority, is obligated to pay the principal of or redemption premium, if any, or interest on the Bonds except from the Revenues and other funds provided therefor as aforesaid in the Trust Agreement and the Series Resolutions, and neither the faith and credit nor the taxing power of the Commonwealth nor of any political subdivision or instrumentality thereof, including the Authority, is pledged to the payment of the principal of or redemption premium, if any, or interest on the Bonds.

For the Series 2014-1 Bonds only:

6. Interest on the Series 2014-1 Bonds will not be included in the gross income of the holders of the Series 2014-1 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 2014-1 Bonds in order that interest thereon is and continues to be excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Series 2014-1 Bonds to be included in the gross income of holders of the Series 2014-1 Bonds retroactive to the date of issuance of the Bonds. Interest on the Series 2014-1 Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations and will be included in the "adjusted current earnings" when calculating corporate alternative minimum taxable income under section 56(g) of the Code in the computation of the alternative minimum tax applicable to certain corporations. We express no opinion as to other federal tax consequences resulting from holding the 2014-1 Bonds.

For the Series 2014-2 Bonds only:

6. Interest on the Series 2014-2 Bonds will be included in the gross income of the holders of the Bonds for federal income tax purposes. We express no opinion as to other federal tax consequences resulting from holding the Series 2014-2 Bonds.

The federal tax advice contained herein is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer, such federal tax advice is written to support the promotion or marketing of the Series 2014-2 Bonds, and each purchaser of a Series 2014-2 Bond should seek advice based on such purchaser's particular circumstances from an independent tax advisor.

7. Interest on the Bonds, and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion as to other Massachusetts tax consequences arising with respect to the Bonds nor as to the taxability of the 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 Bonds and the enforceability of the 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]

APPENDIX F

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKINGS

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, 2014, 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 (“University Campuses – Amherst Campus,” “– Boston Campus,” “– Dartmouth Campus,” “– Lowell Campus,” “– Worcester Campus” and “– UMassOnline”);

(b) degrees and programs offered at each campus of the University (“University Campuses – 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 (“Governance – 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) (“ Governance – 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 (“Tuition and Fees – Student Financial Aid”);

(j) sources of revenues of the University (“University Revenues and Budgeting – Budget Process”);

(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 ("University Revenues and Budgeting – 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 ("University Revenues and Budgeting – 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 2010 Through 2012");

(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) ("Indebtedness of the University – Unrestricted Net Assets");

(r) additional indebtedness ("Indebtedness of the University – Additional Indebtedness");

(s) capitalized leases ("Indebtedness of the University – Capitalized Leases");

(t) insurance ("Insurance");

(u) technological initiatives ("Technological Initiatives");

(v) litigation ("Litigation") and

(w) employee relations ("Employee Relations").

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, 2014, the annual financial information described below, together with audited financial statements of the Authority for such fiscal year if audited financial statements are then available; provided, however, that if audited financial statements of the Authority are not then available, such audited financial statements shall be delivered to the MSRB 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 – Contract" and "– Pledge of Revenues under the Project Trust Agreement");

(b) annual debt service requirements on the Series 2014-1 Bonds and the Series 2014-2 Bonds ("Security and Sources of Payment for the 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 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 2014-1 Bonds and the Series 2014-2 Bonds ("Appendix D – Summary of Legal Documents").

The Authority will give timely notice to EMMA of any failure by the Authority to provide such financial statements or annual financial information by the dates set forth in the Authority and University Continuing Disclosure Agreement.

The Authority and University Continuing Disclosure Agreement will also require the Authority to submit to the MSRB via EMMA, in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Series 2014-1 Bonds or the Series 2014-2 Bonds, as applicable:

(a) principal and interest payment delinquencies;

(b) non-payment related defaults, if material;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on credit enhancements, if any, reflecting financial difficulties;

(e) substitution of credit or liquidity providers, if any, or their failure to perform;

(f) 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 2014-1 Bonds, or other material events affecting the tax-exempt status of the Series 2014-1 Bonds; or events affecting the tax-exempt status of the Series 2014-1 Bonds;

(g) modifications to rights of holders of the Series 2014-1 Bonds or the Series 2014-2 Bonds, if material;

(h) bond calls, if material, and tender offers;

(i) defeasances;

(j) release, substitution or sale of property, if any, securing payment of the Series 2014-1 Bonds or the Series 2014-2 Bonds, if material;

(k) rating changes;

(l) 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);

(m) 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

(n) 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 2014-1 Bonds or a Series 2014-2 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 2014-1 Bonds and the Series 2014-2 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 2014-1 Bonds and Series 2014-2 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 2014-1 Bonds or the Series 2014-2 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 2014-1 Bonds or the Series 2014-2 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 2014-1 Bonds and the Series 2014-2 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 2014-1 Bonds or the Series 2014-2 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 2014-1 Bonds or the Series 2014-2 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 2014-1 Bonds and the Series 2014-2 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.

[Intentionally Left Blank]

[Intentionally Left Blank]

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The 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 each Series of the 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 a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 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 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all 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 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 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such 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 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 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 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 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.

DTC may discontinue providing its services as depository with respect to the 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 THE AUTHORITY TAKES NO 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 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 BONDS.

Certificated Bonds

DTC may discontinue providing its services as securities depository with respect to the 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 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 Bonds may be exchanged for an equal aggregate principal amount of the 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 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 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 Bonds. The Trustee will not be required to transfer or exchange the Bonds during the notice period preceding any redemption if such Bonds (or any part thereof) are eligible to be selected or have been selected for redemption.

University of Massachusetts Building Authority • Project Revenue Bonds, Senior Series 2014-1 and Senior Series 2014-2 (Federally Taxable)

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

Printed by: ImageMaster, LLC
www.imagemaster.com