NEW ISSUE - Book-Entry-Only **Ratings†** Moody's: Aa2
Fitch: AA

In the opinion of Bond Counsel to the University, under existing law, assuming continued compliance with certain provisions of the Internal Revenue Code of 1986, as amended, interest on the Bonds will be excludable from the gross income of holders of the Bonds for federal income tax purposes. Interest on the Bonds will not constitute a preference item for the purposes of computation of the alternative minimum tax imposed on certain individuals and corporations, although interest on the Bonds will be taken into account in determining adjusted current earnings for purpose of computing the alternative minimum tax imposed on certain corporations. 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. For federal and Massachusetts tax purposes, interest includes original issue discount. See "TAX EXEMPTION."

MASSACHUSETTS DEVELOPMENT FINANCE AGENCY

UMASS

$29,970,000 Revenue Refunding Bonds
University of Massachusetts Issue
Series 2011

$10,495,000 Revenue Refunding Bonds
Worcester City Campus Corporation Issue
(University of Massachusetts Project)
Series 2011

Dated: Date of Delivery **Due: as shown on inside cover**

This Official Statement relates to the issuance by the Massachusetts Development Finance Agency (the "Issuer") of its Revenue Refunding Bonds, University of Massachusetts Issue, Series 2011 (the "University Bonds") and Worcester City Campus Corporation Issue (University of Massachusetts Project), Series 2011 (the "WCCC Bonds" and collectively with the University Bonds, the "Bonds"). The Bonds initially will be issued as fully registered Bonds in denominations of $5,000 each or any integral multiple thereof, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as the securities depository for the Bonds. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners as registered owners shall mean Cede & Co., as aforesaid, and shall not mean the beneficial owners of the Bonds. See "THE BONDS — Book-Entry-Only System" herein.

Principal of and semiannual interest on the Bonds will be paid by People's United Bank, as trustee (the "Trustee"). So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner, as more fully described herein. Interest will be payable semiannually on each April 1 and October 1, commencing on April 1, 2012, to the Bondowners of record as of the close of business on the fifteenth day of the month preceding such interest payment date.

The Bonds will be subject to optional and special redemption prior to maturity as described herein.

The Bonds shall be special obligations of the Issuer payable solely from the Revenues (as hereinafter defined) of the Issuer, including (i) with respect to the University Bonds, payments to the Trustee for the account of the Issuer by the University of Massachusetts (the "University"), in accordance with the provisions of the Loan and Trust Agreement dated as of October 1, 2011 (the "University Loan and Trust Agreement") among the Issuer, the University and the Trustee providing for the issuance of the University Bonds, and (ii) with respect to the WCCC Bonds, payments to the Trustee for the account of the Issuer by Worcester City Campus Corporation ("WCCC"), in accordance with the provisions of the Loan and Trust Agreement dated as of October 1, 2011 (the "WCCC Loan and Trust Agreement" and collectively with the University Loan and Trust Agreement, the "Loan and Trust Agreement") among the Issuer, WCCC and the Trustee providing for the issuance of the WCCC Bonds. Such payments required to be paid by the University or WCCC, as the case may be, will be in amounts sufficient to pay, when due, interest and principal of the University Bonds and the WCCC Bonds, as applicable, all in accordance with the applicable Loan and Trust Agreement.

The payments pursuant to the University Loan and Trust Agreement are a general obligation of the University to pay from any source legally available for expenditure by the Board of Trustees of the University for such payment. The payments pursuant to the WCCC Loan and Trust Agreement are an unconditional obligation of WCCC. The University is obligated to transfer any funds due under the WCCC Loan and Trust Agreement not paid by WCCC in accordance with the provisions of the Financing Agreement dated as of October 1, 2011 (the "Financing Agreement") between the Issuer and the University.

THE BONDS DO NOT CONSTITUTE A GENERAL OBLIGATION OF THE ISSUER OR A DEBT OR PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY POLITICAL SUBDIVISION THEREOF. THE PRINCIPAL OR REDEMPTION PRICE OF AND INTEREST ON THE BONDS ARE PAYABLE SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THEIR PAYMENT UNDER THE APPLICABLE LOAN AND TRUST AGREEMENT. THE ISSUER HAS NO TAXING POWER UNDER THE ACT.

The Bonds are offered when, as and if issued and received by the original purchasers, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of their legality and certain other matters by Greenberg Traurig, LLP, Boston, Massachusetts, Bond Counsel to the University. Certain legal matters will be passed upon for WCCC and the University by their counsel, Greenberg Traurig, LLP, Boston, Massachusetts. Settlement of the issue is expected at DTC in New York, New York, on or about November 15, 2011.

The Bonds were offered on a competitive sale basis as described herein under "COMPETITIVE SALE OF BONDS" and pursuant to the Official Notice of Sale dated October 25, 2011 and attached hereto as Appendix I.

November 2, 2011

† See "RATINGS" herein

MATURITY SCHEDULE

$29,970,000 Revenue Refunding Bonds, University of Massachusetts Issue, Series 2011

$29,970,000 Serial Bonds

Due October 1	Amount	Interest Rate	Yield	CUSIP†	Due October 1	Amount	Interest Rate	Yield	CUSIP†
2012	$ 160,000	2.50%	0.40%	57583UJZ2	2024	$1,330,000	3.00%	3.16%	57583UKM9
2013	930,000	3.00	0.62	57583UKA5	2025	1,375,000	4.00	3.28*	57583UKN7
2014	955,000	3.00	0.94	57583UKB3	2026	1,430,000	4.00	3.39*	57583UKP2
2015	985,000	3.00	1.33	57583UKC1	2027	1,480,000	4.00	3.50*	57583UKQ0
2016	1,015,000	3.00	1.59	57583UKD9	2028	1,545,000	4.00	3.60*	57583UKR8
2017	1,045,000	4.00	1.80	57583UKE7	2029	1,605,000	4.00	3.70*	57583UKS6
2018	1,085,000	3.00	2.05	57583UKF4	2030	1,670,000	4.00	3.77*	57583UKT4
2019	1,115,000	3.00	2.29	57583UKG2	2031	1,735,000	4.00	3.84*	57583UKU1
2020	1,155,000	4.00	2.59	57583UKH0	2032	1,800,000	4.00	3.91*	57583UKV9
2021	1,200,000	4.00	2.73	57583UKJ6	2033	1,870,000	4.00	3.96*	57583UKW7
2022	1,250,000	4.00	2.88*	57583UKK3	2034	1,945,000	4.00	4.00	57583UKX5
2023	1,290,000	3.00	3.02	57583UKL1					

$10,495,000 Revenue Refunding Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series 2011

$10,495,000 Serial Bonds

Due October 1	Amount	Interest Rate	Yield	CUSIP†	Due October 1	Amount	Interest Rate	Yield	CUSIP†
2012	$730,000	2.00%	0.45%	57583UKY3	2018	$ 865,000	5.00%	2.00%	57583ULE6
2013	735,000	2.00	0.65	57583UKZ0	2019	910,000	5.00	2.29	57583ULF3
2014	760,000	3.00	0.90	57583ULA4	2020	955,000	5.00	2.54	57583ULG1
2015	775,000	3.00	1.23	57583ULB2	2021	1,005,000	5.00	2.68	57583ULH9
2016	805,000	3.00	1.49	57583ULC0	2022	1,045,000	4.00	2.85*	57583ULJ5
2017	830,000	4.00	1.75	57583ULD8	2023	1,080,000	3.00	3.05	57583ULK2

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* Yield to October 1, 2021, the first optional redemption date.

† The CUSIP (Committee on Uniform Securities Identification Procedures) numbers on this inside cover of this Official Statement have been assigned by an organization not affiliated with the Issuer, the University, WCCC 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 Bondowners 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. None of the Issuer, the University, WCCC or 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.

No dealer, broker, salesman or other person has been authorized by the Issuer, WCCC or the University to give any information or to make any representations other than as contained in this Official Statement and the Appendices hereto in connection with the offering described herein, 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 a solicitation of an offer to buy any securities other than those identified on the cover page or an offer to sell or a solicitation of an offer to buy such securities in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The Issuer neither has nor assumes any responsibility as to the accuracy or completeness of the information contained in this Official Statement, other than that appearing under the captions "THE ISSUER" or "LITIGATION" insofar as it relates to the Issuer.

Certain information contained in this Official Statement has been obtained from WCCC, the University, The Depository Trust Company, and other sources that are believed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information and nothing contained in this Official Statement is, or may be relied on as, a promise or representation by the Issuer. The information herein relating to WCCC has been provided by WCCC and the information herein relating to the University has been provided by the University; and the Issuer makes no representation with respect to or warrants the accuracy of such information.

No action has been taken by the Issuer, the University or WCCC that would permit a public offering of the Bonds or possession or distribution of the Preliminary Official Statement or any other offering material in any jurisdiction outside the United States where action for that purpose is required. Accordingly, the Official Notice of Sale referenced herein provides that the Bonds may not be re-offered outside the United States unless arrangements are made with the Issuer, the University, WCCC and Public Financial Management, Inc., financial advisor to the University for this transaction, prior to bidding. The successful bidder will be required to agree that it will not offer, sell or distribute any such Bonds in a jurisdiction outside the United States unless such bidder has complied with all applicable laws and regulations in force in such jurisdiction in which it purchases, offers or sells the Bonds or possesses or distributes the Preliminary Official Statement or any other offering material and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of such Bonds under the laws and regulations in force in any foreign jurisdiction to which it is subject or in which it makes such purchases, offers or sales and the Issuer, the University and WCCC shall have no responsibility therefore.

This Official Statement is submitted in connection with the sale of securities referred to herein and may not be used, in whole or in part, for any other purpose. The information and expression of opinions set forth 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.

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OFFICIAL STATEMENT

Relating to

MASSACHUSETTS DEVELOPMENT FINANCE AGENCY

$29,970,000 Revenue Refunding Bonds
University of Massachusetts Issue,
Series 2011

$10,495,000 Revenue Refunding Bonds
Worcester City Campus Corporation Issue
(University of Massachusetts Project),
Series 2011

INTRODUCTORY STATEMENT

Purpose of this Official Statement

This Official Statement, including the cover page and appendices hereto, sets forth certain information in connection with the issuance and sale of Revenue Refunding Bonds, University of Massachusetts Issue, Series 2011 in the aggregate principal amount of $29,970,000 (the "University Bonds") and Revenue Refunding Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series 2011 in the aggregate principal amount of $10,495,000 (the "WCCC Bonds" and collectively with the University Bonds, the "Bonds") of the Massachusetts Development Finance Agency (the "Issuer"), a body corporate and politic and a public instrumentality of The Commonwealth of Massachusetts (the "Commonwealth"). The Issuer is authorized under Chapter 23G and, to the extent incorporated therein, Chapter 40D of the Massachusetts General Laws (said Chapters, collectively and as amended, the "Act"), and pursuant to a resolution of the Issuer adopted on October 13, 2011 (the "Resolution") to issue the Bonds. The University Bonds will be issued under a Loan and Trust Agreement dated as of October 1, 2011 (the "University Loan and Trust Agreement") among the Issuer, the University of Massachusetts (the "University") and People's United Bank, as trustee (the "Trustee") and the WCCC Bonds will be issued under a Loan and Trust Agreement dated as of October 1, 2011 (the "WCCC Loan and Trust Agreement" and collectively with the University Loan and Trust Agreement, the "Loan and Trust Agreement") among the Issuer, Worcester City Campus Corporation (the "Institution") and the Trustee. The information contained in this Official Statement is provided for use in connection with the initial sale of the Bonds. The definitions of certain terms used and not otherwise defined herein are contained in Appendix D – "DEFINITIONS OF CERTAIN TERMS"

Competitive Sale

The Bonds were be sold through a competitive, electronic bidding process on November 2, 2011 in accordance with the terms of the Official Notice of Sale attached hereto as Appendix I.

Use of Proceeds

The proceeds from the sale of the University Bonds will be used: (i) to refund the outstanding amount of the Massachusetts Health and Educational Facilities Authority Revenue

Bonds, University of Massachusetts Issue, Series C, except for such bonds maturing on October 1, 2012 and (ii) to pay certain costs of issuing the University Bonds.

The proceeds from the sale of the WCCC Bonds will be used: (i) to refund the outstanding amount of the Massachusetts Health and Educational Facilities Authority Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series B, and (ii) to pay certain costs of issuing the WCCC Bonds.

A more detailed description of the use of proceeds of the Bonds, including approximate amounts, is included herein under "THE PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS."

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

General

The Issuer, the University or WCCC, as applicable, and the Trustee shall execute the applicable Loan and Trust Agreement.

Each Loan and Trust Agreement provides, among other things, that WCCC or the University, as applicable, shall make payments to the Trustee equal to principal and interest on the applicable series of Bonds when due and certain other payments required by the applicable Loan and Trust Agreement. Each Loan and Trust Agreement shall remain in full force and effect until such time as the applicable series of Bonds and the interest thereon have been fully paid or until adequate provision for such payments has been made.

Under each Loan and Trust Agreement, the Issuer assigns and pledges to the Trustee in trust upon the terms of such Loan and Trust Agreement except as set forth below (i) all Revenues to be received from WCCC or the University, as applicable, under the applicable Loan and Trust Agreement or derived from any security provided thereunder, (ii) all rights to receive such Revenues and the proceeds of such rights, (iii) all funds and investments held from time to time in the funds established under the applicable Loan and Trust Agreement, including investment income therefrom, (iv) all of the Issuer's right, title and interest in the Loan and Trust Agreement, including enforcement rights and remedies but excluding certain rights of indemnification and to reimbursement of certain expenses as set forth in the Loan and Trust Agreement and (v) the proceeds of all of the foregoing. In addition, under the WCCC Loan and Trust Agreement, the Issuer assigns and pledges to the Trustee all of its rights under the Financing Agreement, except as set forth below. The assignment and pledge does not include: (i) the rights of the Issuer pursuant to provisions for consent, concurrence, approval or other action by the Issuer, notice to the Issuer or the filing of reports, certificates or other documents with the Issuer, or for fees, reimbursement or indemnification or the rights thereto, (ii) the powers of the Issuer as stated in the Loan and Trust Agreement to enforce the obligations to the Issuer which the Issuer has not assigned to the Trustee, or (iii) the rights of the Issuer under the Financing Agreement to receive payment of administrative expenses, reports, notice and indemnity against claims and to enforce remedies pursuant to the Financing Agreement to the extent necessary to enforce the obligations to the Issuer which have not been assigned to the Trustee.

As additional security for its payment obligations under the WCCC Loan and Trust Agreement, WCCC will grant to the Trustee a security interest in its interests in the moneys and other investments held from time to time in the funds established under the WCCC Loan and Trust Agreement.

University Loan and Trust Agreement

General Obligation of the University

The University Loan and Trust Agreement provides that to the extent permitted by law the obligation of the University to make payments under the University Loan and Trust Agreement is a general obligation of the University to pay from any source legally available for expenditure by the Board of Trustees of the University for such purpose, and shall be binding and enforceable in all circumstances whatsoever, and shall not be subject to setoff, recoupment or counterclaim. Neither The Commonwealth of Massachusetts (the "Commonwealth") nor any political subdivision thereof shall be obligated to pay the principal of, premium (if any) or interest on, the University Bonds except from any source legally available for expenditure by the Board of Trustees of the University for such purpose, and neither the faith and credit nor the taxing power of the Commonwealth is pledged to the payment of the principal of, premium (if any) or interest on, the University Bonds. Without limiting the generality of the foregoing, the Board of Trustees of the University, acting by and on behalf of the Commonwealth pursuant to Section 19A of Chapter 773 of the Acts of 1960, as amended, promises in the University Loan and Trust Agreement to transfer to the Issuer to the extent necessary any amounts legally available for expenditure by the Board of Trustees of the University; provided, that in the case of any funds expected to be available for expenditure by the Board of Trustees of the University pursuant to subsequent appropriation or other spending authorization by the state legislature, the Board of Trustees of the University may only pledge that they will so transfer such funds subject to such subsequent appropriation or other spending authorization.

The University Bonds are not secured by a lien on the University's revenues or any other property of the University. See Appendix A — "LETTER FROM THE UNIVERSITY" for more information regarding the University.

WCCC Loan and Trust Agreement

General Obligation of WCCC

The WCCC Loan and Trust Agreement provides that the obligation of WCCC to make payments under the WCCC Loan and Trust Agreement shall be absolute and unconditional, shall be binding and enforceable in all circumstances whatsoever, and shall not be subject to abatement, offset, diminution, setoff, recoupment or counterclaim and shall be a general obligation of WCCC to which the full faith and credit of WCCC is pledged.

The Financing Agreement

Pursuant to a Financing Agreement dated as of October 1, 2011 (the "Financing Agreement") between the Issuer and the University, the University is obligated to transfer funds due under the WCCC Loan and Trust Agreement not otherwise paid by WCCC. The obligation of the University under the Financing Agreement is payable from any and all sources of revenue legally available to the Board of Trustees of the University for payment of the WCCC Bonds, provided that in the case of any funds expected to be available for expenditure by the Board of Trustees of the University pursuant to subsequent appropriation or other spending authorization by the state legislature, the Board of Trustees of the University's obligation to transfer such funds is subject to such subsequent appropriation or other spending authorization. See "The Financing Agreement" below and Appendix F — "SUMMARY OF THE FINANCING AGREEMENT."

The University will enter into the Financing Agreement with the Issuer providing for the transfer of amounts (the University's "Transfer Obligation") equal to installments of the principal and interest due under the WCCC Loan and Trust Agreement to the extent not otherwise paid by WCCC pursuant to the WCCC Loan and Trust Agreement. Under the WCCC Loan and Trust Agreement the Issuer has assigned and pledged to the Trustee its rights under the Financing Agreement other than certain rights to receive notices and give consents, certain rights to enforce the Financing Agreement, and certain rights to payment of administrative expenses and indemnity rights. The University's Transfer Obligation under the Financing Agreement is a special obligation of the University which the University agrees to perform or cause to be performed, provided that such transfer is only required to be made solely from any source legally available for expenditure by the Board of Trustees of the University for such purpose, and provided further, that in the case of any funds expected to be available for expenditure by the Board of Trustees of the University pursuant to subsequent appropriation or other spending authorization by the state legislature, the Board of Trustees of the University's obligation to transfer such funds is subject to such subsequent appropriation or other spending authorization. See Appendix A — "LETTER FROM THE UNIVERSITY" and Appendix F – "SUMMARY OF THE FINANCING AGREEMENT." The Financing Agreement permits the University to issue additional indebtedness. See "Additional Indebtedness" below.

The WCCC Bonds are not secured by a lien on WCCC's or the University's revenues or any other property of WCCC or the University. WCCC's principal revenues are, and are expected to be, rental revenues received for facilities it owns and leases to the University. See Appendix A – "LETTER FROM THE UNIVERSITY" and Appendix B – "LETTER FROM WORCESTER CITY CAMPUS CORPORATION" for more information regarding WCCC and the University.

Additional Indebtedness

The University is permitted, under certain circumstances, to issue additional indebtedness or to request the University of Massachusetts Building Authority ("UMBA") or the Issuer to issue additional indebtedness so long as such additional indebtedness is payable from all legally available funds of the University, provided that compliance with the statutory requirements that appropriated revenues of the Commonwealth not be used to support the costs of leasing the University's medical school biologics laboratory shall not be considered a violation of this limitation. The University may request UMBA to issue additional Indebtedness on behalf of the University that is not payable from all available funds of the University, provided (i) the additional Indebtedness is secured by (w) pledged revenues derived from the project or projects being financed, (x) new or increased student fees whether imposed by the University or UMBA,

(y) existing pledged revenues or (z) 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. In addition, no such indebtedness shall be subject to acceleration. See Appendix E - "SUMMARY OF THE LOAN AND TRUST AGREEMENTS — Limitations on Additional Debt" and Appendix F -- "SUMMARY OF THE FINANCING AGREEMENT — Limitations on Additional Debt."

There are no other limits on the incurrence of additional indebtedness by WCCC.

Limited Obligation

THE BONDS DO NOT CONSTITUTE A GENERAL OBLIGATION OF THE ISSUER OR A DEBT OR PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY POLITICAL SUBDIVISION THEREOF. THE PRINCIPAL OR REDEMPTION PRICE OF AND INTEREST ON THE BONDS ARE PAYABLE SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THEIR PAYMENT UNDER THE APPLICABLE LOAN AND TRUST AGREEMENT. THE ISSUER HAS NO TAXING POWER UNDER THE ACT.

THE ISSUER

The Issuer is authorized and empowered under the laws of the Commonwealth, including the Act, to issue the Bonds for the purposes described herein and to enter into the Agreement and other agreements and instruments necessary to issue and secure the Bonds.

The Members of the Board of Directors and the Officers of the Issuer are as follows:

Members of the Board of Directors

Ex Officio Members

Chairperson, Secretary of the Executive Office of Housing and Economic Development, The Commonwealth of Massachusetts

Undersecretary, the Executive Office for Administration and Finance, The Commonwealth of Massachusetts, as designee for the Secretary of the Executive Office for Administration and Finance, The Commonwealth of Massachusetts

Appointed Members

David Abromowitz, Member; Director, Goulston & Storrs, P.C.

Gerald D. Cohen, Vice Chair and Member; President, SF Properties, Inc.

Christopher E. Goode, Member; Vice President, Global Corporate Affairs & Public Policy, EMC Corporation

John F. Hurley, Member; President, Iron Workers District Council of New England

W. Estella Johnson, Member; Director of Economic Development, City of Cambridge

Dennis Kanin, Member; Principal, New Boston Ventures LLC

Richard Kronish, Member; University of Massachusetts Boston (retired)

Meghan T. Lynch, Member; ABT Associates Inc.

Patricia McGovern, Member; General Counsel and Senior Vice President for Corporate and Community Affairs, Beth Israel Deaconess Medical Center.

Officers of the Issuer

Martha Lee Jones, President and Chief Executive Officer.

Ann E. Howard, Executive Vice President and Chief Operating Officer

John L. Champion, Treasurer, Executive Vice President of Finance & Administration and Chief Financial Officer

Anne Marie Dowd, General Counsel and Executive Vice President for Legislative Affairs and Military Initiatives

Laura L. Canter, Executive Vice President for Finance Programs

Richard C.J. Henderson, Executive Vice President for Real Estate

George A. Ramirez, Executive Vice President for Devens Operations

Teresa M. Patten, Secretary

Steven J. Chilton, Senior Vice President, Investment Banking (Mr. Chilton has signing authority for bond transactions only)

Except for the information contained herein under the caption “THE ISSUER” and “LITIGATION” insofar as it relates to the Issuer, the Issuer has not provided any of the information contained in this Official Statement. The Issuer is not responsible for and does not certify as to the accuracy or sufficiency of the disclosures made herein or any other information provided by the University or WCCC or any other person.

THE BONDS

Description of the Bonds

The Bonds will be dated the date of delivery and will bear interest from that date, payable on each April 1 and October 1 commencing on April 1, 2012, at the rates shown on the inside cover page hereof. The Bonds will mature on October 1 of the indicated years and in the principal amounts as set forth on the inside cover page hereof, subject to redemption prior to maturity as set forth below. Interest on the Bonds will be calculated on the basis of twelve 30-day months for a 360-day year.

Subject to the provisions discussed under "Book-Entry-Only System" below, the Bonds are issuable as fully registered bonds without coupons in the minimum denomination of $5,000 or any multiple thereof. Principal of the Bonds will be payable at the principal corporate trust office of the Trustee, and interest on the Bonds will be paid by check or draft mailed to the registered owner as of the fifteenth (15^{th}) day of the month preceding the date on which the interest is to be paid (the "Record Date"), or by wire transfer as provided in the applicable Loan and Trust Agreement for the Bonds.

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 series of Bonds, in the aggregate principal amount of each series of Bonds, 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. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book- entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are restricted 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.

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 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 within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 Issuer 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 Issuer or Trustee on 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 Issuer, 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 Issuer or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

The foregoing information in this section concerning DTC and DTC's book-entry system is based on sources that the Issuer believes to be reliable, but none of the Issuer, the University or WCCC takes responsibility for the accuracy thereof.

No Responsibility of the Issuer, the University, WCCC or the Trustee. NONE OF THE ISSUER, THE UNIVERSITY, WCCC OR 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 BONDOWNERS 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 Issuer, the Trustee and the Paying Agent. In addition, the Issuer may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depositories) 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 applicable Loan and Trust Agreement and the Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the Bondowner. Thereafter, Bonds may be exchanged for an equal aggregate principal amount of Bonds of the same series in other authorized denominations and of the same maturity, upon surrender thereof at the principal corporate trust office of the Trustee. The transfer of any Bond 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 Bonds, the Issuer 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 Bondowner for any exchange or registration of transfer of the Bonds. The Trustee will not be required to transfer or exchange any Bond during the notice period preceding any redemption if such Bond (or any part thereof) is eligible to be selected or has been selected for redemption.

Redemption

University Bonds

Optional Redemption

The University Bonds maturing on or before October 1, 2021 are not subject to optional redemption prior to maturity unless redeemed pursuant to the special redemption provisions described below. The University Bonds maturing after October 1, 2021 are subject to optional redemption prior to maturity, on and after October 1, 2021 at the option of the Issuer at the written direction of the University, as a whole or in part at any time in such order of maturities or sinking fund installments, as applicable, as directed by the University, at their principal amounts (without premium), plus accrued interest to date fixed for redemption.

Special Redemption

Under the special redemption provisions of the University Loan and Trust Agreement, the University Bonds are subject to redemption as a whole or in part at any time in any order of maturity as directed by the University, at their principal amounts (without premium) plus accrued interest to the redemption date, in the event of damage to or destruction of, or taking of, all or a portion of the Project refinanced with the University Bonds that exceeds 25% of the then full insurable value of such Project, from insurance or condemnation award proceeds received as a result thereof. See Appendix E — "SUMMARY OF THE LOAN AND TRUST AGREEMENTS" under the heading "Damage to or Destruction or Taking of the Project."

WCCC Bonds

Optional Redemption

The WCCC Bonds maturing on or before October 1, 2021 are not subject to optional redemption prior to maturity unless redeemed pursuant to the special redemption provisions described below. The WCCC Bonds maturing after October 1, 2021 are subject to optional redemption prior to maturity, on and after October 1, 2021 at the option of the Issuer at the written direction of WCCC, as a whole or in part at any time in such order of maturities or sinking fund installments, as applicable, as directed by WCCC, at their principal amounts (without premium), plus accrued interest to date fixed for redemption.

Special Redemption

Under the special redemption provisions of the WCCC Loan and Trust Agreement, the WCCC Bonds are subject to redemption as a whole or in part at any time on any interest payment date, in any order of maturity directed by WCCC, at their principal amounts (without premium) plus accrued interest to the redemption date, in the event of damage to or destruction of, or taking of, all or a portion of the Project refinanced with the WCCC Bonds that exceeds 25% of the then full insurable value of such Project, from insurance or condemnation award proceeds received as a result thereof. See Appendix E — "SUMMARY OF THE LOAN AND TRUST AGREEMENTS" under the heading "Damage to or Destruction or Taking of the Project."

Other Redemption Provisions

Purchase of Bonds

With respect to a series of Bonds, the University or WCCC, as applicable, may purchase Bonds of any maturity and credit them against a principal payment for such maturity at the principal amount by delivering them to the Trustee for cancellation at least sixty (60) days before the principal payment date.

Selection of Bonds

With respect to a series of Bonds, if less than all the Bonds of a maturity are to be redeemed, the portion of the Bonds to be redeemed within a maturity shall be selected by the Trustee by lot or in any customary manner of selection as determined by the Trustee; provided that so long as DTC or its nominee is the Bondowner, the particular portions of the Bonds to be redeemed within a maturity shall be selected by DTC in such manner as DTC may determine, if a Bond is of a denomination in excess of five thousand dollars ($5,000), portions of the principal amount in the amount of five thousand dollars ($5,000) or any multiple thereof may be redeemed.

Notice of Redemption and Other Notices

So long as DTC or its nominee is the Bondowner, the Issuer, the University, WCCC and the Trustee will recognize DTC or its nominee as the Bondowner for all purposes, including notices and voting. Conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants, and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory and regulatory requirements which may be in effect from time to time.

The Trustee shall give notice of redemption to the Bondowners of the applicable series of Bonds not less than thirty (30) days nor more than forty- five (45) days prior to the date fixed for redemption. Failure to mail notice to a particular Bondowner, or any defect in the notice to such Bondowner, shall not affect the redemption of any other Bonds of that series. So long as DTC or its nominee is the Bondowner, any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner so affected, shall not affect the validity of the redemption.

Effect of Redemption

On the redemption date, the redemption price of each Bond to be redeemed will become due and payable; and from and after such date, notice having been properly given and amounts having been made available and set aside from such redemption in accordance with the provisions of the applicable Loan and Trust Agreement, notwithstanding that any Bonds called for redemption have not been surrendered, no further interest will accrue on any Bonds called for redemption.

THE PLAN OF REFUNDING

The proceeds from the sale of the University Bonds will be used to refund the outstanding amount of the Massachusetts Health and Educational Facilities Authority Revenue Bonds, University of Massachusetts Issue, Series C, except for such bonds maturing on October 1, 2012 (the "University Series C Refunded Bonds") and to pay certain costs of issuing the University Bonds. A more detailed description of the use of proceeds of the University Bonds and other moneys and receipts, including approximate amounts and purposes, is included herein under "ESTIMATED SOURCES AND USES OF FUNDS." The advance refunding of the University Series C Refunded Bonds will be achieved through the irrevocable deposit of a portion of the proceeds of the University Bonds in a refunding trust fund established for the

University Series C Refunded Bonds (the "University Refunding Trust Fund") to be held by People's United Bank, as refunding trustee (the "University Refunding Trustee") pursuant to a refunding trust agreement to be entered into for the University Series C Refunded Bonds (the "University Refunding Trust Agreement") by and among the Issuer, the University and the University Refunding Trustee. Moneys in the University Refunding Trust Fund will be applied to the purchase of Government or Equivalent Obligations as defined in the University Refunding Trust Agreement. Based on a verification report of BondResource Partners, LP, the Government or Equivalent Obligations, interest thereon and the remaining moneys in the University Refunding Trust Fund will be sufficient in amount and available when necessary to pay when due the principal, interest, and redemption premium on the University Series C Refunded Bonds on and until their maturity or redemption dates. The University Series C Refunded Bonds will be called for redemption prior to maturity on October 1, 2012. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" and "ESTIMATED SOURCES AND USES OF FUNDS" herein. None of the funds in the University Refunding Trust Fund shall serve as security for or be available to pay principal of or interest on the Bonds.

The proceeds from the sale of the WCCC Bonds will be used, together with other available funds, to refund the outstanding amount of the Massachusetts Health and Educational Facilities Authority Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series B (the "WCCC Series B Refunded Bonds" and together with the University Series C Refunded Bonds, the "Prior Bonds") and to pay certain costs of issuing the WCCC Bonds. A more detailed description of the use of proceeds of the WCCC Bonds and other moneys and receipts, including approximate amounts and purposes, is included herein under '"ESTIMATED SOURCES AND USES OF FUNDS." The WCCC Series B Refunded Bonds will be called for redemption prior to maturity on or about thirty (30) days after the issuance of the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein. None of the funds in the WCCC Series B Refunding Trust Fund shall serve as security for or be available to pay principal of or interest on the Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

BondResource Partners, LP will verify from information provided to them the mathematical accuracy as of the date of the closing of the Bonds of (i) the computations contained in the provided schedules to determine that the anticipated receipts from the Government Obligations and cash deposits, to be held in escrow, will be sufficient to pay, when due, the principal, interest and call premium requirements, if any, of the University Series C Refunded Bonds and (ii) the computations of yield on both the Government Obligations and the yield on the Bonds contained in the provided schedules used by Bond Counsel in its determination that the interest on the Bonds is excludable from federal income tax purposes. BondResource Partners, LP will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Bonds.

BondResource Partners, LP is wholly owned by PFM Asset Management LLC, which is part of The PFM Group.

DEBT SERVICE REQUIREMENTS

The following table sets forth, for each year ending June 30, the amounts required in such year by the University, WCCC and other related organizations for payment of the principal of, sinking fund installments and interest on outstanding indebtedness after the issuance of the Bonds:

Year Ending June 30	Principal on the Bonds	Interest on the Bonds	Total Debt Service on the Bonds	Total Debt Service on Other University Debt[(1)]	Total Annual Debt Service
2012	$ –	$ 567,800	$ 567,800	$183,820,782	$184,388,582
2013	890,000	1,493,700	2,383,700	183,127,956	185,511,656
2014	1,665,000	1,463,100	3,128,100	183,386,086	186,514,186
2015	1,715,000	1,416,075	3,131,075	177,655,672	180,786,747
2016	1,760,000	1,363,950	3,123,950	173,816,478	176,940,428
2017	1,820,000	1,310,250	3,130,250	172,985,388	176,115,638
2018	1,875,000	1,245,450	3,120,450	170,548,080	173,668,530
2019	1,950,000	1,170,050	3,120,050	170,397,295	173,517,345
2020	2,025,000	1,092,675	3,117,675	170,284,778	173,402,453
2021	2,110,000	1,006,225	3,116,225	170,253,517	173,369,742
2022	2,205,000	910,125	3,115,125	158,714,533	161,829,658
2023	2,295,000	815,100	3,110,100	158,533,291	161,643,391
2024	2,370,000	733,650	3,103,650	157,938,494	161,042,144
2025	1,330,000	678,150	2,008,150	151,474,868	153,483,018
2026	1,375,000	630,700	2,005,700	150,832,323	152,838,023
2027	1,430,000	574,600	2,004,600	145,236,965	147,241,565
2028	1,480,000	516,400	1,996,400	143,895,017	145,891,417
2029	1,545,000	455,900	2,000,900	139,820,703	141,821,603
2030	1,605,000	392,900	1,997,900	128,861,920	130,859,820
2031	1,670,000	327,400	1,997,400	130,595,106	132,592,506
2032	1,735,000	259,300	1,994,300	110,636,307	112,630,607
2033	1,800,000	188,600	1,988,600	101,466,775	103,455,375
2034	1,870,000	115,200	1,985,200	85,460,163	87,445,363
2035	1,945,000	38,900	1,983,900	83,500,221	85,484,121
2036	–	–	–	76,046,486	76,046,486
2037	–	–	–	75,114,844	75,114,844
2038	–	–	–	66,742,600	66,742,600
2039	–	–	–	59,116,721	59,116,721
2040	–	–	–	30,498,241	30,498,241
2041	–	–	–	29,883,003	29,883,003

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(1) Includes debt of the University, WCCC and related organizations, certain capital leases, Revolving Loan Program Bonds, which have a variable rate of interest assumed here to be 4.50% per year, and excludes debt service on the Prior Bonds. Includes interest on the UMBA's Series 2008-1 Bonds, 2008-A Bonds, 2011-1 Bonds and 2011-2 Bonds each issued as variable rate debt, outstanding as of June 30, 2011 in the principal amounts of $215,120,000, $24,435,000, $135,040,000 and $101,700,000, respectively, and amortizing in accordance with the terms thereof, assumed at the rates of 3.388%, with respect to the Series 2008-1 Bonds; 3.378%, with respect to the Series 2008-A Bonds; and 3.482%, with respect to the Series 2011-1 Bonds and Series 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 Series 2008-1 Bonds, Series 2008-A Bonds, and Series 2011-1 Bonds and Series 2011-2 Bonds. In addition, debt service on UMBA Series 2009-2 and 2010-2 is not reduced to reflect the interest subsidy payments that may be payable by the United States Department of the Treasury. For a more complete discussion of the University's prior debt and certain revenues pledged thereto, see the section entitled "Indebtedness of the University" in Appendix A — "LETTER FROM THE UNIVERSITY."

ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows:

University Bonds

Sources of Funds

Principal amount of University Bonds	$29,970,000
Net Original Issuance Premium	1,213,338
Total Sources of Funds	$31,183,338

Uses of Funds

Deposit to Refunding Trust Fund for University Series C Refunded Bonds	$30,643,191
Issuance expenses (including Underwriter's discount)	540,147
Total Uses of Funds	$31,183,338

WCCC Bonds

Sources of Funds

Principal amount of WCCC Bonds	$10,495,000
Net Original Issuance Premium	1,113,181
Total Sources of Funds	$11,608,181

Uses of Funds

Current refunding of WCCC Series B Refunded Bonds	$11,458,795
Issuance expenses (including Underwriter's discount)	149,386
Total Uses of Funds	$11,608,181

CERTAIN RISKS

No Security Interest for University Bondowners or WCCC Bondowners

The University Bonds and the WCCC Bonds are not secured by a lien on the revenues of WCCC or the University or any personal or real property of WCCC or the University.

Special Obligations under the Financing Agreement

The University's obligation under the Financing Agreement to transfer amounts sufficient to meet the obligation of WCCC to pay amounts due under the WCCC Loan and Trust Agreement constitutes a special obligation of the University payable only from any source legally available (the "Available Funds"), as described more fully in "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS — The Financing Agreement" and in Appendix F — "SUMMARY OF THE FINANCING AGREEMENT" under the heading

"Special Obligation of the University." Accordingly, the ability of the University to meet its payment obligations under the Financing Agreement will depend on the adequacy of the Available Funds. Such amounts may vary resulting from increases or decreases in tuition, state appropriations, student fees, auxiliary enterprise revenues, research revenues, investment earnings or gains or losses of funds held by the University as part of Available Funds, and the sufficiency of amounts received by the University constituting Available Funds. In addition, such Available Funds will be available for purposes other than payment of the University's Transfer Obligation under the Financing Agreement and, subject to certain restrictions, may be used as Available Funds for or pledged to secure other obligations of the University. The availability of the Available Funds to meet the University's Transfer Obligation under the Financing Agreement will depend on the extent to which the University utilizes such amounts for such other purposes. The extent of the University's various programs, the general financial condition of the University, and the availability of other sources of funding for University programs could affect the availability of amounts to be utilized as Available Funds. See Appendix A — "LETTER FROM THE UNIVERSITY."

Additional Indebtedness

The WCCC Loan and Trust Agreement does not limit WCCC from incurring additional secured or unsecured indebtedness. The University's obligation under the Loan and Trust Agreement and the Transfer Obligation under the Financing Agreement may be affected by the issuance of additional indebtedness by the University. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS — Additional Indebtedness," Appendix C — "FINANCIAL STATEMENTS OF THE UNIVERSITY" and Appendix F – "SUMMARY OF THE FINANCING AGREEMENT" under the heading "Limitations on Additional Debt."

Covenant to Maintain Tax-Exempt Status of the Bonds

The excludability of interest on the Bonds from the gross income of the recipients thereof for federal income tax purposes is dependent in part on the continued compliance by the Issuer, the University and WCCC with certain covenants contained in each Loan and Trust Agreement. These covenants relate generally to arbitrage limitations, use of bond proceeds, rebate of certain investment earnings to the federal government, and restrictions on the amount of costs of issuance financed with the proceeds of the Bonds and, in the case of the WCCC Bonds, the maintenance of the status of WCCC as an organization qualifying under Section 501(c)(3) of the Code. Failure to comply with any of these covenants may result in the inclusion of interest on the Bonds in the gross income of the recipients thereof for federal income tax purposes retroactive to the date of issuance. See "TAX EXEMPTION."

CONTINUING DISCLOSURE

No financial or operating data concerning the Issuer is material to any decision to purchase, hold or sell the Bonds, and the Issuer will not provide any such information. The University, WCCC and the Dissemination Agent (as defined in the Continuing Disclosure Agreement described below) have undertaken all responsibilities for any continuing disclosure to Bondowners as described below, and the Issuer shall have no liability to the Bondowners or any other person with respect to such disclosures.

The University and WCCC have covenanted for the benefit of Bondowners and any beneficial owners to provide certain financial information and operating data relating to the University and WCCC, as the case may be, by not later than 270 days following the end of each of the entity's fiscal years, commencing with the fiscal year ending June 30, 2011 (the "Annual Report"), and to provide respective notices of the occurrence of certain enumerated events. The Annual Report and notices of significant events will be filed on behalf of the University and WCCC, as the case may be, with the Municipal Securities Rulemaking Board (the "MSRB") in an electronic form specified by the MSRB. The specific nature of the information to be contained in such Annual Report or the notices of significant events is summarized in Appendix H – "FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the winning bidder or bidders in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission. During the past five years, the University and WCCC have complied, in all material respects, with their previous undertakings in written continuing disclosure agreements.

LITIGATION

There is no litigation pending against the Issuer or, to the knowledge of the officers of the Issuer, threatened against the Issuer seeking to restrain or enjoin the issuance or delivery of the Bonds or in any way contesting the existence or the powers of the Issuer relating to the issuance of the Bonds.

There is no litigation pending against the University or WCCC, as applicable, or, to the knowledge of the officers of the University or WCCC, as applicable, threatened, restraining or enjoining the issuance, sale execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds, the issuance or sale thereof or the security provided for the payment of the Bonds.

LEGAL MATTERS

All legal matters incidental to the authorization and issuance of the Bonds by the Issuer are subject to the approval of Greenberg Traurig, LLP, Boston, Massachusetts, Bond Counsel, whose opinion approving the validity and tax-exempt status of the Bonds will be delivered with the Bonds. A copy of the proposed form of the opinion is attached hereto as Appendix G. Certain legal matters will be passed on for University and WCCC by their counsel, Greenberg Traurig, LLP, Boston, Massachusetts.

TAX EXEMPTION

Bond Counsel is of the opinion that, under existing law, interest on the Bonds will be excludable from the gross income of holders of the Bonds for federal income tax purposes. This opinion is expressly conditioned upon continued compliance with certain requirements imposed by the Internal Revenue Code of 1986, as amended (the "Code"), which must be satisfied subsequent to the date of issuance of the Bonds in order to assure that interest on the Bonds is and continues to be excludable from the gross income of holders of the Bonds. Failure to comply with certain of such requirements could cause interest on the Bonds to be required to include in the gross income of holders of the Bonds retroactive to the date of issuance of the Bonds. In particular, and without limitation, these requirements include requirements as to the tax-exempt status of WCCC, restrictions on the use, expenditure and investment of Bond proceeds and the payment of rebate, or penalties in lieu of rebate, to the United States, subject to certain exceptions. The Issuer, the University and WCCC each have provided covenants and certificates as to continued compliance with such requirements.

In the opinion of Bond Counsel, under existing law, interest on the Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations under the Code. However, interest on the Bonds will be included in determining "adjusted current earnings" of certain corporate holders of the Bonds and, therefore, will be taken into account in computing of the alternative minimum tax applicable to certain corporations.

Bond Counsel has not opined as to any other matters of federal tax law relating to the Bonds. However, prospective purchasers should be aware of certain collateral consequences which may result under federal tax law for certain holders of the Bonds: (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Bonds, (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for losses incurred by 15 percent of the sum of certain items, including interest on the Bonds, (iii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iv) passive investment income, including interest on the 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 Bonds, and (vi) receipt of investment income, including interest on the Bonds, may, pursuant to Section 32(i) of the Code, disqualify the recipient from obtaining the earned income credit provided by Section 32(a) of the Code.

In the opinion of Bond Counsel, under existing law, interest on the Bonds and any profit on the sale thereof are exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective purchasers should be aware, however, 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 or the income therefrom under the laws of any state other than Massachusetts.

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

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

From time to time, there are legislative proposals pending in Congress that, if enacted into law, could alter or amend one or more of the federal tax matters described above including, without limitation, the excludability from gross income of interest on the Bonds, adversely affect the market price or marketability of the Bonds, or otherwise prevent the holders from realizing the full current benefit of the status of the interest thereon. The President of the United States has recently proposed two pieces of legislation (the American Jobs Act of 2011 and the Debt Reduction Act of 2011) which include provisions that potentially subject a portion of the interest on tax-exempt bonds (including the Bonds) held by certain taxpayers to taxation in future years. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would apply to the Bonds. If enacted into law, the legislative proposals could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their tax advisors as to the impact of any pending or proposed legislation.

On the date of delivery of the Bonds, there will be delivered an opinion of Bond Counsel substantially in the form attached hereto as Appendix G - "PROPOSED FORM OF OPINION OF BOND COUNSEL."

RATINGS

Moody's Investors Services ("Moody's") and Fitch Ratings ("Fitch") are expected to assign their municipal bond ratings of "Aa2" with a stable outlook and "AA" with a stable outlook, respectively, to the Bonds. Such ratings express only the views of the respective rating agencies. Any explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. A credit rating is not a recommendation to buy, sell or hold securities. There is no assurance that the ratings will continue for any given period of time or that they might not be revised downward or withdrawn entirely by the rating agencies, if in their judgment circumstances so warrant. Any such downward revision or withdrawal of the ratings might have an adverse effect on the market price of the Bonds.

LEGALITY OF BONDS FOR INVESTMENT AND DEPOSIT

The Act provides that the Bonds are legal investments in which all public officers and public bodies of the Commonwealth, its political subdivisions, all municipalities and municipal subdivisions, all insurance companies and associations, all banks, banking associations, trust companies, savings banks and savings associations, including cooperative banks, building and loan associations, investment companies and other fiduciaries may properly and legally invest funds in their control or belonging to them. The Act also provides that the Bonds are securities which may properly and legally be deposited with and received by all public officers and bodies of the Commonwealth or any agency or political subdivision thereof and all municipalities and public corporations for any purposes for which the deposit of bonds or other obligations of the Commonwealth is now or may hereafter be authorized by law.

COMMONWEALTH NOT LIABLE ON THE BONDS

The Bonds are not a general obligation of the Issuer and shall not be deemed to constitute a debt or liability of the Commonwealth or any political subdivision thereof, or a pledge of the faith and credit of the Issuer or the Commonwealth or any such political subdivision, but shall be payable solely from and to the extent of the payments made by the University or WCCC, as the case may be, pursuant to the applicable Loan and Trust Agreement, any other funds held under the applicable Loan and Trust Agreement for such purpose and in the case of the WCCC Bonds, payments by the University pursuant to the Financing Agreement. Neither the faith and credit of the Issuer or the Commonwealth nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The Act does not in any way create a so-called moral obligation of the Commonwealth or of any political subdivision thereof to pay debt service in the event of default by the University or WCCC. The Issuer has no taxing power under the Act.

COMPETITIVE SALE OF THE BONDS

After competitive, electronic bidding on November 2, 2011, the University Bonds were awarded to Merrill Lynch, Pierce, Fenner & Smith Incorporated ("BofA Merrill Lynch"). Information provided by BofA Merrill Lynch regarding the interest rates and reoffering yields of the University Bonds are set forth on the inside cover of this Official Statement. The University Bonds are being purchased from the University by BofA Merrill Lynch at an aggregate price of \$30,897,918.30, reflecting the principal amount of \$29,970,000.00, plus net original issue premium of \$1,213,337.60, less underwriter's discount of \$285,419.30. Janney Montgomery Scott LLC ("Janney Montgomery Scott") was the successful bidder on the WCCC Bonds. Information provided by Janney Montgomery Scott regarding the interest rates and reoffering yields is set forth on the inside cover of this Official Statement. The WCCC Bonds are being purchased from WCCC by Janney Montgomery Scott at an aggregate price of \$11,550,684.14, reflecting the principal amount of \$10,495,000.00, plus net original issue premium of \$1,113,181.00, less underwriter's discount of \$57,496.86.

FINANCIAL ADVISOR

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

MISCELLANEOUS

The description of the provisions of the Act, each Loan and Trust Agreement, the Financing Agreement, the Bonds, the Continuing Disclosure Agreement, and other documents contained in this Official Statement (including all Appendices hereto), and all references to other materials not purporting to be quoted in full, are only brief summaries of certain provisions thereof and do not constitute complete statements of such documents or provisions. Reference is hereby made to the complete documents for further information, copies of which are available at the principal corporate trust office of the Trustee. Any statements made in this Official Statement or the Appendices hereto involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

The Issuer has consented to the use of this Official Statement. The Issuer is responsible only for the statements contained under the caption "THE ISSUER" and the information pertaining to the Issuer under the caption "LITIGATION," and the Issuer makes no representation as to the accuracy, completeness or sufficiency of any other information contained herein. Except as otherwise stated herein, the Issuer makes no representations or warranties whatsoever with respect to the information contained herein.

Information relating to DTC and the book-entry system described under the heading "THE BONDS — Book-Entry-Only System" is based on information furnished by DTC and is believed to be reliable, but none of the Issuer, WCCC or the University makes any representations or warranties whatsoever with respect to any such information.

Appendix A contains certain information relating to the University. Appendix B contains certain information relating to WCCC. With respect to such information from the University and WCCC, while the information contained therein is believed to be reliable, the Issuer does not make any representations or warranties whatsoever with respect to such information.

The financial statements of the University at June 30, 2010 and 2009 and for each of the fiscal years then ended, included in this Official Statement as Appendix C, have been audited by PricewaterhouseCoopers LLP, independent accountants, as set forth in their report dated December 16, 2010 except for Note 1, as to which the date is October 25, 2011 which references the report of other auditors.

On April 4, 2011, the Audit Committee of the Board of Trustees of the University dismissed PricewaterhouseCoopers LLP ("PwC") as its independent auditors.

With respect to PwC and its services as the University's independent auditors, during the fiscal years ended June 30, 2010 and 2009 ("Fiscal Years 2010 and 2009"), and through April 4, 2011: (a) PwC's reports on the University's financial statements for Fiscal Years 2010 and 2009 did not contain an adverse opinion or disclaimer of opinion, nor were such reports qualified or modified as to uncertainty, audit scope, or accounting principle; and (b) there were no disagreements with PwC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of PwC, would have caused PwC to make a reference to the subject.

Appendix D - "DEFINITIONS OF CERTAIN TERMS," Appendix E - "SUMMARY OF THE LOAN AND TRUST AGREEMENTS" and Appendix F - "SUMMARY OF THE FINANCING AGREEMENT" have been prepared by Greenberg Traurig, LLP, Bond Counsel. The proposed legal opinion of Greenberg Traurig, LLP is set forth in Appendix G.

Appendix H contains the Form of Continuing Disclosure Agreement. Appendix I contains the Official Notice of Sale with respect to the Bonds.

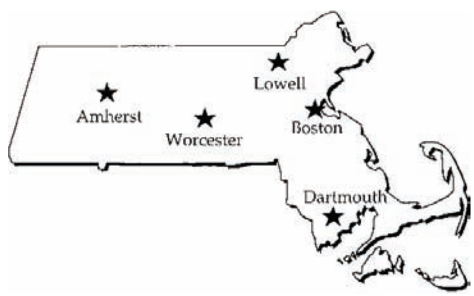
All Appendices are incorporated as an integral part of this Official Statement.

APPENDIX A

UNIVERSITY

OF

MASSACHUSETTS



Dated November 2, 2011

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APPENDIX A

November 2, 2011

Massachusetts Development Finance Agency
160 Federal Street
Boston, MA 02110

Members of the Massachusetts Development Finance Agency:

In connection with the issuance by the Massachusetts Development Finance Agency (the "Issuer") of its Revenue Refunding Bonds, University of Massachusetts Issue, Series 2011 (the "University Bonds"), and its Revenue Refunding Bonds, Worcester City Campus Corporation Issue, (University of Massachusetts Project), Series 2011 (the "WCCC Bonds" and collectively with the University Bonds, the "Bonds") we are pleased to submit the following information with respect to the University of Massachusetts (the "University" or "UMass") and other pertinent matters for inclusion in this Official Statement. Unless otherwise indicated by context, all utilization and financial data for any year refers to the fiscal year ended June 30. Unless otherwise indicated, the University is the source of all information included in this Appendix A.

University of Massachusetts

HISTORY AND MISSION

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

The University's core mission is to provide an affordable and accessible education of high quality and to conduct programs of research and public service that advance knowledge and improve the lives of the people of the Commonwealth, the nation, and the world. In the fall of 2010, the University enrolled approximately 58,563 full-time equivalent ("FTE") students. The University's five campuses are geographically dispersed throughout the Commonwealth and possess unique and complementary missions. In addition, the University has a system-wide online education consortium called UMassOnline, which in academic year 2009-2010 offered approximately 1,500 online and blended courses.

The University was rated as one of the world's best universities in the Times of London's *2011-2012 World University Rankings*. UMass was ranked 64th 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 fourth highest in Massachusetts, sixth highest in New England, 17th highest in American public universities and 36th highest of all American institutions (public or private). The University was also ranked as the 19th best university in the world and the 13th best American university in the Times of London's *2011 World Reputation Rankings*. Adding to its world-class reputation, research expenditures at the University reached approximately $536 million in fiscal year 2010, surpassing the $500 million mark for the first time in the University's history.

UNIVERSITY CAMPUSES

Amherst Campus

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

The 1,400-acre Amherst campus includes the 28-story W.E.B. Du Bois Library, containing approximately three million volumes as well as governmental documents and law collections, the 9,000-seat state-of-the-art multi-purpose arena, the William D. Mullins Center, and 45 campus residence halls in six unique residential areas. In 2008, the campus opened the Studio Arts Building and the Central Heating Plant and completed renovations to a landmark academic building. In 2009, the campus completed a new student recreation center and an integrated sciences building. In 2011, the UMass Amherst police department began operations at the new Campus Police Station and Emergency Operations Center, which is the first new construction on campus to meet LEED certification standards. Over the last few years, the campus has made great strides in its commitment to sustainability and green initiatives reducing its carbon footprint by 30%, water use by 43%, steam use by 24% and electricity by 9%. The 2010 report of *The Top American Research Universities (The Center)* ranks UMass Amherst 69th 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 47 among public research universities. During fiscal year 2010, the campus saw a record amount of sponsored research, securing approximately 498 total federal awards worth approximately $129,262,137; an increase of approximately 38% compared to the previous year.

Boston Campus

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

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

UMass Boston has started the design and anticipates starting the construction on three new facilities to be located on the existing Boston campus: an Integrated Sciences Complex, a general academic building, and the Edward M. Kennedy Institute for the United States Senate (the "Kennedy Institute"). The Integrated Science Complex and the general academic building will both be operated by the Boston campus. The Kennedy Institute will be operated by a charitable organization registered in the District of Columbia going by the same name and will be owned by the University of Massachusetts Building Authority (the "UMBA"). 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 UMBA purchased the Bayside Exposition Center (the "Bayside site") for $18.7 million. The 20-acre Bayside site is approximately 1.5 miles from the Boston campus and will help meet the space needs of the Boston campus as it begins to develop new campus facilities and renovate outdated existing facilities. The acquisition of the Bayside site will initiate a University-led planning process to create a vision for redeveloping the site to further University and local objectives. UMass Boston plans to work with the City of Boston, the state, neighbors, and the surrounding communities to develop a plan that realizes the potential of the Bayside site, stimulates economic activity, creates jobs, and brings greater activity and opportunity to Columbia Point and the region. In the interim, the Bayside site will allow the University to replace parking eliminated during the above referenced construction process.

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

Dartmouth Campus

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

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

The Dartmouth campus had approximately 7,045 FTE undergraduate and approximately 1,218 FTE graduate students enrolled in the fall of 2010. During the 2009-2010 academic year, 1,273 bachelor and 316 advanced degrees were conferred. The 2011 edition of U.S. News and World Report's "America's Best Colleges", ranks the University of Massachusetts 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 campus – fully engaged in a strategic growth plan entitled Engaged, Embedded, Evolving – weaves its research, creative, and community service activities of faculty and graduate students into the undergraduate experience and into the economic and cultural life of southeastern Massachusetts. Areas of focus include marine science, bio-materials, public policy, K-12 schools, Portuguese-American Studies and the creative economy.

Lowell Campus

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

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

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

Worcester Campus

The Worcester campus ("UMass Worcester") provides general and specialized medical education and engages in a comprehensive program of basic scientific and clinical research. Located approximately 40 miles west of Boston and 50 miles east of Amherst, the campus is home to the School of Medicine (the "Medical School"), the Graduate School of Biomedical Sciences and the Graduate School of Nursing; a $255 million research enterprise in fiscal year 2010; public service initiatives throughout the Commonwealth, and the University Campus hospital of UMass Memorial Health Care, which was formerly the Clinical Services Division of the University. Effective March 31, 1998, as enacted by Chapter 163 of the Acts of 1997 of the Commonwealth, the Clinical Services Division of the University and the subsidiaries of a University-related organization, UMASS Health System, were contributed to and merged with and into an independent Massachusetts not-for-profit corporation named UMass Memorial Health Care, Inc. ("UMass Memorial"). The University maintains certain relationships with UMass Memorial through the arrangements presented in detail in the notes to the University's financial statements.

Created in 1962, UMass Worcester provides medical education at an affordable cost to Massachusetts residents, and graduate education to science and nursing students, offering incentives to graduates who practice primary care and other medical disciplines in underserved areas in Massachusetts. Ranked 9th in primary care education among the nation's accredited medical schools and schools of osteopathic medicine by weekly news magazine *U.S. News & World Report* in its 2012 edition of "America's Best Graduate Schools," the School of Medicine also ranked 53rd among medical schools based on research criteria.

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

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

With the signing of the $1 billion Life Sciences Bill by Massachusetts Governor Deval Patrick on June 16, 2008, UMass Worcester assumed a key role in helping realize the Commonwealth's potential as a global leader in life sciences. The law provides funding for a facility (a research complex that will be known as the "Sherman Center") that will house the new Advanced Therapeutics Cluster ("ATC"), composed of the Gene Therapy Center, the RNAi Therapeutics Center and the Center for Stem Cell Biology and Regenerative Medicine. A grant agreement signed on September 23, 2009 between the Commonwealth and the Life Sciences Center formalized the appropriation of approximately $90 million (of which $39 million has been received by the University) to support the construction of the Sherman Center on the Worcester campus. The balance is anticipated to be distributed by fiscal year 2013.

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

UMassOnline

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

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

In academic year 2009-2010, the University offered over 106 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 February 2009, in an effort to further reduce operating costs, the majority of the President's Office staff moved from an office located in downtown Boston to the CSF.

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

The University of Massachusetts Club

The University, acting through the UMBA, 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 UMBA, a public instrumentality of the Commonwealth created by Chapter 773 of the Acts of 1960 of the Commonwealth, as amended, and WCCC, a tax-exempt organization, and the University of Massachusetts Amherst Foundation, Inc. (the "UMass Amherst Foundation"), a tax-exempt organization that was established in fiscal year 2003. The purposes of the UMBA are to provide dormitories, dining commons and other buildings and structures for use of the University and other entities associated with the University and to issue bonds to finance such projects. On November 4, 1992, the University created WCCC to purchase various assets of Worcester City Hospital, to operate as a real estate holding company and to foster and promote the growth, progress and general welfare of the University's Worcester campus, and all of its locations. The subsidiaries of WCCC include Worcester Campus Services, Inc. ("WCS") and Public Sector Partners, Inc. ("PSP"), which has recently changed its name to UHealthSolutions, Inc. WCS has eight real estate holding company subsidiaries. On July 1, 2011 WCCC transferred five of its properties (100 Century Drive, Worcester, MA; 11 Midstate Drive, Auburn, MA; 3 Centennial Drive, Grafton, MA; 222 Maple Drive, Shrewsbury, MA; 333 South Street, Shrewsbury, MA) 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. 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 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.

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

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

Education System Reorganization

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

Department of Higher Education

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

The 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 college chosen by vote of the chairs of the boards of trustees of each of the state colleges, and one must be a member of a board of trustees of a community college chosen by vote of the chairs of the boards of trustees of each of the community colleges. Three of the DHE members appointed by the Governor shall be appointed for terms coterminous with that of the Governor. The remaining members of the 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
James J. Karam, *Board of Trustees Chair,* Tiverton, Rhode Island *Appointed January 2002* President, First Bristol Corporation	2013
Ruben J. King-Shaw, Jr., *Board of Trustees Vice Chair,* Carlisle *Appointed September 2005* Chairman & CEO, Mansa Equity Partners, Inc.	2015
Henry M. Thomas, III, J.D., *Board of Trustees Vice Chair,* Springfield *Appointed September 2007* President and CEO, Urban League of Springfield, Inc.	2012
Bianca L. Baldassarre, Clinton *Non-Voting Student Member, elected April 2011* University of Massachusetts, Boston	2012
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
Edward W. Collins, Jr., Springfield *Appointed September 2007* International Representative, International Brotherhood of Electrical Workers	2012
John A. DiBiaggio, D.D.S., Snowmass Village, Colorado *Appointed October 2003* Former President, Tufts University (retired)	2013
Maria D. Furman, Wellesley *Appointed November 2009* Former Managing Director and Bond Portfolio Manager of Standish Mellon Asset Management (retired)	2014

Administrative Officers

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

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

Robert L. Caret, PhD., 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 Bachelor of Science degree in chemistry and mathematics from Suffolk University.

James R. Julian, Jr., J.D., Executive Vice President and Chief Operating Officer, age 50

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

Marcellette G. Williams, Ph.D., Senior Vice President for Academic Affairs, Student Affairs and International Relations, age 70

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

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

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

Robert C. Holub, Ph.D., Chancellor Amherst campus, age 62

Robert C. Holub, Ph.D., became the Chancellor of the Amherst campus in August 2008. Prior to becoming Chancellor, Dr. Holub was the Provost and Vice Chancellor for Academic Affairs at the University of Tennessee's flagship campus in Knoxville, Tennessee. In 2003, Dr. Holub was named Dean of Berkeley's Undergraduate Division of College of Letters and Science at The University of California at Berkeley. Dr. Holub was also a professor at The University of California at Berkeley, where he was the Chair of the German Department from 1991-1997. He holds a B.S. from the University of Pennsylvania, two M.A. degrees and a Ph.D. from the University of Wisconsin. Dr. Holub has announced that he will step down as Chancellor of the Amherst campus at the end of the 2011-2012 academic year. University President Robert L. Caret and the Board of Trustees established an 18-person search committee that will conduct a national search for a new Amherst chancellor.

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

J. Keith Motley, Ph.D., became the Chancellor of the Boston campus in July 2007. Previously, Dr. Motley held the position of Vice President for Business and Public Affairs since 2005. Dr. Motley served as Interim Chancellor of the Boston campus from August 2004 until June 5, 2005. Prior to becoming Interim Chancellor, Dr. Motley served as the Vice Chancellor for Student Affairs at the Boston campus. Previously, Dr. Motley held a variety of student-service positions at Northeastern University including Dean of Student Services, Associate

Dean/Director of the John D. O'Bryant African-American Institute, and Assistant Dean/Director of the Office of Minority Student Affairs. Dr. Motley is a founder of the Roxbury Preparatory Charter School and chair emeritus of the school's board of trustees. He also serves on the board of trustees of Newbury College in Brookline. Dr. Motley holds B.S. and M.Ed. degrees from Northeastern University, and a Ph.D. from Boston College.

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

Jean F. MacCormack, Ed.D., became the Chancellor of the Dartmouth campus in February 2001. Dr. MacCormack previously served as the Interim Chancellor of the Dartmouth campus from September 1999. Dr. MacCormack also previously served as Deputy Chancellor and Vice Chancellor for Administration and Finance on the University's Boston campus. Dr. MacCormack holds a Master's and Doctorate in Education from the University of Massachusetts, Amherst and a Bachelor of Arts from Emmanuel College. Dr. MacCormack has announced that she will retire from the University at the end of the 2011-2012 academic year. University President Robert L. Caret and the Board of Trustees established a 19-person search committee that will conduct a national search for a new Dartmouth chancellor.

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

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

Michael F. Collins, M.D., Chancellor Worcester campus and Senior Vice President for Health Sciences, age 56

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

Faculty and Staff

The University had approximately 5,425 faculty members in the fall of 2010, including approximately 3,613 full-time faculty. Of the full-time faculty (excluding Worcester faculty), approximately 58.4 percent were tenured, approximately 24.9 percent were on track for tenure and the remaining approximately 16.7 percent were not on tenure track. In addition, the University had approximately 7,246 professional and 4,936 classified staff members in the fall of 2010, of which approximately 88.8 percent and 84.1 percent were full-time, respectively. The University faculty have received some of the world's most prestigious awards and honors, including the MacArthur Fellowship, the Pulitzer Prize, the National Book Award, and the Nobel Prize. The University faculty also includes National Science Foundation grant winners and Fulbright Scholars. The University student FTE to faculty FTE ratios, excluding continuing education, are 18.6:1, 16:1, 17:1 and 17:1 for the Amherst, Boston, Dartmouth and Lowell campuses, respectively. The Worcester campus ratio is not presented because the delivery of graduate medical education is not comparable to that of campuses offering a traditional range of undergraduate and graduate programs.

ACADEMIC PROGRAMS AND ACCREDITATION

The University offers a broad spectrum of academic programs, granting Bachelor of Arts degrees in over 60 fields, Bachelor of Science degrees in over 50 fields and bachelor degrees in a number of other areas, including fine arts and business administration. Master of Arts degrees are granted in more than 25 fields, Master of Science degrees in over 45 academic fields and a variety of other master's degrees are granted in specialized areas including education, teaching, business administration and public health. In addition to the foregoing, the University grants Doctor of Philosophy degrees in over 50 fields, as well as Doctor of Education, Doctor of Science, Doctor of Engineering, 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 the New England Association of Schools and Colleges, Inc. ("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 2012, respectively. The Medical School at the Worcester campus is a member of the Association of American Medical Colleges and was given full accreditation through the 2011-2012 academic year by the Liaison Committee on Medical Education, the major accrediting body for programs leading to the M.D. degree. In addition to the foregoing, individual schools and academic programs are accredited by the appropriate agencies in their particular fields.

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

ENROLLMENT

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

In the fall of 2010, total full-time equivalent enrollment at the University (including continuing education) was 58,563, representing an increase of approximately 19.1 percent over the five-year period. Based on preliminary 2011enrollment numbers, total FTE enrollment for fall 2011 is 59,943.

Total Full-Time Equivalent Enrollment, Fall 2006-2010, Estimated 2011

	2006	2007	2008	2009	2010	Estimated 2011*
Undergraduate	39,282	40,805	42,767	44,542	46,648	47,986
Graduate	9,883	10,264	10,373	11,198	11,915	11,957
Total	49,165	51,069	53,140	55,740	58,563	59,943

*Based on Fall 2011 preliminary estimates.

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

Amherst Campus

	2006	2007	2008	2009	2010	Estimated 2011*
In-state undergraduate	15,820	16,018	16,402	16,838	16,932	
Out-of-state undergraduate	4,003	4,096	4,137	4,035	4,441	
In-state graduate	2,342	2,357	2,355	2,408	2,419	
Out-of-state graduate	3,428	3,402	3,465	3,735	3,777	
Total	25,593	25,873	26,359	27,016	27,569	28,085

Boston Campus

	2006	2007	2008	2009	2010	Estimated 2011*
In-state undergraduate	8,219	8,890	9,493	10,082	10,467	
Out-of-state undergraduate+	1,027	1,118	985	959	1,101	
In-state graduate	2,352	2,514	2,666	2,901	2,835	
Out-of-state graduate	764	911	973	970	1,051	
Total	12,362	13,433	14,117	14,912	15,454	15,741

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

Dartmouth Campus

	2006	2007	2008	2009	2010	Estimated 2011*
In-state undergraduate	7,245	7,586	7,633	7,636	7,400	
Out-of-state undergraduate	381	341	349	346	349	
In-state graduate	707	769	825	955	1,201	
Out-of-state graduate	423	384	348	365	482	
Total	8,756	9,080	9,155	9,302	9,432	9,229

Lowell Campus

	2006	2007	2008	2009	2010	Estimated 2011*
In-state undergraduate	7,640	7,715	8,336	9,076	9,704	
Out-of-state undergraduate	1,009	1,164	1,370	1,472	1,572	
In-state graduate	1,814	1,857	1,793	2,024	2,240	
Out-of-state graduate	745	899	972	1,030	1,186	
Total	11,208	11,635	12,471	13,602	14,702	15,371

Worcester Campus

	2006	2007	2008	2009	2010	Estimated 2011*
Medical School	423	435	445	469	487	
Other	597	578	580	622	671	
Total++	1,020	1,013	1,025	1,091	1,158	1,189

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

*Based on Fall 2011 preliminary estimates.

Total Headcount Enrollment

	2006	2007	2008	2009	2010	Estimated 2011*
In-state undergraduate	38,924	40,209	41,864	43,632	44,503	
Out-of-state undergraduate	6,420	6,719	6,841	6,812	7,463	
In-state graduate	7,970	8,223	8,357	9,077	9,530	
Out-of-state graduate	5,625	5,883	6,065	6,402	6,819	
Total	58,939	61,034	63,127	65,923	68,315	69,615

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

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

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

First Year Applicants, Acceptances and Matriculants, Fall 2006-2010, Estimated 2011

	2006	2007	2008	2009	2010	Estimated 2011*
Applications Received	37,627	43,688	46,689	48,564	52,753	54,939
Number of Acceptances	26,099	28,098	30,590	32,584	35,665	36,562
Percent of Applicants Accepted	69%	64%	65%	67%	68%	67%
Number of Matriculants	7,990	8,226	8,248	8,144	8,672	8,995
Percent Matriculated of Those Accepted	31%	29%	27%	25%	24%	25%

Transfer Student Applicants, Acceptances and Matriculants, Fall 2006-2010, Estimated 2011

	2006	2007	2008	2009	2010	Estimated 2011*
Applications Received	8,258	8,341	8,648	9,333	10,014	10,231
Number of Acceptances	6,148	6,190	6,625	6,939	7,220	7,725
Percent of Applicants Accepted	74%	74%	77%	74%	72%	76%
Number of Matriculants	3,753	3,891	4,098	4,299	4,516	4,756
Percent Matriculated of Those Accepted	61%	63%	62%	62%	63%	62%

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

One Year Retention Rates - Fall Term (%)

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

*Based on Fall 2011 preliminary estimates.

Six Year Graduation Rates (%)

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

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

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

SAT Scores for Incoming Freshmen

Academic Year	2006-2007*	2007-2008*	2008-2009*	2009-2010*	2010-2011*
Range of Campus Averages	1046-1146	1053-1142	1050-1155	1053-1169	1042-1167

*Combined Mathematics and Critical Reasoning scores.

Degrees Awarded

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

Trends in Degrees Awarded

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

++CAGS means Certificate of Advanced Graduate Studies.

TUITION AND FEES

From fiscal year 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 current inflation rate. The University believed that this "at or below inflation" approach for student charge increases would provide reasonable stability and predictability for students, their families, and institutional planners. In February 2005, the University Trustees approved inflation-based increases of approximately 3.2 percent for the fiscal year 2006 mandatory student charges for resident students at the Amherst, Boston, Dartmouth and Lowell campuses (the Worcester campus's only fee increase for fiscal year 2006 was a $32 equipment fee increase for all medical and graduate students). In February 2006, the University Trustees approved the President's recommendation for continuing this program of inflation-based increases in mandatory student charges for fiscal year 2007. The rate increase approved for fiscal year 2007 averaged 3.4 percent over fiscal year 2006 rates for resident undergraduate students. In March 2007, the University Trustees approved increases of approximately 3.4 percent, in mandatory student charges for resident undergraduate students for fiscal year 2008. In March 2008, the University Trustees approved a 3.1 percent increase in mandatory student charges for resident undergraduate students for fiscal year 2009.

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

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

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

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

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 $6.1 million decline from fiscal year 2011, the Governor's budget is actually proposing level funding. This is due to the fact that the Legislature passed a bill that will allow the University's Boston, Dartmouth, Lowell, and Worcester campuses to retain tuition collected from non-resident students beginning in fiscal year 2012 (the Amherst campus has retained this tuition since fiscal year 2004). The amount of non-resident tuition estimated to be collected by these four campuses totals $11.6 million in the initial year. Prior to the legislation, the approximately $11.6 million of non-resident tuition would have been returned to the Commonwealth. Therefore, the $418 million base state appropriation approved for fiscal year 2012 is equal to the $424 million fiscal year 2011 base state appropriation plus a continuation of the $5.5 million of collective bargaining support initially provided in fiscal year 2011 less the $11.6 million of tuition revenue to be retained by the four campuses.

In addition to the level funding of the base state appropriation, the Commonwealth's fiscal year 2012 budget includes $6.4 million of line item funding specific to the University. However, this positive support is offset by the fact that the University does not anticipate receiving any ARRA stimulus funds in fiscal year 2012. In effect, the University's total state appropriation prior to fringe benefit support has declined by approximately 8% from $472 million in fiscal year 2011 to $436 million in fiscal year 2012. As a result of the anticipated flat state support, the elimination of the federal stimulus funding, and the expectation that the Commonwealth will not be providing support for the fiscal year 2012 costs of the collective bargaining contracts signed in fiscal year 2011, the University's Board of Trustees voted on June 8, 2011 to increase mandatory student charges by 7.5% for resident undergraduate students for the 2011-2012 academic year.

For additional information see "UNIVERSITY REVENUES AND BUDGETING – Management of Appropriated Funds" below. The following tables show tuition and mandatory fees for full-time graduate and undergraduate students in effect at the Amherst, Boston, Dartmouth, Lowell and Worcester campuses for fiscal years 2008 through 2012.

AMHERST CAMPUS

Tuition & Mandatory Fees: FY 2008 – 2012

	Actual 2008[1]	Actual 2009[2]	Actual 2010[3]	Actual 2011[4]	Actual 2012[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)	$ 8,207	$ 8,518	$10,018	$10,018	$10,898
Undergraduate (non-resident)	10,562	11,792	13,292	13,691	15,463
Graduate (MA resident)	7,455	7,766	8,286	8,286	9,957
Graduate (non-resident)	9,241	10,471	11,491	11,836	14,449
TOTAL MANDATORY FEES & TUITION					
Undergraduate (MA resident)	$ 9,921	$10,232	$11,732	$11,732	$12,612
Undergraduate (non-resident)	20,499	21,729	23,229	23,628	25,400
Graduate (MA resident)	10,095	10,406	10,926	10,926	12,597
Graduate (non-resident)	19,178	20,408	21,428	21,773	24,386
DORMITORY RESIDENTS ONLY					
Average Room & Board	$7,478	$8,114	$8,276	$8,814	$9,512
MANDATORY FEES, TUITION, ROOM & BOARD					
Undergraduate (MA resident)	$17,399	$18,346	$20,008	$20,008	$22,124
Undergraduate (non-resident)	27,977	29,843	31,505	32,442	34,912
Graduate (MA resident)	17,573	18,520	19,202	19,740	22,109
Graduate (non-resident)	26,656	28,522	29,704	30,587	33,898

[1] Includes an increase in fees approved by the University Trustees on March 14, 2007.
[2] Includes an increase in fees approved by the University Trustees on March 19, 2008.
[3] 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.
[4] 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.
[5] Includes an increase in fees approved by the University Trustees on June 8, 2011.

BOSTON CAMPUS

Tuition & Mandatory Fees: FY 2008 – 2012

	Actual 2008[1]	Actual 2009[2]	Actual 2010[3]	Actual 2011[4]	Actual 2012[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)	$ 7,123	$ 7,397	$ 8,897	$8,897	$9,693
Undergraduate (non-resident)	10,898	11,539	13,039	13,430	15,169
Graduate (MA resident)	7,572	7,887	9,387	9,387	10,285
Graduate (non-resident)	10,911	11,551	13,051	13,443	15,183
TOTAL MANDATORY FEES & TUITION					
Undergraduate (MA resident)	$ 8,837	$ 9,111	$10,611	$ 10,611	$11,407
Undergraduate (non-resident)	20,656	21,297	22,797	23,188	24,927
Graduate (MA resident)	10,162	10,477	11,977	11,977	12,875
Graduate (non-resident)	20,669	21,309	22,809	23,201	24,921

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[1] Includes an increase in fees approved by the University Trustees on March 14, 2007.

[2] Includes an increase in fees approved by the University Trustees on March 19, 2008.

[3] 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.

[4] 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.

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

DARTMOUTH CAMPUS

Tuition & Mandatory Fees: FY 2008 – 2012

	Actual 2008[1]	Actual 2009[2]	Actual 2010[3]	Actual 2011[4]	Actual 2012[5]
TUITION					
Undergraduate (MA resident)	$1,417	$1,417	$1,417	$1,417	$1,417
Undergraduate (non-resident)	8,099	8,099	8,099	8,099	8,099
Graduate (MA resident)	2,071	2,071	2,071	2,071	2,071
Graduate (non-resident)	8,099	8,099	8,099	8,099	8,099
CURRICULUM & OTHER MANDATORY FEES					
Undergraduate (MA resident)	$ 7,175	$ 7,441	$ 8,941	$8,941	$9,718
Undergraduate (non-resident)	10,075	10,462	11,962	12,321	13,955
Graduate (MA resident)	7,658	7,946	9,446	9,446	10,367
Graduate (non-resident)	10,075	10,462	11,962	12,321	13,955
TOTAL MANDATORY FEES & TUITION					
Undergraduate (MA resident)	$ 8,592	$ 8,858	$10,358	$10,358	$11,135
Undergraduate (non-resident)	18,174	18,561	20,061	20,420	21,952
Graduate (MA resident)	9,729	10,017	11,517	11,517	12,381
Graduate (non-resident)	18,174	18,561	20,061	20,420	21,952
DORMITORY RESIDENTS ONLY					
Average Room & Board	$9,163	$9,428	$9,670	$9,883	$10,179
MANDATORY FEES, TUITION, ROOM & BOARD					
Undergraduate (MA resident)	$17,755	$18,286	$20,028	$20,241	$21,314
Undergraduate (non-resident)	27,337	27,989	29,731	30,303	32,131
Graduate (MA resident)	18,892	19,445	21,187	21,400	22,560
Graduate (non-resident)	27,337	27,989	29,731	30,303	32,131

[1]. Includes an increase in fees approved by the University Trustees on March 14, 2007.
[2] Includes an increase in fees approved by the University Trustees on March 19, 2008.
[3] 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.
[4] 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.
[5] Includes an increase in fees approved by the University Trustees on June 8, 2011.

LOWELL CAMPUS

Tuition & Mandatory Fees: FY 2008 – 2012

	Actual 2008[1]	Actual 2009[2]	Actual 2010[3]	Actual 2011[4]	Actual 2012[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)	$ 7,277	$ 7,552	$ 9,052	$9,052	$9,843
Undergraduate (non-resident)	11,817	12,459	13,959	14,378	15,169
Graduate (MA resident)[++]	6,603	6,862	8,362	8,362	9,067
Graduate (non-resident)[++]	10,037	10,805	12,305	12,674	13,379
TOTAL MANDATORY FEES & TUITION					
Undergraduate (MA resident)	$ 8,731	$ 9,006	$10,506	$10,506	$11,297
Undergraduate (non-resident)	20,384	21,026	22,526	22,945	23,736
Graduate (MA resident)	8,240	8,499	9,999	9,999	10,704
Graduate (non-resident)	16,462	17,230	18,730	19,099	19,804
DORMITORY RESIDENTS ONLY					
Average Room & Board	$6,978	$7,519	$8,635	$9,067	$9,520
MANDATORY FEES, TUITION, ROOM & BOARD					
Undergraduate (MA resident)	$15,709	$16,525	$19,141	$19,573	$20,817
Undergraduate (non-resident)	27,362	28,545	31,161	30,012	33,256
Graduate (MA resident)	15,218	16,018	18,634	19,066	20,224
Graduate (non-resident)	23,440	24,749	27,365	28,166	29,324

[1] Includes an increase in fees approved by the University Trustees on March 14, 2007.
[2] Includes an increase in fees approved by the University Trustees on March 19, 2008.
[3] 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.
[4] 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.
[5] Includes an increase in fees approved by the University Trustees on June 8, 2011.
[+]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 2008 – 2012

	Actual 2008[2]	Actual 2009[3]	Actual 2010[4]	Actual 2011[5]	Actual 2012[5]
TUITION					
Medical School	$8,352	$8,352	$8,352	$8,352	$8,352
Graduate (MA resident)	2,640	2,640	2,640	2,640	2,640
Graduate (non-resident)	9,856	9,856	9,856	9,856	9,856
CURRICULUM & OTHER MANDATORY FEES					
Medical School	$ 5,735	$ 5,886	$ 7,386	$7,386	$10,241
Graduate School of Nursing	5,735	5,788	7,288	7,288	7,368
Graduate School of Biomedical Sciences	3,942	3,975	4,010	4,010	4,010
Ph.D./MD (MA resident) [+]	20,508	20,541	22,041	22,041	22,041
Ph.D./MD Years 1-2 (non-resident) [+]	35,508	35,541	37,041	38,152	37.041
Ph.D./MD Years 3 plus (non-resident) [+]	25,652	25,685	27,185	28,001	27,185
TOTAL MANDATORY FEES & TUITION					
Medical School	$14,087	$14,238	$15,738	$15,738	$18,593
Graduate School of Nursing (MA resident)	8,375	8,428	9,928	9,928	10,008
Graduate School of Biomedical Sciences (MA resident)	6,582	6,615	6,650	6,650	6,650
Graduate School of Nursing (non-resident)	15,591	15,644	17,144	17,144	17,224
Graduate School of Biomedical Sciences (non-resident)	13,798	13,831	13,866	13,866	13,886
Ph.D./MD (MA resident)	23,148	23,181	24,681	24,681	24,681
Ph.D./MD Years 1-2 (non-resident)	45,364	45,397	46,897	48,008	46,897
Ph.D./MD Years 3 plus (non-resident)	35,508	35,541	37,041	37,857	37,041

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[1] Includes an increase in fees approved by the University Trustees on March 14, 2007.
[2] Includes an increase in fees approved by the University Trustees on March 19, 2008.
[3] Includes an increase in fees approved by the University Trustees on February 27, 2009.
[4] 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.
[5] Includes an increase in fees approved by the University Trustees on June 8, 2011.
[+] The University Trustees established and approved three separate fees for the Ph.D./MD program on February 4, 2004 for fiscal year 2005: "MA resident", "Years 1-2 (non-resident)" and "Years 3 plus (non-resident)".

Student Financial Aid

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

UNIVERSITY REVENUES AND BUDGETING

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

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

Current and Future Capital Plans

The University Trustees have reviewed and approved a five-year approximately $3.12 billion capital plan for fiscal years 2012-2016, including projects already in process with prior approval of the University Trustees as well as new projects recommended by the University Trustees' Committee on Administration and Finance. The University generally has funded its capital plans through a combination of funds received from University operations, bonds issued by the UMBA, bonds issued by the Massachusetts Health and Educational Facilities Authority (which was merged into the Issuer), Commonwealth appropriations, and private fund raising.

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

Some of the major projects in the 2012-2016 capital plan and their estimated total project cost include (a) at the Amherst campus, the expansion of student-housing of up to 1,500 beds at an anticipated cost of approximately $178,500,000, the repair and renovation of residential buildings for approximately $25,000,000, the construction of a new 144,000 square foot laboratory science building for approximately $156,500,000, the planning and construction of an Academic Classroom Building for approximately $85,000,000, the renovation of the Morrill Science Center Complex for approximately $51,300,000, repairs to DuBois Library interior for approximately $15,000,000, the construction of a Life Sciences Research Facility for approximately $95,000,000, installation of housing sprinkler systems for approximately $32,000,000, renovations to the Marks Meadow School property for approximately $17,500,000, Lederle Graduate Research Center Complex repairs and renovations for approximately $41,250,000, repairs to Machmer Hall for approximately $12,600,000, renovations of the Goessmann Laboratory for approximately $15,000,000, the replacement of the Southwest Concourse for approximately $15,500,000, facility demolitions for approximately $12,800,000, improvements to McGuirk Stadium for approximately $30,000,000, the construction of a Physical Sciences building for approximately $80,000,000, and the construction of a Biomass facility for approximately $20,000,000; (b) at the Boston campus, the construction of an Integrated Science Complex for approximately $152,000,000, stabilization of the campus substructure and related deferred maintenance projects for approximately $33,075,000, construction of two 1,200 vehicle parking garages for a combined total of approximately $70,000,000, the construction of two new academic buildings for a combined total of approximately $235,000,000, phase 1 of the utility corridor and roadway relocation for approximately $82,125,000, phase 2 of the utility corridor and roadway relocation for approximately $52,875,000, utility plant system expansion and upgrades for approximately $3,000,000, the construction of a new primary electrical switchgear structure for approximately $3,000,000, the construction of 3 new classrooms in the Healy Library for approximately $1,000,000, the construction of a new Trigeneration Facility for approximately $25,000,000, instructional equipment upgrades and replacements for approximately $15,000,000, the construction of the Center for Personalized Cancer Therapy for approximately $10,000,000, the construction of a 1,000-bed Residence Hall approximately for $88,000,000, fire protection improvements in the Healey Library for approximately $7,000,000, renovation and modernization work to existing campus buildings for approximately $75,000,000, and renovations to create learning commons and improve IT and study spaces in Healy Library for approximately $20,000,000; (c) at the Dartmouth campus, the construction of a Biomanufacturing Building for approximately $26,000,000, classroom and laboratory upgrades and learning space improvements for approximately $11,440,000, extensive renovation and modernization to the Carney Library for approximately $46,000,000, a comprehensive energy/water conservation project for approximately $34,000,000 (this project is in large part being funded by a new 20-year Energy Performance contract that is being managed by DCAMM under its Clean Energy Investment Program; Phase 1 of the project being approximately $18,000,000 and phase 2 being approximately $13,500,000), repairing and reroofing the four oldest residence halls for approximately $76,900,000, basic infrastructure repairs for approximately $61,702,000, new construction of an Administrative Services Center for approximately $12,690,000, the acquisition of the Advanced Technology Manufacturing Center for approximately $11,400,000, Phase II construction at the Charlton College of Business for approximately $15,000,000, the construction of a SMAST/Marine Fisheries Building for approximately $48,000,000, the expansion of the Fitness Center for approximately $5,000,000, the construction of a Campus Entrance Building for approximately $45,000,000, the construction of a new academic building for approximately $55,000,000, a new addition to the campus center for approximately $16,400,000, and the construction/rehabilitation of a multipurpose field house for approximately $20,800,000; (d) at the Lowell campus, the construction of a South Campus Academic Building for approximately $40,000,000, the construction of The Emerging Technology Innovation Center for approximately $72,200,000, building rehabilitation of Wannalancit Mills for approximately $15,500,000,, property acquisitions totaling approximately $10,000,000, renewal of Coburn Hall for approximately $19,000,000, the renovation of the North campus Science and Engineering space for approximately $125,000,000, the construction of a South Campus parking garage for approximately $20,000,000, campus-wide modernization of academic buildings for approximately $54,000,000, capital renewal, deferred maintenance and compliance projects for a combined total of approximately $115,000,000, renovations to modernize the North Campus Quad area for approximately $31,300,000, the construction of a new residence hall for approximately $50,000,000, the addition of 250 beds, a bookstore and café, and student and administrative services at University Crossing for a combined total of approximately $91,400,000, the construction of a North campus parking garage for approximately $20,000,000, the construction of the College of Management Building for approximately $30,000,000, and improvements to the energy and power plants for approximately $30,000,000; and (e) at the Worcester campus, construction of the Sherman Center for approximately $350,000,000, expansion of the existing Power Plant for approximately $50,000,000, construction of the Advanced Education and Clinical Practice Center for approximately $120,000,000, construction of a new parking garage for approximately $40,000,000, HVAC upgrades and replacements for approximately $30,100,000, departmental equipment purchases for approximately $10,000,000, and the refinancing of the South Street facility for approximately $25,000,000. In lieu of the refinancing, the UMBA intends to do a private placement bond issuance to fund the completion of the top two floors of the Albert Sherman Center.

The University is committed to continuing to move forward with its five-year capital plan for fiscal years 2012-2016. With two substantial bond issuances completed in fiscal year 2010 and fiscal year 2011, the UMBA currently has approximately $1.1 billion available to support capital projects over the next few years. In addition, the Executive Office for Administration and Finance continues to implement a plan that would contribute $1 billion of Commonwealth general obligation bonds for University projects during the ten-year period from FY09-18. The University will also receive additional state support for capital activity through the Life Sciences Bond Bill passed in

2008 and the Commonwealth's annual deferred maintenance program. The University continues to reassess its capital priorities and implementation schedule in order to get the most impact out of any capital dollars spent.

Beginning in the late 1990s, the University enhanced its program to address deferred maintenance needs at its campuses. As a result, the University has made investments to repair and renovate facilities at the University's campuses from a combination of University sources, including bonds issued by the UMBA and bonds issued by the Massachusetts Health and Educational Facilities Authority, and direct Commonwealth support. Addressing deferred maintenance remains a priority within the University's capital plan. The University's 2012-2016 capital plan includes approximately $975 million of deferred maintenance projects.

Budget Process

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

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

<u>General Operations</u>

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.

<u>Sales and Services (Designated Funds)</u>

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

<u>Restricted Funds</u>

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

Management of Appropriated Funds

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

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

The Commonwealth's fiscal year 2011 budget included a section which extended the ability to retain tuition for non-resident students to the Boston, Dartmouth, Lowell, and Worcester campuses. The ability of these four campuses to retain non-resident tuition will begin in fiscal year 2012. For budgeting purposes, it is estimated that the retained non-resident tuition for these four campuses will total \$11.6 million.

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

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

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

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

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

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

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

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

In addition to the level funding of the base state appropriation, the fiscal year 2012 budget includes approximately $6.4 million of line item funding specific to the University. However, this positive support is offset by the fact that the University does not anticipate receiving any ARRA stimulus funds in fiscal year 2012.

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

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

Management of Non-Appropriated Funds

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

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

The University's financial operations consist of two major expense categories: Educational and General, and Auxiliary Enterprises. The Educational and General expense budget includes research, academic programs, public service programs, student services programs, academic and institutional support programs, physical plant operations and financial aid. These activities are funded from student fees (except for in-state resident tuition), Commonwealth appropriations, the federal government and certain unrestricted grants and contracts. Auxiliary enterprises are a set of self-sufficient services ancillary to the general educational mission of the University. These include such items as dining and residence halls, student health services, and parking facilities. The Auxiliary Enterprises budget is a revenue-based trust fund. No assurance can be given that future trust fund revenues will continue to be sufficient to support self-amortizing projects or other Auxiliary Enterprises.

Economic Downturn and Beyond

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

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

As described previously in "TUITION AND FEES" herein, the University also increased the mandatory student charge by up to $1,500 for in-state undergraduate students starting in fiscal year 2010. However, due to the receipt of the ARRA education stabilization funds, the University followed through on the Board of Trustee vote to rebate a portion of the $1,500 increase in mandatory student charges approved in February 2009. For fiscal year 2010, the University processed a $1,100 rebate to in-state undergraduate students. For fiscal year 2011, the University's Board of Trustees voted to maintain in-state tuition and mandatory fee rates at levels approved for fiscal year 2010. For fiscal year 2012, the University's Board of Trustees, recognizing that no stimulus funding would be available to cover the decreased level of state appropriations, voted to increase the mandatory student charges for in-state undergraduate students by 7.5%.

The University also benefits from having diverse revenue streams. Grant and contract revenues have grown consistently over the years and the University anticipates continued strong revenue in this area. Modest increases in room and board rates also are expected to generate additional revenues for auxiliary operations. Additionally, the University's online presence continues to expand. For fiscal year 2011, UMassOnline achieved an approximate 16% increase in revenue and an approximate 12% increase in enrollment. Compared to the previous year, revenues increased from approximately $56.2 million to approximately $65.2 million. All of these revenue sources contribute to the University's fiscal position. Based on the unaudited preliminary results for fiscal year 2011, the University expects a positive operating margin of approximately 3.7%. In addition, on June 8, 2011, the Board approved a balanced operating budget for fiscal year 2012.

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

Basis of Presentation

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

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

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

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

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

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

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

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

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

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

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

Summary of Operations

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

ASSETS	2006 University	2007 University	2008 University	2009 University	2010 University
Current Assets	$504,691	$475,147	$513,725	$461,594	$557,573
Noncurrent Assets					
Investment in Plant Net of Accumulated Depreciation	1,499,607	1,719,316	1,919,915	2,068,485	2,324,392
All Other Noncurrent Assets	900,789	964,875	1,119,528	1,047,339	1,473,432
Total Assets	**$2,905,087**	**$3,159,338**	**$3,553,168**	**$3,577,418**	**$4,355,397**
LIABILITIES					
Current Liabilities	$508,972	$472,682	$515,354	$514,719	$584,562
Noncurrent Liabilities	1,046,337	1,122,339	1,366,768	1,321,394	1,801,682
Total Liabilities	**$1,555,309**	**$1,595,021**	**$1,882,122**	**$1,836,113**	**$2,386,244**
NET ASSETS					
Invested in Capital Assets Net of Related Debt	$804,053	$884,138	$1,027,045	$1,069,881	$1,133,264
Restricted					
Nonexpendable	16,136	16,264	16,605	16,699	16,899
Expendable	146,903	212,302	161,732	156,649	218,517
Unrestricted	382,686	451,613	465,664	498,076	600,473
Total Net Assets	**$1,349,778**	**$1,564,317**	**$1,671,046**	**$1,741,305**	**$1,969,153**

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

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

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

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

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

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

*The difference in the net assets at the beginning of Fiscal Year 2008 reflects Public Sector Partners becoming a blended component of the University during 2009, as described in Note 6 of the Financial Report for Fiscal Year 2009.

SUMMARY OF FINANCIAL RESULTS, FISCAL YEARS 2008 THROUGH 2010

The following is a summary of the financial results for fiscal years 2008 through 2010.

Fiscal Year 2010

Financial Highlights

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

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

Summary of Assets and Liabilities

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

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

The University's current assets of approximately $557.6 million were below the current liabilities of approximately $584.6 million, as the current ratio was 0.95 dollars in assets to every one-dollar in liabilities. In fiscal year 2009, the current ratio was 0.90 (approximately $461.6 million in current assets and $514.7 million in current liabilities).

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

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

Summary of Operating Revenues and Operating Expenditures

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

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

State Appropriations

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

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

Fiscal Year 2009

Financial Highlights

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

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

Summary of Assets and Liabilities

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

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

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

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

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

Summary of Operating Revenues and Operating Expenditures

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

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

State Appropriations

In fiscal year 2009, state appropriations represented approximately 22 percent of all operating and non-operating revenues. The level of state support is a key factor influencing the University's overall financial condition. Although the state appropriation is unrestricted revenue, nearly 100% of the state appropriation supports payroll and benefits for University employees.

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

Fiscal Year 2008

Financial Highlights

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

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

Summary of Assets and Liabilities

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

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

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

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

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

Summary of Operating Revenues and Operating Expenditures

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

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

State Appropriations

In fiscal year 2008, state appropriations represented approximately 27 percent of all operating and non-operating revenues. The level of state support is a key factor influencing the University's overall financial condition. Although the state appropriation is unrestricted revenue, nearly 100% of the state appropriation supports payroll and benefits for University employees.

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

Endowment and Fundraising

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

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

As of June 30, 2011, the estimated market value of the University and Foundation endowment was approximately $530 million, which represents an increase of approximately $69 million compared to the June 30, 2010 value.

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

University and Foundation Endowment Assets*

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

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

INDEBTEDNESS OF THE UNIVERSITY

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

The University of Massachusetts Building Authority

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

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

As described below, since June 30, 2010, the UMBA has issued $552,310,000 of project revenue bonds (Series 2010-1, 2010-2, and 2010-3), and $236,740,000 of refunding revenue bonds (Series 2011-1 and 2011-2).

2003-1 Bonds

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

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

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

2005-1 Bonds

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

2005-2 Bonds

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

2006-1 and 2006-2 Bonds

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

2008-1 and 2008-A Bonds

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

2008-3 and 2008-4 Bonds

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

2008-2 Bonds

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

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

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

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

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

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

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

On October 21, 2010, the UMBA issued its $118,985,000 Project Revenue Bonds, Senior Series 2010-1 (the “2010-1 Bonds”), its $430,320,000 Project Revenue Bonds, Senior Series 2010-2 (Federally Taxable – Build

America Bonds – Direct Pay to Issuer)(the "2010-2 Bonds"), and its $3,005,000 Project Revenue Bonds, Senior Series 2010-3 (Federally Taxable)(the "2010-3 Bonds").

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

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

The 2010-3 Bonds were issued to finance operating expenses at the University of Massachusetts School of Law on the Dartmouth campus (the "2010-2 Project"). The proceeds of the 2010-3 Bonds are being used to finance the costs of the 2010-3 Project and to pay costs of issuing the 2010-3 Bonds.

2011-1 and 2011-2 Bonds

On June 9, 2011, the UMBA issued its $135,040,000 Refunding Revenue Bonds, Senior Series 2011-1 (the "2011-1 Bonds") and its $101,700,000 Refunding Revenue Bonds, Senior Series 2011-2 (7-Month Window) (the "2011-2 Bonds"). As described above, 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.

Massachusetts Development Finance Agency

Effective October 1, 2010, Massachusetts Health and Educational Facilities Authority ("MHEFA") was merged into the Massachusetts Development Finance Agency, 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 the Issuer and any and all obligations and liabilities of MHEFA have become obligations and liabilities of the Issuer.

University of Massachusetts Series A

In March 2000, MHEFA issued its $40,000,000 Variable Rate Demand Revenue Bonds, University of Massachusetts Issue, Series A for the purpose of loaning the proceeds to the University to create a pool of funds from which the University finances and refinances the acquisition and telecommunications, electronic, computer, office, research, equipment and administrative systems and related renovation costs at the various University campuses on a revolving basis throughout the life of the pool. On March 27, 2009, the Bonds were subject to mandatory purchase as a result of being converted from bearing interest at a weekly rate to a long-term rate, and only $20,000,000 was remarketed. The initial long-term rate of 0.85% ended on March 31, 2010. The Bonds were remarketed on April 1, 2010 and now bear interest at the long-term rate of 2.20%. The new long-term rate period will end on March 31, 2013 and the Bonds will be subject to mandatory tender for purchase on April 1, 2013.The Bonds are not supported by any insurance policy, liquidity facility or other credit enhancement. The Bonds are a general obligation of the University payable from all funds of the University permitted to be applied thereto. The University's unrestricted net assets, previously referred to as the expendable fund balance, secure the obligations of the University with respect to the Bonds. The University is required to certify annually that there are sufficient funds in the unrestricted net assets to cover the debt service on the Bonds.

University of Massachusetts Series D

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

University of Massachusetts Series C

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

University of Massachusetts Series B

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

WCCC Series F

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

WCCC Series E

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

WCCC Series D

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

Defeasance of WCCC Series C

In April 2002, MHEFA issued its $70,000,000 Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series C (the “WCCC Series C Bonds”) for the purpose of constructing and equipping an approximately 75,000-square foot aseptic filling and manufacturing facility to be located on the former Boston State Hospital site in Mattapan now known as 460 Walk Hill St, Mattapan I and II. The WCCC Series C Bonds were advance refunded and legally defeased with the issuance of the above-described WCCC Series F Bonds. Pursuant to and as specified in the Refunding Trust Agreement, dated as September 12, 2006, by and between MHEFA and Flagship Bank and Trust Company (now People’s United Bank), (the “Refunded Bond Trustee”), there are held by the Refunded Bond Trustee, Government or Equivalent Obligations which will mature and bear interest payable in such amounts and at such times as will be sufficient, together with any uninvested moneys, to pay when due the principal, interest and redemption premium, as applicable, on the WCCC Series C Refunded Bonds on and until their respective maturity or redemption dates.

WCCC Series B

In June 2001, MHEFA issued its $52,020,000 Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series B (the “WCCC Series B Bonds”). Concurrently with the issuance of the WCCC Series B Bonds, the Foundation transferred ownership of its medical research facility (“Biotech II”) to WCCC. In exchange for Biotech II, WCCC assumed from the Foundation the remaining debt of $17.8 million, net (the “Foundation Bonds”), and acquired the related debt service funds associated with Biotech II. WCCC deposited approximately $17 million of the proceeds of the WCCC Series B Bonds to defease the Foundation Bonds through their redemption date of July 1, 2002. The remaining approximately $35 million of the WCCC Series B Bonds financed the construction of a parking garage and the acquisition and installation of equipment at the Worcester campus. The University is obligated under a certain financing agreement with MHEFA to make payments from any funds of the University permitted to be applied thereto of amounts due on the WCCC Series B Bonds otherwise unpaid by WCCC. The University's unrestricted net assets, previously referred to as the expendable fund balance, secure the obligations of the University with respect to the WCCC Series B Bonds. The University is required to certify annually that there are sufficient funds in the unrestricted net assets to cover the debt service not otherwise paid on the WCCC Series B Bonds. As described above, a portion of the WCCC Series B Bonds in the aggregate principal amount of $30,765,000 (the "WCCC Series B Refunded Bonds") were advance refunded by the WCCC Series E Bonds in January 2007. The outstanding portion of the WCCC Series B Bonds are expected to be refunded with the WCCC Bonds offered hereby.

Defeasance of WCCC Series A

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

Interest Rate Swap Agreements

As mentioned above, the UMBA has entered into three separate interest rate swap agreements (the "Swaps") with respect to its 2008-1 Bonds, 2008-A Bonds, 2011-1 Bonds and 2011-2 Bonds. The Swaps are subject to periodic "mark-to-market" valuations and may have a negative impact on the financial statements of the University. In addition, the counterparty to each Swap may be able to terminate its respective Swap upon certain events of default under such Swap, in which case the University could be required to make a material termination payment to the counterparty. In addition, the University may be exposed to basis risk (imperfect correlation between interest rates), and the amounts received from the counterparty under each Swap may be less than the University's total interest cost on indebtedness that corresponds to the notional amount of such Swap. The UMBA and the University do not have posting requirements under the Swaps except for the swap currently related to the 2011-1 and 2011-2 Bonds. With respect to that swap, the UMBA and the University have no collateral posting requirements so long as Ambac has not filed for bankruptcy. If Ambac files for bankruptcy, the UMBA and the University would be required to post collateral in certain market situations if the UMBA or the University rating fell to A2 by Moody's or A by S&P or below.

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

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

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

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

Additional Indebtedness

Under the terms of the trust agreements and financing agreements securing the above-referenced indebtedness issued by the UMBA, the University may, without limit, issue additional indebtedness or request the UMBA or the Issuer 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 and in the forepart of this Official Statement under the heading "Additional Indebtedness", the University may not pledge, or permit to exist any lien on, any of its funds or revenues. The University may request the UMBA 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 UMBA, (c) existing pledged revenues, or (d) any combination of the foregoing, and (ii) the maximum annual debt service on all revenue indebtedness then outstanding, including the proposed additional indebtedness, does not exceed 10% of the amount shown in the then most recent audited financial statements of the University as total available revenues. Indebtedness of the University may not be subject to acceleration.

Capitalized Leases

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

INSURANCE

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

TECHNOLOGICAL INITIATIVES

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

Management product suite. These systems are expected to continue to enhance business functions by further consolidating processing, streamlining operations, and increasing utilization through new features and self-service offerings. A major focus in fiscal years 2006 - 2012 has been upgrading the Human Resource (completed May 2009), Student Administration applications (completed December 2009) and consolidating the University's Advancement applications to one common platform (a phased approach with targeted completion for the final campus targeted for the third quarter of calendar year 2012), 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.

In 2011, UMassOnline will be engaged in two primary technology initiatives of immediate and long-term implication to the University and and its internal and external constituents. These two projects are a Learning Platform Review (LPR) and the development and completion of a Needs Identification Framework for Technology Innovation (NIFTI). The Learning Platform Review (LPR), which began in December 2009, to identify and select a replacement Learning Management System (LMS), has shared its recommendation with the e-Learning Application Cabinet (eLAC) as well as the University President's Office. On July 18, 2011, UMassOnline provided eLAC with a detailed explanation of the LPR methodology; the critical evaluation factors (including a detailed financial audit and analysis); the findings of the committee and working groups for each LMS candidate; a summary of UMassOnline's recommendations based on evaluation outcomes, and; a preview of suggested next steps to commence the implementation of, migration to, and deployment of, the next generation LMS for the support of online learning at and from the University of Massachusetts. UMassOnline, with the support and endorsement of LPR participants, eLAC and the President's Office is recommending a migration to Blackboard Learn 9 and a continuation of hosting services through UITS. A detailed report is being prepared to share across the University, the UMassOnline community and LPR participants.

UMassOnline continues with its implementation of the Needs Identification Framework for Technology Innovation (NIFTI), a first of its kind at product development lifecycle designed to identify needs, assess requirements, measure value, undertake development, manage implementation, administer operations and mitigate the risk of technology innovation and adoption. This is a critical project because the scope of technology services and products being offered by UMassOnline and across all institutions of higher education is rapidly extending beyond the traditional tools and technologies delivered through Learning or Course Management Systems. As such, these solutions will require a variety of critical support services that ensure reliable access. Current NIFTI projects include: 3D Virtual Worlds; Copyright and Fair Use; Web Content Management System; Customer Relationship Management; Department of Energy, NTER Platform; Edu2ools; e-Learning Authoring; e-Portfolio; Identity Management; Internal Help Desk Solution; Mobile Learning (mLearning); Learning Activity; Management System (LAMS); LMS Data Access and Analytics; Learning Outcomes; Online Tutoring; Open Standards; Pre-production Integrations; Secure Online Testing; Service Level Agreements; Single Sign-On; Task Management (Requests, Assignments & Fulfillment); Assessment Tools; Transaction Monitoring; Video Analysis; Virtual Language Laboratory, and Voice Authoring.

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 the fall of 2010. This application will improve departmental efficiencies and reduce the use of paper and associated long term physical storage needs. Additionally a software upgrade of the financial system has begun with a targeted completion in November 2011.

The University also continued with the multiyear shift in the underlying application/web server and database architectures that will improve performance, availability and the disaster recovery profile of core applications for the University completing a move into a new enterprise primary data center in February 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 that continues into fiscal year 2012.

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

LITIGATION

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

EMPLOYEE RELATIONS

As of June 30, 2010 the University employed approximately 17,607 full and part-time faculty, professional and clerical support staff, of which approximately 9,769 are covered by collective bargaining units (not including graduate employees and undergraduate resident assistants). Of those covered, approximately 3,047 are faculty, approximately 2,582 2,534 are professional staff, approximately 3,776 are clerical and maintenance support staff, and approximately 170 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 2009 through June 2012 with most of its employee unions and is currently negotiating nine agreements, five of which are first agreements. 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.

In general, University employees are covered by a contributory Massachusetts retirement system set up by Chapter 32 of the Massachusetts 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) and the Commonwealth of Massachusetts 457(b) programs.

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

UNIVERSITY OF MASSACHUSETTS

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

APPENDIX B

November 2, 2011

Massachusetts Development Finance Agency
160 Federal Street
Boston, Massachusetts 02110

Dear Members of Massachusetts Development Finance Agency:

In connection with the issuance by the Massachusetts Development Finance Agency (the "Issuer") of its Revenue Refunding Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series 2011 (the "WCCC Bonds"), we are pleased to submit the following information with respect to the Worcester City Campus Corporation ("WCCC") and other pertinent matters for inclusion in this Official Statement. As used hereinafter, and unless otherwise indicated by context, all utilization and financial data for any year refers to the fiscal year ended June 30. Unless otherwise indicated, WCCC is the source of all information included in the following.

Worcester City Campus Corporation

WCCC is a not-for-profit Massachusetts corporation that is exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code. WCCC operates exclusively to foster, promote and support the University of Massachusetts (the "University") in all its locations. In particular, WCCC operates to support certain real estate operations of the University of Massachusetts Medical School (the "Medical School"), and in conjunction therewith to receive, hold, manage, develop, improve, demolish, renovate, lease, convey, grant easements or otherwise deal in real and personal property connected with such Medical School operations.

WCCC is included and categorized as a component unit of the University in the financial statements of the University at June 30, 2010 and 2009, and for each of the fiscal years then ended. The financial statements of the University, which are included in this Official Statement as Appendix C, have been audited by PricewaterhouseCoopers, LLP, independent accountants, as set forth in their report dated December 22, 2010, which references the report of other auditors with respect to two component units, neither of which directly support the operations of the Medical School for the referenced years.

On October 3, 2008 the WCCC Board of Trustees voted to become the sole member of UHealth Solutions, Inc. (formerly Public Sector Partners, Inc. ("PSP")) and accept UHealth Solutions and its wholly-owned subsidiary MedMetrics Health Partners, Inc. ("MHP") as its own wholly owned subsidiary. UHealth Solutions, Inc. is a Section 501(c)(3) not for profit health care consulting organization that offers a wide range of program management and consulting services to both public sector agencies and nonprofit organizations. UHealth Solutions, Inc. is affiliated with Commonwealth Medicine, a division of the University. During the year ended June 30, 2011, UHealth Solutions, Inc. decided to discontinue the operations of its wholly owned subsidiary MHP and sold its net assets. UHealth Solutions received $12.7 million in consideration from the sale and recognized a gain on the sale of the net assets of $9.7 million

On May 26, 2009 the WCCC Board voted to establish a new subsidiary named Worcester Campus Services, Inc. ("WCS") and eight real estate holding subsidiaries of WCS. WCCC is the sole member of WCS. WCS and each of its eight real estate holding subsidiaries are not-for-profit Massachusetts corporations that are exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code. WCS and its subsidiary real estate holding companies will be operated exclusively to provide support to the Medical School. The University is the sole member of WCCC and has the right to appoint all the directors of WCCC, and WCCC is the sole member of WCS and the University has the right to appoint the directors of WCS, and WCS is the sole member of each of the eight real estate holding subsidiaries and the University has the right to appoint the directors of each of the eight real estate holding subsidiaries. By virtue of the University's right to appoint all the directors of WCCC, WCS and its subsidiaries, the University indirectly ensures the requisite control and governance of WCCC consistent with the mission and purpose of WCCC. On July 1, 2011 WCCC transferred five of its properties, all located in Massachusetts (100 Century Drive, Worcester; 11 Midstate Drive, Auburn; 3 Centennial Drive, Grafton; 222 Maple Drive, Shrewsbury; 333 South Street, Shrewsbury) (collectively, the "Transferred Properties") to five of its real estate holding subsidiaries. At the same time, WCCC transferred its rights to receive lease payments with respect to such properties to the applicable real estate holding subsidiaries. WCCC anticipates transferring 365 Plantation Street, Worcester, 372 Plantation Street, Worcester, the Aaron Lazare Medical Research Building, Worcester, 460 Walk Hill Street, Mattapan I and II, the South Road Parking Garage, Worcester, and the Ambulatory Care Center, Worcester to the remaining three of its 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.

WCCC, WCS and its subsidiaries do not have any employees. Services for accounting, treasury, and facility maintenance are provided by the University at agreed upon amounts and are accrued monthly according to contracts between WCCC and the University.

There are no actions pending or, to the knowledge of management of WCCC, threatened against WCCC.

Governance

Member

The University is the sole member of WCCC. Accordingly, the University elects the members of the WCCC Board of Directors.

Board of Directors

WCCC is governed by a Board of Directors consisting of eight members, each elected for a one-year term. Board members shall hold office until their successors are chosen and qualified. Listed below are the current members of WCCC's Board of Directors.

Member and Position

Robert Jenal
University of Massachusetts, Worcester Campus
Vice Chancellor for Administration and Finance

Thomas D. Manning
University of Massachusetts, Worcester Campus
Deputy Chancellor for Commonwealth Medicine

David Gray
University of Massachusetts
Senior Vice President for Administration, Finance and Technology
and University Treasurer

Thomas J. Chmura
University of Massachusetts
Vice President for Economic Development

Kerri Osterhaus Houle, MD*
Partner, Women's Health of Central Massachusetts, PC

David MacKenzie[+]
University of Massachusetts Building Authority
Executive Director

James R. Julian
University of Massachusetts
Executive Vice President

R. Norman Peters*
Partner, Peters & Sowyrda

* WCCC Director is also a Trustee of the University.
+David MacKenzie plans to retire in November 2011.

Officers

The officers of WCCC consist of its President, Treasurer and Clerk and are as follows:

Robert Jenal President	David Gray Treasurer	Thomas D. Manning Clerk

For brief biographies of certain WCCC officers and Directors, see Appendix A under the heading "Administrative Officers".

Properties

WCCC currently owns the following eight properties located in Central Massachusetts:

365 Plantation Street, Worcester

The property, also known as Biotech I, is located in the Worcester Biotechnology Research Park in Worcester, Massachusetts and contains approximately 76,000 gross square feet of wet laboratory and office space. The space houses the clinical laboratory program as well as ancillary administrative support space for clinical activities. WCCC purchased Biotech I with cash in fiscal year 1998.

372 Plantation Street, Worcester

In June 2001, The University of Massachusetts Foundation, Inc. (the "Foundation") transferred ownership of the property, also known as Biotech II, to WCCC. Biotech II consists of approximately 88,000 gross square feet housing mainly a research laboratory, faculty offices, conference rooms, a research library, and a computer area. In exchange for Biotech II, WCCC assumed from the Foundation the remaining bonds payable on Biotech II of approximately $17.8 million, net (the "Foundation Bonds"), and acquired the related debt service funds. See "Indebtedness – WCCC Series B" below.

Aaron Lazare Medical Research Building, Worcester

The Aaron Lazare Medical Research Building (the "Research Building") opened in October 2001. The Research Building is located on a 3.5-acre site on the University's Worcester campus and consists of ten floors and approximately 362,000 gross square feet. See "Indebtedness – WCCC Series D and Defeasance of WCCC Series A" below.

460 Walk Hill Street, Mattapan I, 460 Walk Hill Street, Mattapan II

The properties are located on the site of the former Boston State Hospital in the Mattapan section of Boston and were developed by WCCC to house the operations of UMass Biologic Laboratories ("UMBL"). In January 2002, WCCC entered into a ground lease with Franklin Place Associates ("FPA"), the previous owner of the land. Pursuant to the ground lease, WCCC was required to pay FPA a development fee of $2,900,000 as certain milestones related to the construction of the facility were achieved; this commitment has been fulfilled. In March 2004, WCCC exercised its option to purchase the land from FPA for $10. See "Indebtedness – WCCC Series F" below.

In May 2006, the University of Massachusetts entered into a Service Agreement with WCCC to reimburse costs connected with the construction of two buildings on the property. Under the terms of the agreement, University of Massachusetts reimbursed WCCC for construction services, defined as any costs in the process of building, outfitting and certifying the facility until it was completed and in operation as a pharmaceutical filling facility.

One of the buildings operated by UMBL is licensed by the United States Food and Drug Administration (the "FDA") for the development and manufacture of human vaccines, plasma products and monoclonal antibodies. UMBL operates the only publicly owned FDA licensed biologics manufacturing facility in the country. In particular, UMBL specializes in the development and manufacture of life saving products for use in limited or special populations. The facility includes a state-of-the-art aseptic filling suite and a manufacturing suite for at least one monoclonal antibody product. The major reasons for building this manufacturing facility was to provide space for new product development, comply with FDA regulations, and improve operating efficiency of UMBL's manufacturing capabilities.

South Road Parking Garage, Worcester

The South Road Parking Garage opened in November 2004. The garage is located on the Worcester campus and consists of approximately 1,600-space parking spaces. See "Indebtedness – WCCC Series B" below.

Ambulatory Care Center, Worcester

The Ambulatory Care Center (ACC) opened in August 2010. The ACC Building is located on a 3.5-acre site on the University's Worcester campus and consists of seven floors and 258,000 gross square feet. It houses a mix of ambulatory clinical care centers and clinical and translational research programs. See "Indebtedness – WCCC Series E" below.

Plantation Street - Land

In January 2011, WCCC purchased approximately a 396,831 square foot portion of land fronting Plantation Street, Worcester, Massachusetts from the Worcester Business Development Corporation. WCCC purchased the land with cash for $1,060,000 for the development of a parking garage. The garage will be utilized primarily by the employees of the University of Massachusetts Medical School and the employees and clients of UMass Memorial Health Care.

72 Flagg Street, Worcester

In June 2011, The University of Massachusetts Foundation, Inc. (the "Foundation") transferred ownership of 72 Flagg Street ("Grenon House") to WCCC. The Grenon House consists of a two story colonial style residence located on approximately 11 acres in Worcester, Massachusetts. The Grenon House will be used for community, university and Medical School functions along with providing housing for the Medical School's chancellor.

Leases

As of June 30, 2011, the University has operating lease agreements with WCCC for use of space at twelve of the properties (11 Midstate Drive, Auburn, 372 Plantation Street, Worcester, Aaron Lazare Medical Research Building, Worcester,, 222 Maple Avenue, Shrewsbury, 100 Century Drive,, Worcester, 460 Walk Hill Street, Mattapan I, 460 Walk Hill Street, Mattapan II , South Road Parking Garage, Worcester, 333 South Street, Shrewsbury, 3 Centennial Drive, Grafton, Ambulatory Care Center, Worcester, and 72 Flagg Street, Worcester). These leases provide for the recovery of operating costs as well as certain capital improvement expenditures. The total amount of rental income earned, excluding reimbursement for capital improvements, from the University for the year ended June 30, 2011 was approximately $35,300,000, which represents approximately 74.4 percent of the total rental income of WCCC in fiscal year 2011 of $47,400,000.

As noted above, WCCC's rights with respect to the leases related to the Transferred Properties were assigned to the applicable real estate holding company.

The future minimum lease payments as of June 30, 2011 for the twelve properties with operating lease agreements are as follows:

(in thousands)	**2012**	**2013**	**2014**	**2015**	**2016**	**Thereafter**
Property						
11 Midstate Dr., Auburn*	$ 92	$ 92	$ 92	$ 92	$ -	$ -
3 Centennial Dr., Grafton*	169	169	127	-	-	-
460 Walk Hill St., Mattapan I	4,502	4,502	4,497	4,492	4,494	71,480
460 Walk Hill St., Mattapan II	2,103	2,106	2,103	2,106	2,103	43,859
222 Maple Av., Shrewsbury*	557	557	-	-	-	-
333 South St., Shrewsbury*	3,526	3,526	3,526	3,526	3,526	38,203
100 Century Dr., Worcester*	516	516	516	516	516	473
372 Plantation St., Worcester	1,516	1,516	-	-	-	-
72 Flagg St., Worcester	62	62	62	62	62	555
Lazare Research Building	9,387	9,387	9,387	9,387	9,387	125,155
South Road Parking Garage	1,800	1,800	1,800	1,800	1,800	23,923
Ambulatory Care Center	1,830	1,830	1,830	1,830	1,830	37,052
	$26,060	$26,063	$23,940	$23,811	$23,718	$ 340,700

*Properties transferred to real estate holding companies on July 1, 2011 and the rights of WCCC to the related leases were also assigned as of July 1, 2011.

Indebtedness

WCCC Series F

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

WCCC Series E

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

WCCC Series D

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

Defeasance of WCCC Series C

In April 2002, MHEFA issued its $70,000,000 Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series C (the "WCCC Series C Bonds") for the purpose of constructing and equipping an approximately 75,000-square foot aseptic filling and manufacturing facility to be located on the former Boston State Hospital site in Mattapan now known as 460 Walk Hill Street, Mattapan I and II. The WCCC Series C Bonds were advance refunded and legally defeased with the issuance of the above-described WCCC Series F Bonds. Pursuant to and as specified in the Refunding Trust Agreement, dated as September 12, 2006, by and between MHEFA and Flagship Bank and Trust Company (now People's United Bank), (the "Refunded Bond Trustee"), there are held by the Refunded Bond Trustee, Government or Equivalent Obligations which will mature and bear interest payable in such amounts and at such times as will be sufficient, together with any uninvested moneys, to pay when due the principal, interest and redemption premium, as applicable, on the WCCC Series C Refunded Bonds on and until their respective maturity or redemption dates.

WCCC Series B

In June 2001, MHEFA issued its $52,020,000 Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series B (the "WCCC Series B Bonds"). Concurrently with the issuance of the WCCC Series B Bonds, the Foundation transferred ownership of its medical research facility ("Biotech II") to WCCC. In exchange for Biotech II, WCCC assumed from the Foundation the remaining debt of $17.8 million, net (the "Foundation Bonds"), and acquired the related debt service funds associated with Biotech II. WCCC deposited approximately $17 million of the proceeds of the WCCC Series B Bonds to defease the Foundation Bonds through their redemption date of July 1, 2002. The remaining approximately $35 million of the WCCC Series B Bonds financed the construction of a parking garage and the acquisition and installation of equipment at the Worcester campus. The University is obligated under a certain financing agreement with MHEFA to make payments from any funds of the University permitted to be applied thereto of amounts due on the WCCC Series B Bonds otherwise unpaid by WCCC. The University's unrestricted net assets, previously referred to as the expendable fund balance, secure the obligations of the University with respect to the WCCC Series B Bonds. The University is required to certify annually that there are sufficient funds in the unrestricted net assets to cover the debt service not otherwise paid on the WCCC Series B Bonds. As described above, a portion of the WCCC Series B Bonds in the aggregate principal amount of $30,765,000 (the "WCCC Series B Refunded Bonds") were advance refunded by the WCCC Series E Bonds in January 2007. The outstanding portion of the WCCC Series B Bonds is expected to be refunded with the WCCC Bonds offered hereby.

Defeasance of WCCC Series A

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

Insurance

WCCC or the applicable real estate holding company maintains general liability, umbrella coverage and property insurance for its 11 Midstate Drive, Auburn, 365 Plantation Street, Worcester, 372 Plantation Street, Worcester, Aaron Lazare Medical Research Building, Worcester, 222 Maple Avenue, Shrewsbury, 100 Century Drive, Worcester, 460 Walk Hill Street, Mattapan I, 460 Walk Hill Street, Mattapan II , South Road Parking Garage, 333 South Street, Shrewsbury, 3 Centennial Dr., Grafton, Ambulatory Care Center, Worcester and 72 Flagg Street, Worcester properties.

Respectfully submitted,

Worcester City Campus Corporation

By: /s/ Robert Jenal
Robert Jenal
President

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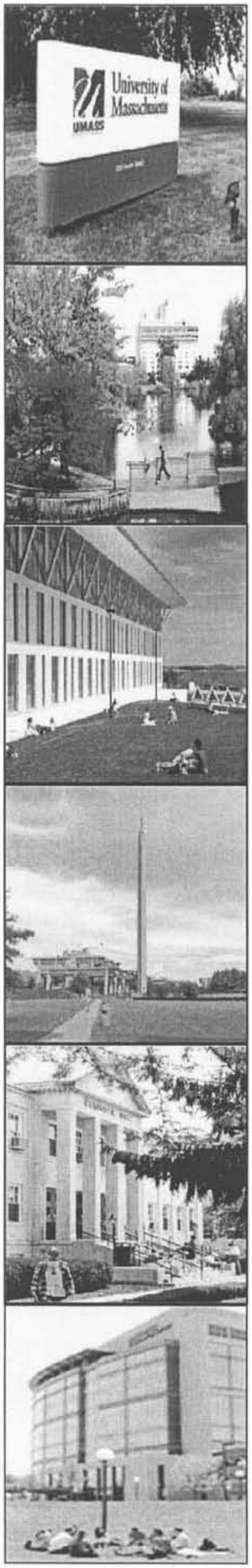
APPENDIX C



UNIVERSITY OF MASSACHUSETTS

Amherst • Boston • Dartmouth • Lowell • Worcester

Annual Financial Report

June 30, 2010

UMASS

University Administration

As of July 1, 2010

Officers of the University:

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

December 1, 2010

To the Board of Trustees
and President Jack M. Wilson

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

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

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

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

Respectfully submitted,

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

Christine M. Wilda
Assistant Vice President & University Controller

University of Massachusetts
2010 Annual Financial Report
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pwc

Report of Independent Auditors

To the Board of Trustees of the
University of Massachusetts

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

The Management Discussion and Analysis on pages 2 through 12 are not a required part of the basic financials statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

PricewaterhouseCoopers LLP

December 16, 2010, except for Note 1, as to which the date is October 25, 2011

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

Introduction

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

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

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

Basis of Presentation

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

Financial Highlights

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

Using the Annual Financial Report

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

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

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

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

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

Reporting Entity

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

Condensed Financial Information

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

	University June 30, 2010	University June 30, 2009	Change	University June 30, 2008
ASSETS				
Current Assets	$557,573	$461,594	$95,979	$513,725
Noncurrent Assets				
Investment In Plant Net of Accumulated Depreciation	2,324,392	2,068,485	255,907	1,919,915
All other noncurrent assets	1,473,432	1,047,339	426,093	1,119,528
Total Assets	**$4,355,397**	**$3,577,418**	**$777,979**	**$3,553,168**
LIABILITIES				
Current Liabilities	$584,562	$514,719	$69,843	$515,354
Noncurrent Liabilities	1,801,682	1,321,394	480,288	1,366,768
Total Liabilities	**$2,386,244**	**$1,836,113**	**$550,131**	**$1,882,122**
NET ASSETS				
Invested in Capital Assets Net of Related Debt	$1,133,264	$1,069,881	$63,383	$1,027,045
Restricted				
Nonexpendable	16,899	16,699	200	16,605
Expendable	218,517	156,649	61,868	161,732
Unrestricted	600,473	498,076	102,397	465,664
Total Net Assets	**$1,969,153**	**$1,741,305**	**$227,848**	**$1,671,046**

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

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

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

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

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

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

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

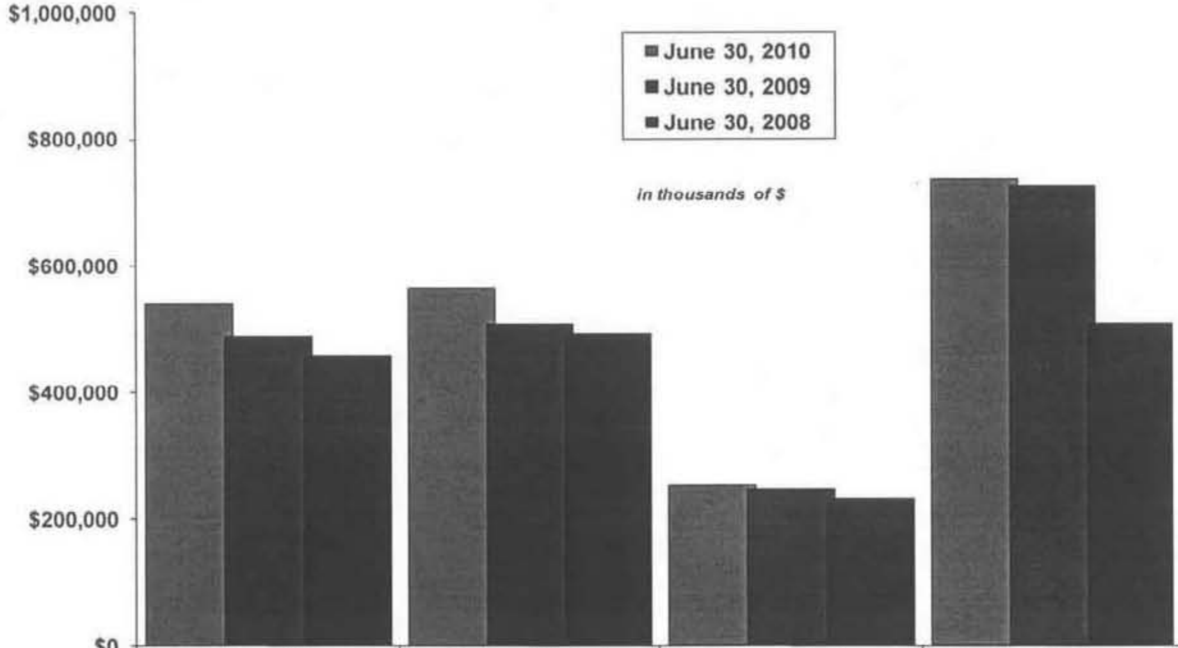
	University June 30, 2010	University June 30, 2009	Change	University June 30, 2008
Operating Revenues				
Tuition and Fees (net of scholarship allowances of $181,760 at June 30, 2010, $126,779 at June 30, 2009, and $113,738 at June 30, 2008.)	$539,306	$489,230	$50,076	$458,439
Grants and Contracts	564,438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

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

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

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

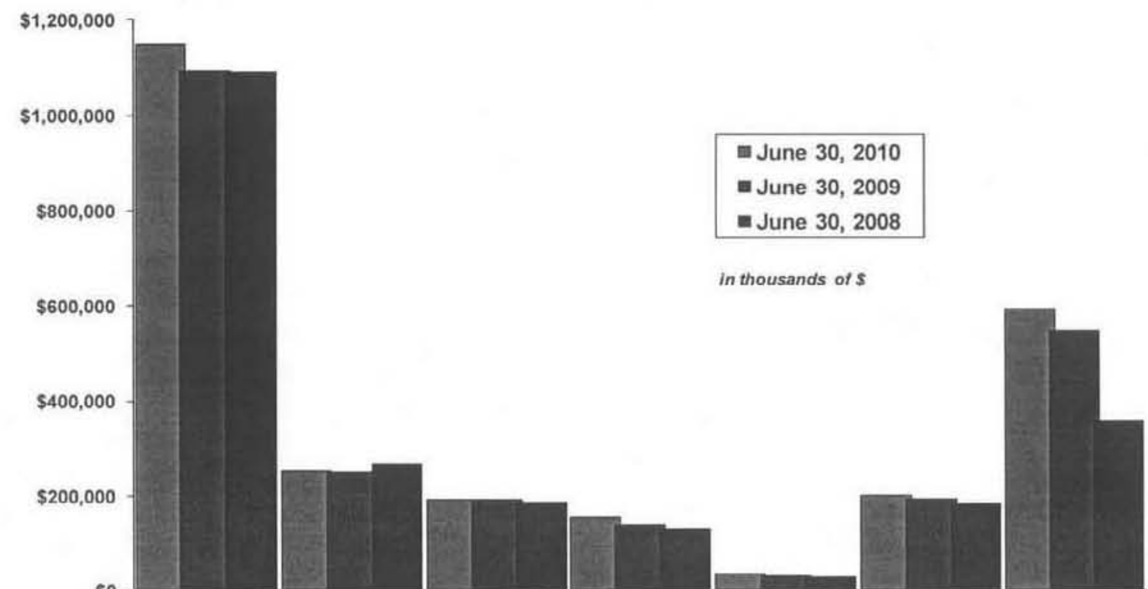
Sources of Operating Revenues in Relation to Total Revenues, Fiscal Year 2008 to Fiscal Year 2010



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

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

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



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

Public Service Activities

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

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

State Appropriations

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

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

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

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

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

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

Capital Appropriations from the Commonwealth

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

Grant and Contract Revenue

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

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

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

Discretely Presented Component Units

University of Massachusetts Foundation, Inc.

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

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

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

University of Massachusetts Dartmouth Foundation, Inc.

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

Tuition and Fees

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

Enrollment

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

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

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

Degrees Awarded

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

Bonds Payable

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

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

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

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

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

Capitalized Lease Obligations

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

University Rating

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

Limitations on Additional Indebtedness

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

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

Capital Plan

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

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

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

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

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

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

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

Beginning in the late 1990s, the University enhanced its program to address deferred maintenance needs at its campuses. As a result, the University has made investments to repair and renovate facilities at the University's campuses through the use of operational funds, campus borrowing, and state support. The University's 2011-2015 capital plan includes approximately $895.0 million of deferred maintenance projects. During fiscal year 2010, the University expended approximately $189.6 million on plant operations and maintenance activities.

Factors Impacting Future Periods

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

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

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

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

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

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

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

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

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

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

The University of Massachusetts Medical School's (UMMS) Craig C. Mello, PhD, and his colleague Andrew Fire, PhD, of Stanford University, were awarded the 2006 Nobel Prize in Physiology or Medicine for their discoveries related to ribonucleic acid

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

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

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

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

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

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

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

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

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

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

ASSETS	University June 30, 2010	University Related Organizations June 30, 2010	University June 30, 2009	University Related Organizations June 30, 2009
Current Assets				
Cash and Cash Equivalents	$31,926		$33,091	
Cash Held By State Treasurer	13,736		14,086	
Accounts, Grants and Loans Receivable	223,267		199,532	$22
Pledges Receivable	7,219	$3,758	1,357	8,237
Short Term Investments	230,121		160,820	
Inventories	13,218		13,833	
Accounts Receivable UMass Memorial	14,562		15,546	
Due From Related Organizations	625	739	1,535	806
Other Assets	22,899	65	21,794	16
Total Current Assets	**557,573**	**4,562**	**461,594**	**9,081**
Noncurrent Assets				
Cash and Cash Equivalents		3,611		3,402
Cash Held By State Treasurer	2,423		8,613	
Cash and Securities Held By Trustees	814,903		475,153	
Accounts, Grants and Loans Receivable	36,429		35,329	
Pledges Receivable	1,061	6,121	2,028	3,498
Investments	538,138	297,055	513,392	250,769
Other Assets	16,445	1,270	12,824	51
Deferred Outflows of Resources	64,033			
Investment In Plant Net of Accumulated Depreciation	2,324,392	1,699	2,068,485	950
Total Noncurrent Assets	**3,797,824**	**309,756**	**3,115,824**	**258,670**
Total Assets	**$4,355,397**	**$314,318**	**$3,577,418**	**$267,751**
LIABILITIES				
Current Liabilities				
Accounts Payable	$118,424	$106	$98,201	$177
Accrued Salaries and Wages	74,554		70,752	
Accrued Liability for Compensated Absences	70,035		69,443	
Accrued Liability for Workers' Compensation	3,210		3,717	
Accrued Interest Payable	16,647		12,146	
Bonds Payable	194,900		123,790	
Capital Lease Obligations	5,962		11,457	
Notes Payable		2		
Assets Held on behalf of Others		9,990		
Accounts Payable UMass Memorial	4,037		3,372	
Due To Related Organizations	739	625	806	1,535
Deferred Revenues and Credits	36,880	5,340	48,325	6,243
Advances and Deposits	6,434		6,854	
Other Liabilities	52,740		65,856	
Total Current Liabilities	**584,562**	**16,063**	**514,719**	**7,955**
Noncurrent Liabilities				
Accrued Liability for Compensated Absences	25,843		23,593	
Accrued Liability for Workers' Compensation	10,688		10,416	
Arbitrage Rebate Payable	551		544	
Bonds Payable	1,632,209		1,210,220	
Capital Lease Obligations	17,177		22,870	
Notes Payable		618		
Derivative Instruments, Interest Rate Swaps	64,033			
Deferred Revenues and Credits	23,567		23,668	
Advances and Deposits	26,507		26,782	
Other Liabilities	1,107	3,046	3,301	3,025
Total Noncurrent Liabilities	**1,801,682**	**3,664**	**1,321,394**	**3,025**
Total Liabilities	**$2,386,244**	**$19,727**	**$1,836,113**	**$10,980**
Net Assets:				
Invested in Capital Assets Net of Related Debt	$1,133,264	$1,699	$1,069,881	$950
Restricted				
Nonexpendable	16,899	240,595	16,699	225,549
Expendable	218,517	48,127	156,649	41,033
Unrestricted	600,473	4,170	498,076	(10,761)
Total Net Assets	**$1,969,153**	**$294,591**	**$1,741,305**	**$256,771**

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

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

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

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

University of Massachusetts
Statement of Cash Flows
For The Years Ended June 30, 2010 and 2009
(in thousands of dollars)

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

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

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

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

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

BASIS OF PRESENTATION

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

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

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

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

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

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

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

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

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

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

NEW ACCOUNTING PRONOUNCEMENTS

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

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

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

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

CLASSIFICATION OF ASSETS AND LIABILITIES

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Investments are reported at their respective fair values. Short-term investments consist of deposits with original maturities of less than one year and are available for current use. Securities received as a gift are recorded at estimated fair value at the date of the gift. The University holds certain investment securities in publicly traded and privately held companies as the result of agreements entered into by the University's Commercial Ventures and Intellectual Property ("CVIP") program. Securities received or purchased as the result of these agreements are recorded at fair value, where readily determinable by quoted market prices, or if fair value is not known or practicable to estimate, the investment is carried at cost which is deemed to be the estimated fair value.

Private equities and certain other non-marketable securities held by the Foundation are valued using current estimates in fair value by management based on information provided by the general partner or investment manager for the respective securities. The Foundation believes that the carrying amount of these investments are a reasonable estimate of fair value, however, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investment existed. Venture capital investments represent initial investments made to certain funds and are reported at cost until distributions are made from the funds or until market values are reported on the funds.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the combined statement of net assets.

Investment income includes dividends and interest income and is recognized on the accrual basis. In computing realized gains and losses, cost is determined on a specific identification basis.

RESTRICTED GRANTS AND CONTRACTS

The University receives monies from federal and state government agencies under grants and contracts for research and other activities including medical service reimbursements. The University records the recovery of indirect costs applicable to research programs, and other activities which provide for the full or partial reimbursement of such costs, as revenue. Recovery of indirect costs for the years ended June 30, 2010 and 2009 was $113.2 million and $102.0 million, respectively, and is a component of grants and contracts revenue. The costs, both direct and indirect, charged to these grants and contracts are subject to audit by the granting agency. The University believes that any audit adjustments would not have a material effect on the University's financial statements.

PLEDGES AND ENDOWMENT SPENDING

Pledges for non-endowment purposes are presented net of amounts deemed uncollectible, and after discounting to the present value of the expected future cash flows. Because of uncertainties with regard to their whether realizable and valuation, bequests and intentions and other conditional promises are not recognized as assets until the specified conditions are met.

The Foundation utilizes the pooled investment concept whereby all invested funds are in one investment pool, except for investments of certain funds that are otherwise restricted. Pooled investment funds will receive an annual distribution of 4% to 6% of the endowment fund's average market value for the preceding twelve quarters on a one-year lag and three-year share average. The Board of Directors of the Foundation approved an exception to the spending policy due to the significant decrease in market performance of fiscal year 2009. The actual spending rate approved was 1.5% of the fiscal year 2009 ending fair value. For fiscal year 2009, it was 4%. Future utilization of gains is dependent on market performance. Deficiencies for donor-restricted endowment funds, resulting from declines in market value would be offset by an allocation from unrestricted net assets to temporarily restricted net assets, and would be recorded in realized and unrealized gains (losses) on sale of investments. The Foundation believes that, if applicable, these adjustments would be temporary and will not require permanent funding. In fiscal year the deficiencies were $4.1 million and $15.3 million, respectively.

INVENTORIES

The University's inventories consist of books, general merchandise, central stores, vaccines, and operating supplies which are carried at the lower of cost (first-in, first-out and average cost methods) or market.

INVESTMENT IN PLANT

Capital assets are stated at cost or fair value upon receipt as a gift. Net interest costs incurred during the construction period for major capital projects are added to the cost of the asset. Repairs and maintenance costs are expensed as incurred, whereas major improvements that extend the estimated useful lives of the assets are capitalized as additions to property and equipment. Depreciation of capital assets is provided on a straight-line basis over the estimated useful lives of the respective assets. The University records a full year of depreciation in the year of acquisition. Land is not depreciated. The University does not capitalize works of art or historical treasures.

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

Buildings	20-50 years
Building Improvements	5-20 years
Equipment and Furniture	3-15 years
Software	5 years
Library Books	15 years
Land Improvements	20 years

COMPENSATED ABSENCES

Employees earn the right to be compensated during absences for annual vacation leave and sick leave. The accompanying statement of net assets reflects an accrual for the amounts earned and ultimately payable for such benefits as of the end of the fiscal year. The accrual equates to the entire amount of vacation time earned and an actuarially determined liability for the sick leave component of compensated absences. Employees are only entitled to 20% of their sick leave balance upon retirement. The actuarial calculation utilized the probability of retirement for this estimated accrual.

DEFERRED REVENUE

Deferred revenue consists of amounts billed or received in advance of the University providing goods or services. Deferred revenue is recognized as revenue as expenses are incurred and therefore earned.

ADVANCES AND DEPOSITS

Advances from the U.S. Government for Federal Perkins Loans to students are reported as part of advances and deposits. Future loans to students are made available from repayments of outstanding principal amounts plus accumulated interest received thereon.

TUITION AND STATE APPROPRIATIONS

The combined financial statements for the years ended June 30, 2010 and 2009 record as tuition revenue approximately $49.1 million and $47.1 million, respectively, of tuition received by the University and remitted to the State Treasurer's Office for the general fund of the Commonwealth of Massachusetts. During fiscal year 2004, the Amherst campus was granted authority to retain tuition for out of state students as part of a pilot program authorized by the Commonwealth. This pilot program was extended indefinitely in 2005. The amount of tuition retained by the University during 2010 and 2009 was $31.5 million and $32.3 million, respectively. The recorded amount of State Appropriations received by the University has been reduced by a corresponding amount of tuition remitted as shown below (in thousands):

	2010	2009
Gross Commonwealth Appropriations	$369,408	$467,030
Plus: Fringe Benefits	108,634	120,264
	478,042	587,294
Less: Tuition Remitted	(49,084)	(47,107)
State Appropriations, Net	$428,958	$540,187

As part of the fiscal year 2010 budget process, the University received a budget from the Commonwealth that was $95.7 million less than the previous year. In order to address this significant decrease in funding, Governor Deval Patrick awarded $150.6 million in Education Stabilization Funds to the University. These funds originated from the passage of the American Recovery and Reinvestment Act ("ARRA") of 2009 and were utilized for educational and general expenditures in order to mitigate the need to raise tuition and fees for in-state residents and to modernize, renovate, or repair facilities. Fringe benefits for payroll at the rate of 26.42% were funded by the University as charged to these funds amounting to $14.4 million in 2010. A rebate of $34.9 million in student fees was issued during 2010 as a result of being awarded these ARRA funds subsequent to an approved fee increase being charged to students. The rebate is shown as a discount to tuition and fees in the financial statements.

AUXILIARY ENTERPRISES

Auxiliary Enterprise revenue of $252.6 million and $246.1 million for the years ended June 30, 2010 and 2009 respectively are stated net of room and board charge allowances of $1.5 million and $1.2 million, respectively.

OTHER OPERATING REVENUES AND EXPENDITURES, SALES AND SERVICES, PUBLIC SERVICE ACTIVITIES

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

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

FRINGE BENEFITS FOR CURRENT EMPLOYEES AND POST EMPLOYMENT OBLIGATIONS – PENSION AND NON-PENSION

The University participates in the Commonwealth's Fringe Benefit programs, including active employee and post – employment health insurance, unemployment, pension, and workers' compensation benefits. Health insurance and pension costs for active employees and retirees are paid through a fringe benefit rate charged to the University by the Commonwealth and currently the liability is borne by the Commonwealth. Consequently, no amounts have been reported by the University under GASB Statement No. 45. Workers' compensation costs are assessed separately based on actual University experience.

In addition to providing pension benefits, under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities, and certain other governmental agencies. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care benefit costs which is comparable to contributions required from employees. The Commonwealth is reimbursed for the cost of benefits to retirees of the eligible authorities and non-state agencies.

The Commonwealth's Group Insurance Commission ("GIC") was established by the Legislature in 1955 to provide and administer health insurance and other benefits to the Commonwealth's employees and retirees, and their dependents and survivors. The GIC also covers housing and redevelopment authorities' personnel, certain authorities and other offline agencies, retired municipal teachers from certain cities and towns and a small amount of municipalities as an agent multiple employer program, accounted for as an agency fund activity of the Commonwealth, not the University.

The GIC administers a plan included within the State Retiree Benefits Trust Fund, an irrevocable trust. Any assets accumulated in excess of liabilities to pay premiums or benefits or administrative expenses are retained in that fund. The GIC's administrative costs are financed through Commonwealth appropriations and employee investment returns. The Legislature determines employees' and retirees' contribution ratios.

The GIC is a quasi-independent state agency governed by an eleven-member body ("the Commission") appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal years that ended on June 30, 2010 and June 30, 2009, respectively, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administered carve-outs for the pharmacy benefit and mental health and substance abuse benefits for certain of its health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage for employees not covered by collective bargaining, a retiree discount vision plan and retiree dental plan, and finally, a pre-tax health care spending account and dependent care assistance program (for active employees only).

Pursuant to the provisions of Paragraph (e), Section 5 of Chapter 163 of the Acts of 1997 and consistent with the September 22, 1992 Memorandum of Understanding between the Commonwealth of Massachusetts Executive Office of Administration and Finance and the University of Massachusetts, the University's Worcester Medical School campus has assumed the obligation for the cost of fringe benefits provided by the Commonwealth to University employees (other than those employees paid from state appropriated funds) for all periods on or after July 1, 1989. The University determines the actual costs for the health insurance benefits and actuarially calculates the incurred service costs for pensions and retiree health insurance.

INCOME TAX STATUS

The University of Massachusetts is an agency of the Commonwealth of Massachusetts and is exempt from Federal income tax under Section 115(a) of the Internal Revenue Code. The University Related Organizations are 501(c)(3) organizations and are exempt from Federal Income tax under the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in the accompanying combined financial statements.

COMPARATIVE INFORMATION AND RECLASSIFICATIONS

The University's financial statements include prior year comparative information. Certain prior year amounts have been reclassified to conform with the current year presentation. During 2010, The University determined that it incorrectly reported fiscal year 2009 Unrestricted and Restricted Expendable Net Assets by $24.4 million, Tuition and Fee revenue by $1.1 million, Auxiliary

Enterprises revenue by $6.4 million and expenses by $5.3 million, and $35.9 million in Public Service Activity revenues and expenses. These reclassifications, revised classification and adjustments have no effect on total net assets at June 30, 2010.

REVISION

Subsequent to June 30, 2010, it was determined that approximately $218.3 million of bonds were incorrectly classified as long-term liabilities at June 30, 2010 due to supporting liquidity facilities expiring on June 10, 2011 or less than one year from June 30, 2010. On June 9, 2011, the Building Authority refinanced $136.3 million of these bonds on a long-term basis with the assistance of a new long term liquidity facility and accordingly, this debt remains classified as long-term. The balance of $82.0 million was also refinanced on June 9, 2011, but on a short-term basis due to the fact that no liquidity facility was utilized and accordingly the classification of these bonds has been revised to current liabilities. The effect of this revision is as follows:

	As recorded	Adjustment	Revised Amount
Bonds Payable	$112,904	$81,996	$194,900
Total Current Liabilities	502,566	81,996	584,562
Bonds Payable	1,714,205	(81,996)	1,632,209
Total Noncurrent Liabilities	1,883,678	(81,996)	1,801,682

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

As of June 30, 2005, the University implemented the disclosures which are required by the Governmental Accounting Standards Board, Statement No. 40, *Deposit and Investment Risk Disclosures* ("GASB 40"). For fiscal years ended June 30, 2010 and 2009, the University assessed and completed the following statements: Custodial Credit Risk, Concentration of Credit Risk, Credit Risk and Interest Rate Risk of its Cash, Cash Equivalents and Investments.

The University's investments are made in accordance with the Investment Policy and Guidelines Statement Operating Cash Portfolio adopted in May 2005 and later amended in June 2009 by the Board of Trustees (the Investment Policy) and the Statement of Investment and Spending Policies of the University of Massachusetts Foundation, Inc. The goals of these documents are to preserve capital, provide liquidity, and generate investment income. The University of Massachusetts has statutory authority under Massachusetts General Laws Chapter 75 to collect, manage and disburse trust funds of the University.

Investments are reported at their respective fair values. The values of publicly traded fixed income and equity securities are based upon quoted market prices at the close of business on the last day of the fiscal year. Private equities and certain other non-marketable securities are valued using current estimates in fair value by management based on information provided by the general partner or investment manager for the respective securities. Investments in units of non-publicly traded pooled funds are valued at the unit value determined by the fund's administrator based on quoted market prices of the underlying investments. Private equities and other non-marketable securities represent approximately 18.4% and 19.2% of the Universities investments at June 30, 2010 and 2009, respectively.

Custodial Credit Risk - Custodial Credit Risk is the risk that, in the event of a failure of the counterparty, the University would not be able to recover the value of its deposits, investments or collateral securities that were in the possession of an outside party. Deposits are exposed to custodial risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the University and are held by either the counterparty or the counterparty's trust department or agent but not in the University's name. As of June 30, 2010 and 2009, all cash and investment accounts were held on behalf of the University by the Trustees, in the Trustee's name.

The University maintains depository accounts with Bank of America N.A., TD BankNorth, Fifth Third Bank, U.S. Bank and Citizens Bank. The University maintains payroll, disbursement, receipt and imprest accounts with Bank of America N.A. None of these accounts are collateralized. Accounts carry FDIC insurance up to $250,000 per account. The balances on deposit on June 30, 2010 were $31.7 million in Bank of America, $0.9 million in TD BankNorth, $0.2 million in Fifth Third Bank, $0.2 million in U.S. Bank, and $0.1 million in Citizens Bank. The comparable balances on deposit on June 30, 2009 were $36.6 million in Bank of America, $0.7 million in TD BankNorth, $0.1 million in Fifth Third Bank, $0.2 million in U.S. Bank and $0.1 million in Citizens. At June 30, 2010 and 2009, the carrying amount of the University's bank account deposits were $12.9 million and $22.0 million, respectively, as compared to bank balances of $33.1 million and $37.7 million, respectively. In 2010 and 2009, the differences between the carrying amount and bank balances were primarily caused by outstanding checks, deposits in-transit, and securities lending of $2.7 million and $15.7 million, respectively. Of such said bank balances, $5.1 million at June 30, 2010 and $4.5 million at June 30, 2009 are covered by federal deposit insurance. The remaining $28.0 million at June 30, 2010 and $33.2 million at June 30, 2009 are uninsured and uncollateralized and therefore subject to custodial credit risk.

In addition to bank account deposits, at June 30, 2010, the University held money market instruments which are classified as investments. At June 30, 2010 and 2009, the carrying amounts of the University's money market accounts were $192.1 million and $148.9 million, respectively, as compared to bank balances of $192.1 million and $148.9 million, respectively. Of such said money market balances, $1.5 million at June 30, 2010 and $1.6 million at June 30, 2009 are covered by federal deposit insurance. The remaining $190.6 million at June 30, 2010 and $147.3 million at June 30, 2009 are uninsured and uncollateralized, therefore subject to custodial credit risk. At June 30, 2010, the University maintained money market accounts of $37.0 million in Federated Bank, $55.1 million in Bank of America N.A., $58.0 million in Fidelity Investors, $42.0 million in BNY Mellon. In addition to money market fair market value, the University held $0.8 million of cash to be used to settle open trades at June 30, 2010 and $0.9 million at June 30, 2009. The University also invested in BNY Mellon's CDARS program. The balance at June 30, 2010 was $20.0 million. The balance at June 30, 2009 was $10.0 million. These funds are invested in individual certificates of deposit in $250,000 increments and are therefore fully insured by the FDIC.

At June 30, 2010 the University held a carrying and fair market value of $553.3 million in non-money market investments compared to a carrying and fair market value of $492.0 million at June 30, 2009. In the event of negligence due to the University's custodian and/or investment manager(s), it is expected that investment balances of $553.3 million and $492.0 million at June 30, 2010 and 2009, respectively, would be fully recovered. However, these amounts are subject to both interest rate risk and credit risk. Custody of assets is held with The Bank of New York Mellon or with the individual Investment Manager who is responsible for executing investment transactions.

Concentration of Credit Risk - Concentration of Credit Risk is assumed to arise when the amount of investments that the University has with one issuer exceeds 5% or more of the total value of the University's investments.

As of June 30, 2010 and June 30, 2009, respectively, there is no portion of the University portfolio, excluding U. S. Government guaranteed obligations, which exceed 5% of the portfolio.

Credit Risk - Credit risk is the risk that the University will lose money because of the default of the security issuer or investment counterparty. The University's Investment Policy and Guidelines Statement gives each Portfolio Manager full discretion within the parameters of the investment guidelines specific to that manager.

The table below shows the fair value (in thousands) and average credit quality of the fixed income component of the University's investment portfolio as of June 30, 2010 and 2009, respectively:

Asset Class	June 30, 2010 Fair Value	Average Credit Quality	June 30, 2009 Fair Value	Average Credit Quality
Short Duration	$305,247	AAA	$254,017	AAA
Intermediate Duration	241,252	A	220,792	A

The table below shows the fair value (in thousands) by credit quality of the rated debt investments component of the University's investment portfolio as of June 30, 2010 and 2009, respectively:

Rated Debt Investments - 2010
(in thousands)

	Fair Value	S&P Quality Ratings AAA	AA	A	BBB	BB	B	CCC	CC	C	D	Unrated
U.S Agencies	$ 11,903	$ 277	$ -	$ 322	$ -	$ -	$ -	$ -	$ -	$ 6	$ -	$ 11,298
U.S Government	26,957	9,214	163	-	-	-	-	-	-	-	-	17,580
Corporate Debt	227,648	22,949	68,261	94,079	18,197	6,752	6,751	3,612	276	-	13	6,758
Money Market Funds	279,991	231,994	-	458	-	-	-	-	-	-	-	47,539
	$ 546,499	$ 264,434	$ 68,424	$ 94,859	$ 18,197	$ 6,752	$ 6,751	$ 3,612	$ 276	$ 6	$ 13	$ 83,175

Rated Debt Investments - 2009
(in thousands)

	Fair Value	S&P Quality Ratings AAA	AA	A	BBB	BB	B	CCC	CC	C	D	Unrated
U.S Agencies	$ 31,215	$ 313	$ -	$ 227	$ -	$ -	$ -	$ -	$ -	$ 947	$ -	$ 29,728
U.S Government	31,445	7,028	154	-	-	-	-	-	-	309	-	23,954
Corporate Debt	213,298	25,986	60,563	89,875	17,033	7,312	6,055	1,329	79	212	33	4,821
Money Market Funds	198,851	191,008	-	232	-	-	-	-	-	(3)	-	7,614
	$ 474,809	$ 224,335	$ 60,717	$ 90,334	$ 17,033	$ 7,312	$ 6,055	$ 1,329	$ 79	$ 1,465	$ 33	$ 66,117

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Investment Policy establishes targets for the preferred duration of the fixed income component of the investment portfolio by asset class by limiting investments through targeted allocations to different asset classes.

The table below shows the allocation for each asset class and the fair value (in thousands) for each as of June 30, 2010 and 2009, respectively:

Asset Class	6/30/10 Allocation	6/30/10 Fair Value	6/30/09 Allocation	6/30/09 Fair Value
Short Duration	40%	$305,247	38%	$254,017
Intermediate Duration	31%	241,252	33%	220,792
Alternative Assets	18%	141,244	19%	129,658
Equities	10%	72,363	9%	61,657
Commodities	1%	8,153	1%	5,455
Real Estate	0%	-	0%	2,633

Investments - 2010
(in thousands)

Investment Type: Debt Securities	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
		Investment Maturity (in Years)			
US Agencies	$ 11,304	$ -	$ 1,043	$ 1,502	$ 8,759
US Government	26,957	3,996	13,165	8,540	1,256
Corporate Debt	227,648	7,776	127,840	64,024	28,008
Municipal/Public Bonds	599	279	320	-	-
Money Market Mutual Funds	279,991	280,033	(11)	(61)	30
	$ 546,499	$ 292,084	$ 142,357	$ 74,005	$ 38,053

Other Investments	Fair Value
Alternative Assets	$ 141,244
Equity Securities- International	37,612
Equity Securities- Domestic	34,751
Commodities	8,153
Real Estate	-
	$ 221,760

Investments - 2009
(in thousands)

Investment Type: Debt Securities	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
		Investment Maturity (in Years)			
US Agencies	$ 30,675	$ 13,010	$ 752	$ 1,867	$ 15,046
US Government	31,445	8,035	12,110	10,679	621
Corporate Debt	213,298	2,586	118,219	55,685	36,808
Municipal/Public Bonds	540	-	540	-	-
Money Market Mutual Funds	198,851	198,851	-	-	-
	$ 474,809	$ 222,482	$ 131,621	$ 68,231	$ 52,475

Other Investments	Fair Value
Alternative Assets	$ 129,658
Equity Securities- International	33,635
Equity Securities- Domestic	28,022
Commodities	5,455
Real Estate	2,633
	$ 199,403

Securities Lending: The University participates in a securities lending program. The University's custodian, The Bank of New York Mellon, conducts business on behalf of the University with potential borrowers who are prescreened for creditworthiness prior to transactions. In exchange for the use of a particular security, cash collateral of 101-105% of the security's fair market value is collected from the potential borrower.

As of June 30, 2010 the University held a fair market value of $120.4 million in lendable securities, compared to $91.6 million in 2009, respectively. Out of these lendable securities, as of June 30, 2010, $2.6 million was out on loan with 13 borrowers compared to $15.4 million with 20 borrowers on June 30, 2009. The loans were outstanding for an average of 43 days in 2010, compared to 106 days in 2009.

Securities Lending 2010 (in thousands)

Securities Lent	Underlying Security Value	Cash Collateral Rec'd Value	Collateral Percentage
Agencies/Other Govt	$222	$227	102.05%
Corporate Debt	84	89	105.88%
TIPS	1,456	1,484	101.96%
US Govt. - T-Notes	846	864	102.08%
	$2,608	$2,664	102.13%

Securities Lending 2009 (in thousands)

Securities Lent	Underlying Security Value	Cash Collateral Rec'd Value	Collateral Percentage
Agencies/Other Govt	$936	$952	101.71%
Corporate Debt	3,165	3,240	102.36%
TIPS	8,729	8,865	101.56%
US Govt. - T-Notes	2,571	2,632	102.38%
	$15,400	$15,688	101.87%

The cost and fair value of cash, cash equivalents and investments of the University Related Organizations at June 30, 2010 and 2009, respectively are as follows (in thousands):

University Related Organizations:	Total Fair Value 6/30/10	Total Cost 6/30/10	Total Fair Value 6/30/09	Total Cost 6/30/09
Cash and Cash Equivalents	$3,611	$3,611	$3,402	$3,402
Money Market Instruments	138,248	126,997	199,175	199,638
Corporate and Municipal Bonds	108,431	101,312	31,775	31,144
Common and Preferred Stock	49,531	53,236	18,250	21,209
Mutual Funds	845	845	1,061	1,061
Other	-	-	508	621
	$300,666	$286,001	$254,171	$257,075

Pursuant to Trust Agreements between the Building Authority and its bond trustees, all funds deposited with those trustees (approximately $796.3 million at June 30, 2010 and $416.3 million at June 30, 2009) shall be continuously maintained for the benefit of the Building Authority and Registered owners of the Bonds. All investments shall be (a) held with a bank or trust company approved by the Trustees and the Building Authority, as custodians, or (b) in such other manner as may be required or permitted by applicable state and Federal laws and regulations. Investments shall consist of (a) direct obligations of, or obligations which are unconditionally guaranteed by, the United States of America, or any other agency or corporation which has been created pursuant to an act of Congress of the United States as an agency or instrumentality thereof; or (b) other marketable securities eligible as collateral for the deposit of trust funds under regulations of the Comptroller of the Currency having a market value not less than the amount of such deposit. Direct obligations of, or obligations which are unconditionally guaranteed by, the United States of America or any other agency or corporation which has been created pursuant to an act of Congress of the United States as an agency or instrumentality thereof may be subject to repurchase upon demand by the owner pursuant to a repurchase agreement with a bank or trust company.

3. CASH HELD BY STATE TREASURER

Accounts payable, accrued salaries and outlays for future capital projects to be funded from state-appropriated funds totaled approximately $16.2 million at June 30, 2010 and $22.7 million at June 30, 2009. The University has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the University, which will be subsequently utilized to pay for such liabilities.

4. CASH AND SECURITIES HELD BY TRUSTEES

Cash and securities held by trustees primarily consist of unspent bond proceeds, amounts held for the future payment of debt service on such borrowings and designated funds. At June 30, 2010 and June 30, 2009 there are investments of $3.4 million and $7.4 million, respectively, available from Master Lease agreements entered into by the University for capital asset purchases at the Amherst and Boston campuses. Additionally, there is $8.3 million and $4.4 million, respectively, available from the Revolving Loan Fund established with 2000 Series A bond proceeds issued to acquire and implement enterprise resource planning technology along with other projects (see Note 8) and $796.3 million and $416.3 million, respectively, held by trustees related to the Building Authority. This includes designated funds awarded by the Commonwealth of Massachusetts for capital projects which are held in trust by the Building Authority. At June 30, 2010 and 2009, the amount of designated funds were $23.2 million and $34.0 million, respectively. In addition, at June 30, 2010 and 2009, $6.9 million and $47.0 million, respectively were available to be used by WCCC for capital construction purposes.

Funds deposited with trustees include $5.3 million of investments in repurchase agreements at June 30, 2010 and 2009, respectively. These repurchase agreements are collateralized by cash or investments with a fair market value between 100% and 105% of the repurchase price, depending on the type of assets used as security. These repurchase agreements can be redeemed at any time for the repurchase price provided the redemption proceeds are used for the purpose permitted by the respective repurchase agreement.

5. ACCOUNTS, GRANTS AND LOANS RECEIVABLE

Accounts, grants and loans receivable at June 30 consist of the following (in thousands):

University:

	2010	2009
Students Accounts Receivable	$37,349	$35,317
Less allowance for uncollectible accounts	(13,688)	(12,325)
	23,661	22,992
Grants and Contracts Receivable	79,140	80,854
Less allowance for uncollectible accounts	(2,181)	(1,402)
	76,959	79,452
Students Loans Receivable	43,025	42,395
Less allowance for uncollectible accounts	(2,270)	(2,981)
	40,755	39,414
Commonwealth Medicine	67,317	56,695
Less allowance for uncollectible accounts	(1,104)	(1,104)
	66,213	55,591
Other	53,870	38,636
Less allowance for uncollectible accounts	(1,762)	(1,224)
	52,108	37,412
Total, net	$259,696	$234,861
Less current portion, net	(223,267)	(199,532)
Long-term, net	$36,429	$35,329

Related Organizations:

	2010	2009
Other Accounts Receivable	$-	$22
Less allowance for uncollectible accounts	-	-
	-	22
Less current portion	-	(22)
Long-term	$-	$-

Effective March 31, 1998, the former University of Massachusetts Clinical Services Division (which was comprised of the University of Massachusetts Medical School Teaching Hospital Trust Fund, University of Massachusetts Medical School - Group Practice Plan, and the University of Massachusetts Medical Center Self Insurance Trust), was merged into a separate Massachusetts not-for-profit corporation named UMass Memorial Health Care, Inc. ("UMass Memorial"). UMass Memorial is not a component of these financial statements. In connection with the merger of UMass Memorial and the former Clinical Services Division of the University in 1998, the University and UMass Memorial have the following ongoing agreements:

- UMass Memorial has been granted the right to occupy portions of the University's Worcester Medical School campus for a period of 99 years and UMass Memorial has agreed to share responsibility for various capital and operating expenses relating to the occupied premises. UMass Memorial has also agreed to contribute to capital improvements to shared facilities.

- UMass Memorial has agreed to make certain payments to the University and its related organizations, including: 1) an annual fee of $12.0 million (plus an inflation adjustment), for 99 years as long as the University continues to operate a medical school; 2) a percentage of net operating income of UMass Memorial based upon an agreed upon formula which revenue is recognized by the University when the amounts are agreed; and 3) a $31.5 million contribution plus interest by UMass Memorial to jointly fund and develop a new research facility with the University, the final payment of which was received during April 2001.

- The University leased certain employees to UMass Memorial or its affiliates during a transition period ending in 2008.

The University is reimbursed by, and reimburses UMass Memorial for shared services, leased employees, and other agreed upon activities provided and purchased. For the years ended June 30, 2010 and 2009, the reimbursement for services provided to UMass Memorial were $124.1 million and $120.1 million, respectively. Included in these amounts is payroll paid by the University on behalf of UMass Memorial in an agency capacity in the amount of $77.3 million for fiscal year 2010 and $70.7 million for fiscal year 2009. At June 30, 2010 and 2009, the University has recorded a net receivable in the amount of $14.6 million and $15.5 million, respectively from UMass Memorial consisting of $2.2 million and $0.4 million, respectively related to capital projects at the Medical School, and $8.1 million and $7.1 million, respectively in payroll and related fringe charges. The receivable amount also contains $3.6 million at June 30, 2009 representing the negotiated amount under the agreed upon formula noted above which resulted in zero in 2010. The University has recorded a payable at June 30, 2010 and 2009 of $4.0 million and $3.4 million, respectively for amounts due to UMass Memorial for capital projects and cross-funded payroll.

6. RELATED ORGANIZATIONS

Related party activity with the Foundation includes loan and lease agreements, and investments of the University's endowment assets and funded reserve with the Foundation. As of June 30, 2010, the net assets of the Foundation included as related organizations in the combined financial statements of the University are $307.0 million, of which $301.4 million are restricted funds and $5.5 million are unrestricted funds. During the fiscal year ended June 30, 2010, the University received approximately $20.9 million from the Foundation, and disbursed approximately $11.9 million to the Foundation of which $7.3 million was for the establishment of quasi-endowment. At June 30, 2010, the University's investments include $187.5 million of endowment funds held in a custodial relationship at the Foundation, and $223.9 million in funded reserve.

As of June 30, 2009, the net assets of the Foundation included as related organizations in the combined financial statements of the University are $274.4 million, of which $283.2 million are restricted funds and $(8.8) million are unrestricted funds. During the fiscal year ended June 30, 2009, the University received approximately $24.8 million from the Foundation, and disbursed approximately $228.7 million to the Foundation of which $44.7 was for the establishment of quasi-endowment and $180.0 million for the funded reserve. At June 30, 2009, the University's investments include $168.7 million of endowment funds held in a custodial relationship at the Foundation, and $212.2 million in funded reserve.

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

During 2001, the Worcester Medical School and UMass Memorial Health Ventures, Inc. formed Public Sector Partners ("PSP"). PSP is a Massachusetts not-for-profit corporation organized to provide administrative support to agencies of state and local governments that provide health care and health related services to recipients under the auspices of government sponsored and funded health care programs and initiatives. MedMetrics Health Partners, Inc., a wholly owned subsidiary of PSP, was created by and is an affiliate of PSP. Medmetrics is a Section 501(c)(4) not for profit pharmacy (PBM).

PSP was governed by a board of trustees that were comprised equally of representatives from the Worcester Medical School and UMass Memorial Health Ventures, Inc. (a subsidiary of UMass Memorial). Neither entity had an equity interest in PSP; therefore, for financial reporting purposes the University treated PSP as a joint venture for which there was no equity interest. Accordingly, PSP's results of operations, statement of position, and cash flows were not included in the University's financial report. A separate financial statement for PSP was published and was available upon request of the UMass Medical School.

On October 1, 2008, the board of trustees of Public Sector Partners, Inc. ("PSP") a Massachusetts corporation formed under M.G.L.c. 180, which are comprised equally of representation from the UMass Medical School and UMass Memorial Health Ventures, Inc. (a subsidiary of UMass Memorial) voted to amend the bylaws of PSP naming Worcester City Campus Corporation (WCCC) to be the sole member of the Corporation. There was no monetary value give for the transaction and it was accounted for using the "pooling of interests" method as described by APB 16: *Business Combinations*. Accordingly, the results of operations and cash flow for 2009 have been combined as though the operations of WCCC and PSP commenced as of July 1, 2008.

The Building Authority and the Commonwealth of Massachusetts have entered into various lease agreements under which the Commonwealth leases to the Building Authority certain property for nominal amounts.

In August 2005, the Building Authority executed a contract with UMass Management, LLC, a wholly owned subsidiary of ClubCorp USA, Inc., to provide management services for The University of Massachusetts Club ("the Club"), a private social club for alumni and friends of the University. Under the contract, the Authority is responsible for approving the budgets and operating plans of the Club as presented by the Manager. The Building Authority is responsible for any shortfall in the operating budget and will benefit from any operating profits. The contract calls for a minimum management fee payable to the Manager of $0.2 million or four percent of the operating revenues, as defined by the contract, whichever is greater. Additionally, the Manager receives a percentage of the Club initiation fees and 25 percent of operating profits, as defined by the contract. The contract term is 10 years and can be terminated by the Building Authority after 3 years if the Building Authority decides to close the Club for a minimum of 18 months. The Building Authority is the tenant on the sublease for the Club space and the lease does not terminate should the Building Authority close the Club. As of June 30, 2010 and 2009, the Authority had provided operating support for the Club of approximately $0.2 million and $0.5 million, respectively.

7. INVESTMENT IN PLANT

Investment in plant activity for the year ended June 30, 2010 is comprised of the following (in thousands):

University:	Beginning Balance	Additions/ Adjustments	Retirements/ Adjustments	Ending Balance
Land	$34,398	$20,240	($1,649)	$52,989
Buildings and Improvements	2,586,338	303,716	(4,750)	2,885,304
Equipment and Furniture	585,049	40,840	(24,325)	601,564
Software	119,596	8,735	-	128,331
Library Books	104,324	13,446	(7,802)	109,968
	3,429,705	386,977	(38,526)	3,778,156
Accumulated Depreciation	(1,602,389)	(154,507)	25,854	(1,731,042)
Sub-Total	1,827,316	232,470	(12,672)	2,047,114
Construction in Progress	241,169	205,439	(169,330)	277,278
Total	$2,068,485	$437,909	($182,002)	$2,324,392

University Related Organizations:	Beginning Balance	Additions/ Adjustments	Retirements/ Adjustments	Ending Balance
Land	$560	$200	-	$760
Buildings and Improvements	594	525	-	1,119
Equipment and Furniture	120	52	-	172
	1,274	777	-	2,051
Accumulated Depreciation	(324)	(28)	-	(352)
Total	$950	$749	-	$1,699

Investment in plant activity for the year ended June 30, 2009 is comprised of the following (in thousands):

University:	Beginning Balance	Additions/ Adjustments	Retirements/ Adjustments	Ending Balance
Land	$34,623	-	($225)	$34,398
Buildings and Improvements	2,167,568	$421,474	(2,704)	2,586,338
Equipment and Furniture	564,303	43,566	(22,820)	585,049
Software	109,695	9,901	-	119,596
Library Books	106,944	5,816	(8,436)	104,324
	2,983,133	480,757	(34,185)	3,429,705
Accumulated Depreciation	(1,484,130)	(139,020)	20,761	(1,602,389)
Sub-Total	1,499,003	341,737	(13,424)	1,827,316
Construction in Progress	420,912	273,014	(452,757)	241,169
Total	$1,919,915	$614,751	($466,181)	$2,068,485

University Related Organizations:	Beginning Balance	Additions/ Adjustments	Retirements/ Adjustments	Ending Balance
Land	$576		($16)	$560
Buildings and Improvements	594		-	594
Equipment and Furniture	128		(8)	120
	1,298		(24)	1,274
Accumulated Depreciation	(319)	($20)	15	(324)
Total	$979	($20)	($9)	$950

At June 30, 2010 and 2009, investment in plant included capital lease assets of approximately $84.6 million and $86.1 million, respectively, net of accumulated depreciation on capital lease assets of approximately $65.7 million and $63.0 million, respectively (see Note 9). The University has not reported any impairment during 2010 or 2009, respectively. The University had a capital contribution of $29.8 million during 2010 as a result of acquiring assets below fair value.

The University has capitalized interest on borrowings, net of interest earned on related debt reserve funds, during the construction period of major capital projects. Capitalized interest is added to the cost of the underlying assets being constructed, and is amortized over the useful lives of the assets. For the years ended June 30, 2010 and 2009, the University capitalized net interest costs of $23.6 million and $11.0 million respectively.

8. BONDS PAYABLE

Amounts outstanding at June 30, 2010 are as follows:

Issue Borrowing	Original Borrowing	Maturity Date	Interest Rate	Amount Outstanding
University of Massachusetts Building Authority:				
Series 2000-A	$46,980	2011	4.625-4.75%	$3,215
Series 2000-1	24,145	2010	4.625%	1,155
Series 2000-2	132,155	2010	4.6-5.5%	5,680
Series 2003-1	137,970	2014	3.375-5.25%	28,205
Series 2004-A	96,025	2015	3.75-4.5%	12,630
Series 2004-1	183,965	2016	3.75-5.375%	45,960
Series 2005-1	25,595	2016	5.0%	14,945
Series 2005-2	212,550	2025	4.0-5.25%	200,040
Series 2006-2	21,240	2014	5.36-5.49%	10,825
Series 2008-A	26,580	2038	variable	25,215
Series 2008-1	232,545	2038	variable	221,475
Series 2008-2	120,560	2038	4.0-5.0%	115,370
Series 2008-3	138,635	2034	variable	136,275
Series 2008-4	104,000	2034	variable	102,495
Series 2009-1	247,810	2039	2.0-5.0%	244,410
Series 2009-2	271,855	2039	6.423-6.573%	271,855
Series 2009-3	28,570	2039	5.823-6.173%	28,570
Revolving Line of Credit	30,000	2011	variable	401
				1,468,721
		Unamortized Bond Premium		29,787
		Less Deferred Loss on Refunding		(42,048)
			SUBTOTAL	1,456,460
University of Massachusetts HEFA:				
2000 Series A	$20,000	2030	variable	20,000
2001 Series B	11,970	2031	4.35-5.125%	546
2002 Series C	35,000	2034	4.0-5.125%	31,345
2007 Series D	10,435	2031	3.75-4.25%	10,190
			SUBTOTAL	62,081
WCCC HEFA:				
Series 2001-B	$52,020	2023	4.0-5.25%	13,700
Series 2005-D	99,325	2029	3.0-5.25%	90,575
Series 2007-E	118,750	2031	3.5-5.0%	114,000
Series 2007-F	101,745	2036	4.0-5.0%	94,530
				312,805
		Unamortized Bond Premium		9,029
		Less Deferred Loss on Refunding		(13,266)
			SUBTOTAL	308,568
			TOTAL	$1,827,109

Maturities and interest, which is estimated using rates in effect at June 30, 2010, on bonds payable for the next five fiscal years and in subsequent five-year periods are as follows (in thousands):

	Principal	Interest
2011	$54,379	$79,421
2012	62,448	77,157
2013	64,205	74,501
2014	66,250	72,054
2015	65,640	69,063
2016-2020	356,355	297,751
2021-2025	379,035	213,960
2026-2030	385,810	134,230
2031-2035	278,365	60,533
2036-2040	131,120	13,952
Total	$1,843,607	$1,092,622

Bonds payable activity for the year ended June 30, 2010 is summarized as follows:

		Beginning Balance	Additions	Retirements	Ending Balance
University of Massachusetts Building Authority:					
Series 2000-A		$4,715		($1,500)	$3,215
Series 2000-1		2,250		(1,095)	1,155
Series 2000-2		11,090		(5,410)	5,680
Series 2003-1		33,180		(4,975)	28,205
Series 2004-A		14,455		(1,825)	12,630
Series 2004-1		51,725		(5,765)	45,960
Series 2005-1		17,035		(2,090)	14,945
Series 2005-2		202,165		(2,125)	200,040
Series 2006-2		13,640		(2,815)	10,825
Series 2008-A		25,910		(695)	25,215
Series 2008-1		227,120		(5,645)	221,475
Series 2008-2		117,550		(2,180)	115,370
Series 2008-3		137,475		(1,200)	136,275
Series 2008-4		103,260		(765)	102,495
Series 2009-1			$247,810	(3,400)	244,410
Series 2009-2			271,855		271,855
Series 2009-3			28,570		28,570
Revolving Line of Credit		16,823	201	(16,623)	401
Plus: unamortized bond premium		19,414	14,164	(3,791)	29,787
Less: deferred loss on refunding		(42,779)		731	(42,048)
	Subtotal	955,028	562,600	(61,168)	1,456,460
UMass HEFA:					
2000 Series A		20,000			20,000
2001 Series B		801		(255)	546
2002 Series C		32,005		(660)	31,345
2007 Series D		10,235		(45)	10,190
	Subtotal	63,041		(960)	62,081
WCCC HEFA:					
WCCC 2001 Series B		14,810		(1,110)	13,700
WCCC 2005 Series D		93,230		(2,655)	90,575
WCCC 2007 Series E		115,640		(1,640)	114,000
WCCC 2007 Series F		96,805		(2,275)	94,530
Plus: unamortized bond premium		9,419		(390)	9,029
Less: deferred loss on refunding		(13,963)		697	(13,266)
	Subtotal	315,941		(7,373)	308,568
	Total	$1,334,010	$562,600	($69,501)	$1,827,109

Bonds payable activity for the year ended June 30, 2009 is summarized as follows:

		Beginning Balance	Additions	Retirements	Ending Balance
University of Massachusetts Building Authority:					
Series 2000-A		$6,140		($1,425)	$4,715
Series 2000-1		3,290		(1,040)	2,250
Series 2000-2		16,245		(5,155)	11,090
Series 2003-1		38,020		(4,840)	33,180
Series 2004-A		16,225		(1,770)	14,455
Series 2004-1		57,265		(5,540)	51,725
Series 2005-1		19,030		(1,995)	17,035
Series 2005-2		204,210		(2,045)	202,165
Series 2006-2		16,315		(2,675)	13,640
Series 2008-A		26,580		(670)	25,910
Series 2008-1		232,545		(5,425)	227,120
Series 2008-2		120,560		(3,010)	117,550
Series 2008-3		138,635		(1,160)	137,475
Series 2008-4		104,000		(740)	103,260
Revolving Line of Credit		120	19,290	(2,587)	16,823
Plus: unamortized bond premium		22,343		(2,929)	19,414
Less: deferred loss on refunding		(43,478)		699	(42,779)
	Subtotal	978,045	19,290	(42,307)	955,028
UMass HEFA:					
2000 Series A		40,000		(20,000)	20,000
2001 Series B		1,045		(244)	801
2002 Series C		32,640		(635)	32,005
2007 Series D		10,280		(45)	10,235
	Subtotal	83,965		(20,924)	63,041
WCCC HEFA:					
WCCC 2001 Series B		15,875		(1,065)	14,810
WCCC 2005 Series D		95,785		(2,555)	93,230
WCCC 2007 Series E		117,215		(1,575)	115,640
WCCC 2007 Series F		98,990		(2,185)	96,805
Plus: unamortized bond premium		9,810		(391)	9,419
Less: deferred loss on refunding		(14,660)		697	(13,963)
	Subtotal	323,015		(7,074)	315,941
	Total	$1,385,025	$19,290	($70,305)	$1,334,010

University of Massachusetts Building Authority

The bond agreements related to the Building Authority bonds generally provide that the net revenues of the Building Authority are pledged as collateral on the bonds and also provide for the establishment of bond reserve funds, bond funds, and maintenance reserve funds.

The University is obligated under its contracts for financial assistance, management and services with the Building Authority to collect rates, rents, fees and other charges with respect to such facilities sufficient to pay principal and interest on the Building Authority's bonds and certain other costs such as insurance on such facilities.

Pursuant to the authority given by the Building Authority's enabling act, the Commonwealth, acting by and through the Trustees of the University, has guaranteed the payment of principal of and interest on the Building Authority's bonds. (The guarantee is a general obligation of the Commonwealth to which the full faith and credit of the Commonwealth are pledged. As is generally the case with other general obligations of the Commonwealth, funds with which to honor the guarantee, should it be called upon, will be provided by Commonwealth appropriation). The Building Authority's enabling act provides that the outstanding principal amount of notes and bonds of the Building Authority guaranteed by the Commonwealth cannot exceed $200.0 million. The Building Authority issued bonds are all Commonwealth guaranteed with the exception of Series 2000-2, Series 2003-1, Series 2004-1, Series 2005-1, Series 2005-2, Series 2006-2 (federally taxable), Series 2008-1, Series 2008-2, Series 2008-3, Series 2009-1, Series 2009-2 (federally taxable), and Series 2009-3 (federally taxable).

When the Building Authority no longer has any bonds outstanding, its properties revert to the Commonwealth, and all its funds (other than funds pledged to bondholders) are required to be paid into the Treasury of the Commonwealth.

In fiscal year 2006 the Building Authority issued Series 2006-1 taxable bonds. The bonds were issued in the amount of $243.8 million and the proceeds were used for various construction and renovation projects for the University at its Lowell campus and to partially advance refund the 2003-1 Series bonds, the 2004-1 Series bonds and the 2004-A Series bonds. In June 2008 the Building

Authority used the proceeds of its Series 2008-3 and 2008-4 bonds (described below) to currently refund the Series 2006-1 Bonds. Therefore as of June 30, 2008 there were no bonds outstanding.

The Series 2008-3 and 2008-4 bonds carried a variable interest rate and were callable at any time at par. The principal and interest payments on the bonds were insured by AMBAC. The Building Authority also entered into a standby bond purchase agreement with Depfa Bank plc ("DEPFA") which required the DEPFA to purchase bonds tendered and not remarketed in an amount not to exceed the principal on the bonds plus accrued interest up to 190 days at an annual interest rate not to exceed 12 percent. Under this agreement, the Building Authority was required to pay the Bank in quarterly installments a facility fee in the amount of 9.5 (or higher under certain circumstances) basis points of the commitment amount. Fees accrued by the Building Authority in connection with the standby bond purchase agreement totaled $270,600 for the year ended June 30, 2008. At the time of the bond closing the Building Authority entered into an interest rate swap agreement with Citigroup, N.A., as swap counterparty for the term of the bond issue. The agreement calls for the Building Authority to pay a fixed rate of 3.482% and receive a floating rate based on a percentage of London Interbank Offered Rate ("LIBOR"), plus a spread (see below). The interest rate swap remains in place with an allocable portion going to the 2008-3 and 2008-4 bonds, respectively (see below).

In fiscal year 2008, the Building Authority issued its Series 2008-1 bonds. The bonds were issued in the amount of $232.5 million and the proceeds were to be used for various construction and renovation projects for the Amherst and Lowell campuses. As of June 30, 2010 and 2009 the bonds payable amount was $221.5 million and $227.1 million, respectively. The bonds are payable annually on May 1 through 2038. The bonds are supported with an irrevocable direct ay letter of credit ("the Lloyds LOC") issued by Lloyds TSB Bank plc ("Lloyds"). The Lloyds LOC, upon presentation of required documentation, will pay the Bond Trustee the amount necessary to pay the principal and accrued interest on the bonds. The Lloyds LOC expires in 2013 and may be extended at the option of Lloyds. Under the terms of the Lloyds LOC, the Building Authority is required to pay the Bank in quarterly installments a facility fee in the amount of 26.5 basis points (or higher, under certain circumstances) of the commitment amount. Fees accrued by the Building Authority in connection with the Lloyds LOC totaled $600,700 and $613,300 for the years ended June 30, 2010 and 2009, respectively. In December 2007 the Building Authority entered into an interest rate swap agreement with UBS AG, as swap counterparty, beginning May 1, 2008 and extending for the term of the bond issue. The agreement calls for the Building Authority to pay a fixed rate of 3.388% and receive a floating rate based on a percentage of LIBOR (see below).

In fiscal year 2008, the Building Authority issued Series 2008-A bonds. The bonds were issued in the amount of $26.6 million and the proceeds were to be used for various construction and renovation projects for the Dartmouth and Lowell campuses. As of June 30, 2010 and 2009 the bonds payable amount was $25.2 million and $25.9 million, respectively. The bonds are payable annually on May 1 through 2038. The Building Authority also entered into a standby bond purchase agreement with Bank of America, N.A. ("BofA") which requires BofA to purchase bonds tendered and not remarketed in an amount not to exceed the principal on the bonds plus accrued interest up to 184 days at an annual interest rate not to exceed 12 percent. Under this agreement, the Building Authority is required to pay BofA in quarterly installments a facility fee in the amount of 12 basis points of the initial commitment. The initial commitment under the agreement was set at $28.0 million but is subject to adjustment from time to time in accordance with the provisions of the agreement. The agreement expires in 2013 and may be extended at the option of the BofA. Fees accrued by the Building Authority in connection with the standby bond purchase agreement totaled $31,000 and $37,600 for the years ended June 30, 2010 and 2009, respectively. In December 2007 the Building Authority entered into an interest rate swap agreement with Lehman Brothers Special Financing Inc. ("LBSF"), as swap counterparty, beginning May 1, 2008 and extending for the term of the bond issue. The agreement calls for the Building Authority to pay a fixed rate of 3.378% and receive a floating rate based on a percentage of LIBOR. In November 2008, the Building Authority replaced LBSF with Deutsche Bank AG ("DBAG") as swap counterparty due to the bankruptcy of the LBSF holding company, Lehman Brothers Holdings, Inc. The swap agreement with DBAG is under the same terms as the original agreement with LBSF (see below).

In fiscal year 2008 UMBA issued its Series 2008-3 bonds. The bonds were issued in the amount of $138.6 million and the proceeds were used to currently refund a portion of the 2006-1 bonds. As of June 30, 2010 and 2009 the bonds payable amount was $136.3 million and $137.5 million. The bonds are payable annually on November 1 through 2034. The bonds carry a variable interest rate and are callable at any time at par. The bonds are supported with an irrevocable direct pay letter of credit ("the BofA LOC") issued by Bank of America NA ("BofA"). The BofA LOC, upon presentation of required documentation, will pay the Bond Trustee the amount necessary to pay the principal and accrued interest on the bonds. The BofA LOC expires in 2011 and may be extended at the option of BofA. Under the terms of the BofA LOC, the Building Authority is required to pay BofA in quarterly installments a facility fee in the amount of 55 basis points (or higher, under certain circumstances) of the commitment amount. Fees accrued by the Building Authority in connection with the BofA LOC totaled $814,100 and $816,000 for the years ended June 30, 2010 and 2009, respectively. The original interest rate swap with Citigroup from the 2006-1 bonds remains in place, with an allocable portion assigned to the 2008-3 bonds.

In fiscal year 2008, the Building Authority issued Series 2008-4 bonds. The bonds were issued in the amount of $104.0 million and the proceeds were used to currently refund a portion of the 2006-1 bonds. As of June 30, 2010 and 2009 the bonds payable amount was $102.5 million and $103.3 million, respectively. The bonds are payable annually on November 1 through 2034. The bonds carry a variable interest rate and are callable at any time at par. The Building Authority also entered into a standby bond purchase agreement with Bank of America, N.A. ("BofA") which requires BofA to purchase bonds tendered and not remarketed in an amount not to exceed the principal on the bonds plus accrued interest up to 184 days at an annual interest rate not to exceed 12%. Under this agreement, the Building Authority is required to pay BofA in quarterly installments a facility fee in the amount of 35 basis points of the initial commitment. The initial commitment under the agreement was set at $110.0 million but is subject to adjustment from time to time in accordance with the provisions of the agreement. The agreement expires in 2011 and may be extended at the option of the BofA. Fees accrued by the Building Authority in connection with the standby bond purchase agreement totaled $386,700 and $389,500 for the years ended June 30, 2010 and 2009, respectively. The original interest rate swap with Citigroup from the 2006-1 bonds remains in place, with an allocable portion assigned to the 2008-4 bonds.

In fiscal year 2010, the Building Authority issued Series 2009-1 bonds. The bonds were issued in the amount of $247.8 million and the proceeds were to be used for various construction and renovation projects for all campuses and for the construction of the Edward M. Kennedy Institute for the United States Senate. As of June 30, 2010 the bonds payable amount was $244.4 million. The bonds are payable annually on May 1 through 2039. The bonds carry interest rates that range from 2% to 5% and are callable beginning May 1, 2019 at par. The Building Authority was paid a premium of $14.2 million for these bonds.

In fiscal year 2010, the Building Authority issued Series 2009-2 Build America Bonds ("the BAB bonds"). The bonds were issued in the amount of $271.9 million and the proceeds were to be used for various construction and renovation projects for the Amherst, Boston, Lowell and Worcester campuses. As of June 30, 2010, the bonds payable amount was $ 271.9 million. The bonds are payable annually on May 1 beginning in 2024 through 2039. The bonds carry interest rates that range from 6.423% to 6.573% and are callable beginning May 1, 2018 at par. Interest on the BAB bonds are taxable to the bondholder but treated as tax-exempt by the issuer. The United States Government provides an interest subsidy equal to 35% of the interest amount payable to the bondholders or to the issuer at the election of the issuer. The Building Authority has elected to receive the subsidy directly and will file required forms with the Internal Revenue Service, prior to the interest payment due date, so that the subsidy is paid directly to the bond trustee for further payment to the bondholders.

In fiscal year 2010, the Building Authority issued its Series 2009-3 bonds. The bonds were issued in the amount of $28.6 million and the proceeds were to be used for various construction and renovation projects for the Worcester campus. The interest on the bonds is taxable to the bondholders. As of June 30, 2010 the bonds were fully outstanding. The bonds are payable annually on May 1 beginning in 2012 through 2039. The bonds carry interest rates that range from 5.823% to 6.173% and are callable at any time at the Make-Whole Redemption Price which equals the greater of the outstanding principal balance or the present value of the scheduled future principal and interest payments, which payments are discounted at the Treasury Rate plus 25 basis points.

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

Terms. The bonds and the related swap agreement mature on May 1, 2038, and the swap's notional amount of $232.5 million matches the amount of the variable rate bonds. The swap was entered in December 2007 with a start date of May 1, 2008. The notional value of the swap and the principal amount of the associated debt decline over time as the bond principal payments are made to the bondholders. Under the swap, the Building Authority pays the counterparty a fixed payment of 3.388% and receives a variable payment computed as 70% of the one-month LIBOR. Conversely, the variable interest rate on the bonds is based on actual weekly remarketing rates which are expected to roughly track the Securities Industry and Financial Markets Association Municipal Swap Index™ ("SIFMA") as successor to the Bond Market Association Municipal Swap Index™ ("BMA").

Fair value. As of June 30, 2010 and 2009 the 2008-1 Swap had a negative fair market value of approximately $25.7 million and $25.0 million, respectively, due to a decrease in interest rates since execution of the swap. Because the Building Authority's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

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

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

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

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

Terms. The bonds and the related swap agreement mature on May 1, 2038, and the swap's notional amount of $26.6 million matches the amount of the variable rate bonds. The swap was entered in December 2007 with a start date of May 1, 2008. The notional value of the swap and the principal amount of the associated debt decline over time as the bond principal payments are made to the bondholders. Under the swap, the Building Authority pays the counterparty a fixed payment of 3.378% and receives a variable payment computed as

70% of the one-month LIBOR. Conversely, the variable interest rate on the bonds is based on actual weekly remarketing rates which are expected to roughly track SIFMA.

Fair value. As of June 30, 2010 and 2009 the 2008-A Swap had a negative fair market value of approximately $3.0 million and $1.9 million, respectively, due to a decrease in interest rates since execution of the swap. Because the Building Authority's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

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

Basis risk. The 2008-A Swap exposes the Building Authority to basis risk should the relationship between LIBOR and SIFMA converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate (3.378%) and the synthetic rate as of June 30, 2010 (3.348%) and June 30, 2009 (3.458%). If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2010, the SIFMA rate was 0.25%, whereas 70% of the one-month LIBOR was 0.24%. As of June 30, 2009, the SIFMA rate was 1.55%, whereas 70% of the one-month LIBOR was 1.74%.

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

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

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

Terms. The bonds and the related swap agreement mature on November 1, 2034, and the swap's notional amount of $243.8 million matches most of the amount of the variable rate bonds. The swap was entered at approximately the same time the bonds were issued (April 2006). The notional value of the swap and the principal amount of the associated debt decline as principal payments are made to the bondholders over time. Under the swap, the Building Authority pays the counterparty a fixed payment of 3.482% and receives a variable payment computed as 60% of the three-month LIBOR plus 0.18%. Conversely, the variable interest rate on the bonds is based on actual weekly remarketing rates which are expected to roughly track SIFMA.

Fair value. As of June 30, 2010 and 2009, the 2006-1 Swap had a negative fair market value of approximately $35.4 million and $25.0 million, respectively. The change in fair value of the swap is due to interest rates changes since execution of the swap. If interest rates increase over time from the date of issuance the swap will have a positive fair value while if rates fall the fair value will be negative. Because the Building Authority's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

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

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

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

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

Because the 2008-1, 2008-A, and 2006-1 Swaps were determined to be effective derivative hedging instruments at June 30, 2010, the fair values have been reported as deferred outflows in the financial statements.

Aggregate future principal payments of the total University of Massachusetts Building Authority debt for the years ended June 30 are: 2011 - $44.6 million, 2012 - $53.4 million, 2013 - $54.4 million, 2014 - $56.0 million, 2015 - $54.9 million, and thereafter, $1,205.0 million. As rates vary, variable-rate bond interest payments and net swap payments will vary. At June 30, 2010 and 2009, the estimated fair value of the University of Massachusetts Building Authority debt is approximately $1,456.5 million and $955.0 million, respectively.

In connection with the Building Authority's bond refunding undertaken in fiscal year 2006 noted above, the Building Authority recorded a difference between the reacquisition price and the net carrying amount of the old debt of approximately $42.6 million. This difference is being reported as a reduction from bonds payable and will be amortized as an increase in amortization expense over the original life of the refunded bonds. The refundings reduced the University's debt service payments in future years by approximately $24.2 million and resulted in an economic gain (the present value of savings) of approximately $15.2 million.

In prior years, the Building Authority refunded all bonds outstanding issued by the Building Authority prior to May 1, 1984. Accordingly, the Building Authority deposited into trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. Assets held in trust accounts had an aggregate market value of approximately $1.7 million and $3.2 million at June 30, 2010 and 2009, respectively. The outstanding amount of the refunded bonds at June 30, 2010 and 2009 total approximately $1.8 million and $3.4 million, respectively.

The Building Authority maintains a Revolving Line of Credit ("the Line") with Bank of America, N.A ("the Bank"). The Line matures on the first anniversary of the date of the agreement and can be extended or renewed at the option of the Bank. At the time of each draw on the Line the Building Authority must elect to have the interest on the draw calculated based on (a) 75% of the one-month, two-month or three-month LIBOR rate ("LIBOR Rate") or (b) 75% of the higher of the Federal Funds Rate plus 0.5% or 75% of the Bank's "prime rate" ("Base Rate"). Interest is due at the end of the one, two or three month period under a LIBOR Rate draw, the first business day of the calendar quarter for Base Rate draws or the Line's maturity date, whichever comes first. Except at the Line's maturity date, the Building Authority can elect to have the interest charges incorporated into a subsequent draw. In November 2008 the Building Authority renewed the Line for an additional 12 months. At the time of the renewal the total Line was increased to $35.0 million from $30.0 million, the percentage of the various LIBOR rates was set at 77% with an additional rate of 0% and a fee was added equal to 0.08% of any unborrowed portion of the Line paid quarterly in arrears. In November 2009 the line was renewed again until January 2011 and decreased back to $30.0 million, the unborrowed fee was increased to 0.25% and the interest rate set at 65% of LIBOR plus 0.85%. In 2010 and 2009 the Building Authority paid $46,900 and $14,800, respectively, related to charges for the Line.

At the time Line was closed the Building Authority entered into a contract with the University that obligates the University to make payments to the Building Authority sufficient to cover the costs of the Line. The Building Authority expects to pay all principal and interest charges related to the Line by issuing long-term bonds at the appropriate time. As of June 30, 2010 and 2009, the Building Authority had $0.4 million and $16.8 million, respectively, outstanding under the Line. The interest terms on the draws made under the Line in fiscal 2010 were one-month LIBOR and the interest rates ranged from 0.187% to 1.078%. The interest terms on the draws made under the Line in fiscal 2009 were one-month LIBOR and the interest rates ranged from 0.024% to 3.306%.

Included in the University's debt are $485.5 million and $493.8 million of variable rate demand bonds (VRDB) through the Building Authority as of June 30, 2010 and 2009, respectively. The Series 2008-1, Series 2008-A, Series 2008-3 and Series 2008-4 bondholders have the option to put the bonds back to the Building Authority. Such bonds would be subject to the remarketing efforts by the Building Authority's remarketing agents. To the extent that such remarketing efforts were unsuccessful the bonds would be purchased by the various liquidity providers under the terms of the liquidity agreements. The bonds have been classified in the accompanying statements of net assets in accordance with the repayment provisions of those agreements. The scheduled repayment of the principal of these bonds would be as follows: $47.7 million in 2011, $97.1 million in 2012, 2013, 2014 and FY 2015, and $49.4 million 2016. The amounts reflected in the accompanying statement of net assets represent the difference in the current portion due bondholders under the bond documents and the amount outlined above.

Massachusetts Health and Educational Facilities Authority

University of Massachusetts Series C

In June 2002, the University issued $35.0 million of Massachusetts Health and Educational Facilities Authority ("MHEFA") Revenue Bonds, University of Massachusetts Issue, Series C (the "Series C Bonds"). The proceeds from this issuance were used to fund a portion of the costs associated with the construction of a new student center at the Boston campus which opened in April 2004. The Commonwealth's Division of Capital Asset Management and Maintenance ("DCAMM") managed the project and the

Commonwealth has provided additional funds for the project. The Series C Bonds mature October 1, 2034 and the remaining outstanding debt bears interest at fixed interest rates ranging from 4.0% to 5.125%. The Series C Bonds were issued at a net discount of approximately $488,000. Debt covenants include the maintenance of a debt service fund as outlined in the related debt agreement. The University is required to make deposits in this debt service fund on or before the twenty-fifth day of each March and September. Principal payments are made annually and are due on October 1. The Series C Bonds are redeemable prior to maturity beginning on October 1, 2012, at the option of MHEFA and the University, at 100% of face value, plus accrued interest. The outstanding principal balance on the Series C Bonds is $31.3 million and $32.0 million at June 30, 2010 and 2009, respectively.

University of Massachusetts Series B

In June 2001, the University issued $12.0 million of MHEFA Revenue Bonds, University of Massachusetts Issue, Series B (the "Series B Bonds"). The proceeds from this issuance were used to fund a portion of the costs associated with the construction of a new student center at the Lowell campus which was opened in September 2002. The Commonwealth's DCAMM managed the project and the Commonwealth provided additional funds for the project. The Series B Bonds mature on October 1, 2031 and the remaining outstanding debt bears interest at fixed interest rates ranging from 4.35% to 5.125%. The Series B Bonds were issued at a net discount of approximately $127,000. Debt covenants include the maintenance of a debt service fund as outlined in the related debt agreement. The University is required to make deposits in this debt service fund on or before the twenty-fifth day of each March and September. Principal payments are made annually and are due on October 1. The Series B Bonds are redeemable prior to maturity beginning on October 1, 2011, at the option of MHEFA and the University, at 100% of face value, plus accrued interest. At June 30, 2010 and 2009, the outstanding principal balance on the Series B Bonds is $0.5 million and $0.8 million, respectively.

University of Massachusetts Series D

In January 2007, the University issued $10.4 million of MHEFA Revenue Bonds, University of Massachusetts Issue Series D. The proceeds from this issuance were used to refund a portion of the Series B Bonds. The Series D Bonds mature on October 1, 2031, and the remaining outstanding series bear interest at fixed interest rates ranging from 3.5% to 4.25%. The Series D Bonds were issued at a discount of approximately $203,000. Debt covenants include the maintenance of a debt service fund outlined in the related debt agreement. The University is required to make deposits in the debt service fund on or before the twenty-fifth day of each March and September. Principal payments are made annually and are due on October 1. The refunding of the bonds resulted in a difference between the reacquisition price and net carrying amount of the old debt of approximately $0.8 million. This difference is reported in the accompanying financials statements as an increase to bonds payable. As a result of this partial refunding, the University will reduce its aggregate debt service payments by approximately $0.8 million and achieve an economic gain, (the difference between the present value of the old and new debt service payments), of $0.5 million. At June 30, 2010 and 2009, the outstanding principal balance on the Series D Bonds is $10.2 million, respectively.

University of Massachusetts Series A

In March 2000, the University issued $40.0 million of MHEFA Variable Rate Demand Revenue Bonds, University of Massachusetts Issue, Series A (the "Series A Bonds") to create a pool of funds from which the University finances and refinances the acquisition of telecommunications, electronic, computer, office, research, equipment and administrative systems and related renovation costs at the various University campuses on a revolving basis throughout the term of the Series A Bonds. On March 27, 2009 (the "Mandatory Purchase Date"), the Series A Bonds were subject to mandatory tender for purchase due to the expiration of the liquidity facility supporting the Series A Bonds and the conversion of the Series A Bonds from a weekly rate period to a long-term rate period. Only $20.0 million of the Series A Bonds was remarketed on the Mandatory Purchase Date (the "Remarketed Series A Bonds" and together with the Series A Bonds the "Bonds"). The initial long-term rate of 0.85% ended on March 31, 2010. The Remarketed Series A Bonds were remarketed again on April 1, 2010 and now bear interest at the long-term rate of 2.20%. The new long-term rate period will end on March 31, 2013 and the Remarketed Series A Bonds will be subject to mandatory tender for purchase on April 1, 2013. The Remarketed Series A Bonds will mature on November 1, 2030 and are subject to mandatory purchase prior to maturity as described above. Interest on the Remarketed Series A Bonds in the new long-term rate period is payable on October 1 and April 1. The Remarketed Series A Bonds are considered a reissuance for federal tax purposes. The Remarketed Series A Bonds are not supported by any insurance policy, liquidity facility or other credit enhancement. The Remarketed Series A Bonds are a general obligation of the University payable from all funds of the University permitted to be applied thereto. The University's unrestricted net assets, previously referred to as the expendable fund balance, secure the obligations of the University with respect to the Remarketed Series A Bonds. The University is required to certify annually that there are sufficient funds in the unrestricted net assets to cover the debt service on the Remarketed Series A Bonds. Average interest rates on the Bonds during fiscal year 2010 and 2009 were approximately 1.19% and 1.93%, respectively. The University is also obligated for certain ongoing administrative costs including remarketing and trustee fees. Debt covenants include the maintenance of a debt service fund as outlined in the related debt agreement. The Remarketed Series A Bonds were issued at par. At June 30, 2010 and 2009, the outstanding principal balance on the Bonds is $20.0 million.

The $20.0 million MHEFA Variable Rate Demand Revenue Bonds, University of Massachusetts Issue, Series A, which are not supported by any insurance policy, liquidity facility or other credit enhancement, will be subject to mandatory tender for purchase on April 1, 2013. The purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, the University will be obligated to purchase the bonds tendered, up to an aggregate principal amount of $20.0 million.

Aggregate principal payments on the Series A Bonds, Series B Bonds, Series C Bonds and Series D Bonds for the years ended June 30 are; 2011 - $1.0 million, 2012 - $1.0 million, 2013 - $1.1 million, 2014 - $1.1 million, 2015 - $1.2 million, thereafter - $56.7 million. At June 30, 2010 and 2009, the estimated fair value of the Series A Bonds, Series B Bonds, Series C Bonds and Series D Bonds is approximately $62.0 million and $62.2 million, respectively.

Worcester City Campus Corporation Series E

In January 2007, WCCC issued $118.8 million of Series E bonds. The Series E Bonds were issued at a premium of $3.9 million. WCCC has deposited $32.4 million of the proceeds to an irrevocable trust fund to provide for partial advanced refunding of the Series B Bonds. A portion of the Series B Bonds totaling $30.8 million and the irrevocable trust has been derecognized by WCCC. WCCC incurred a loss on advanced refunding and defeasance of $2.3 million which will be amortized over the life of the debt. This portion of the bonds bear interest at various fixed rates ranging from 3.5% to 4.5% and mature on October 1, 2031. As of June 30, 2010 and 2009, the aggregate principal payments outstanding on this portion of the Series E Bond was $32.3 million and $32.4 million, respectively. Further, $85.7 million of the Series E Bonds proceeds are being used to finance the construction of the Advanced Center for Clinical Education and Science ("ACCES") at the Worcester Campus. These funds had originally been invested with the Royal Bank of Canada under a repurchase agreement and earned interest at 4.92% under the agreement. The agreement with Royal Bank of Canada expired on December 1, 2008 and the funds were reinvested in MHEFA's Short Term Asset Reserve Fund. Periodically, WCCC requests reimbursement from this fund for qualified costs of construction that consists of building supplies, materials and labor. At June 30, 2010 and 2009, the balance of this construction fund totaled $6.9 million and $31.3 million, respectively including accrued interest earned. These bonds bear interest at various fixed rates ranging from 3.5% to 5.0% and mature October 1, 2036. As of June 30, 2010 and 2009, the aggregate principal payments outstanding on this portion of the Series E Bond was $81.7 million and $83.2 million, respectively.

Worcester City Campus Corporation Series C refunded by Series F

In January 2007, WCCC issued $101.7 million of Series F bonds. The Series F Bonds were issued at a premium of $2.8 million. WCCC has deposited $68.8 million of the proceeds to an irrevocable trust fund to provide for payment of the WCCC Series C Bonds. The Series C Bonds were issued by WCCC in April 2002 for $70.0 million. The proceeds from this issuance were used to finance the construction of the Jamaica Plains Biolabs. The WCCC Series C Bonds totaling $65.0 million and the irrevocable trust have been derecognized by WCCC. This portion of the bonds bear interest at various fixed rates ranging from 4.0% to 4.5% and mature on October 1, 2031. As of June 30, 2010 and 2009, the aggregate principal payments outstanding on this portion of Series F Bonds was $62.9 million and $64.6 million, respectively. WCCC incurred a loss on the advanced refunding and defeasance of $5.0 million which will be amortized over the life of the debt. Further, $34.6 million of the Series F Bonds proceeds are being used to finance the construction of the Biologics Laboratory Phase II Project at the Mattapan location of the Worcester Campus. These funds have been invested with the Royal Bank of Canada while construction progresses and earn interest at 4.92%. Periodically, WCCC requests reimbursement from this fund for qualified costs of construction that consists of building supplies, materials and labor. At June 30, 2009, the balance of this construction fund totaled $15.7 million including accrued interest earned. During fiscal year 2010, the fund was completely spent and the investment account was closed. These bonds bear interest at various fixed rates ranging from 4.0% to 5.0% and mature October 1, 2036. As of June 30, 2010 and 2009, the aggregate principal payments outstanding on this portion of the Series F Bond was $31.6 million and $32.2 million, respectively.

Worcester City Campus Corporation Series B

In June 2001, the University of Massachusetts Foundation, Inc. ("the Foundation") transferred ownership of its medical research development facility known as Two Biotech Park to WCCC. In exchange for the building, WCCC assumed from the Foundation the remaining debt of $17.8 million, net (the "Foundation Bonds"), and received the proceeds of the related debt service funds. Concurrent with the transfer, WCCC issued $52.0 million of MHEFA Revenue Bonds, WCCC Issue (University of Massachusetts Project), Series B (the "WCCC B Bonds"). WCCC deposited approximately $19.1 million ($17.0 million from the proceeds of the WCCC Series B Bonds and $2.1 million from debt service reserves) in an irrevocable trust fund to provide for the payment of interest and principal on the Foundation Bonds. The Foundation Bonds and the funds held in the irrevocable trust fund were derecognized by WCCC. The remaining $35.0 million of the WCCC B Bonds are being used to finance the construction of a parking garage and the acquisition and installation of equipment at the Worcester campus. The remaining portion of the Series B Bonds bear interest at various fixed rates ranging from 4.0% to 5.25% and mature on October 1, 2023. Debt covenants include the maintenance of a debt service fund as outlined in the debt agreement. The bonds were issued at a net discount of approximately $0.4 million. The Series B Bonds are redeemable prior to maturity beginning on October 1, 2011, at the option of MHEFA and WCCC, at par plus accrued interest. The outstanding balance at June 30, 2010 and 2009 is $13.7 million and $14.8 million, respectively.

Worcester City Campus Corporation Series D

In April 2005, WCCC issued $99.3 million of MHEFA Revenue Bonds (the "WCCC D Bonds"). WCCC has deposited the proceeds to an irrevocable trust fund to provide for payment of the MHEFA Revenue Bonds, WCCC Issue (University of Massachusetts Project) Series A (the "WCCC A Bonds" or the "refunded bonds"). The WCCC D bonds bear interest at various fixed rates ranging from 3.00% to 5.25% per year and mature October 1, 2029. The WCCC D Bonds were issued at a premium of $4.1 million. The WCCC D Bonds represent a transfer obligation of the University whereby, subject to the terms of the financing agreement, the University will be notified upon WCCC's failure to make any payments required by the trust agreement and the University will promptly transfer any amounts unpaid and due by WCCC under such agreement. Assets held in the refunding trust fund had an aggregate market value of approximately $94.8 million and $94.7 million at June 30, 2010 and 2009, respectively. The outstanding amount of the refunded bonds totaled approximately $84.7 million and $87.0 million at June 30, 2010 and 2009, respectively. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $8.9 million. This difference, reported in the accompanying financial statements as a reduction in bonds payable, is being charged to operations over the life of new bonds using the straight-line method. As a result of the defeasance, WCCC will reduce its aggregate debt service payments by approximately $4.0 million and achieve an economic gain, (the difference between the present value of the old and new debt service payments), of $3.9 million. The outstanding principal balance on the WCCC Series D Bonds at June 30, 2010 and 2009 is $90.6 million and $93.2 million, respectively.

Aggregate principal payments on the WCCC Series B Bonds, WCCC Series D Bonds, WCCC Series E Bonds and WCCC Series F Bonds for the years ended June 30 are; 2011 - $8.0 million, 2012 - $8.4 million, 2013 - $8.7 million, 2014 - $9.1 million, 2015- $9.5 million, thereafter $269.1 million. At June 30, 2010 and 2009, the fair value of the WCCC B Bonds, WCCC D Bonds, WCCC E Bonds and WCCC F Bonds was approximately $321.5 million and $306.0 million, respectively.

Pledged Revenues

WCCC is obligated under the terms of indebtedness to make debt service payments from revenues received from certain facility leases. Total applicable pledged revenues were $6.6 million for fiscal years 2010 and 2009, respectively.

Pursuant to the projects administered by the University of Massachusetts Building Authority, the Authority sets fees, rents, rates and other charges for the use of the projects in an amount for each fiscal year that produces revenues in excess of the amounts needed in such fiscal year for debt service on the related bonds, required contributions to the related Section 10 Reserve Fund, expenses for the Bond trustee and any escrow agent. Such excess revenues are held by the University for the account of and on behalf of the Authority. Total applicable pledged revenues were $64.0 million for 2010 and $58.7 million for 2009.

9. LEASES

The University leases certain equipment and facilities under operating leases with terms exceeding one year, which are cancelable at the University's option with 30 days notice. The rent expense related to these operating leases amounted to approximately $15.8 million and $18.0 million for the years ended June 30, 2010 and 2009, respectively. The University also leases space to third party tenants. During 2010 and 2009, the amount reported as rental income was $7.1 million and $7.0 million, respectively. The master leases primarily consist of telecommunications, software, and co-generation systems.

The following are a schedule of future minimum payments under capital and non-cancelable operating leases and a schedule of principal and interest payments on capital lease obligations for the next five years and in subsequent five-year periods for the University as of June 30, 2010 (in thousands):

	University Capital Leases			
Year	Master Leases	Other Leases	TOTAL	Operating Leases
2011	$6,512	$210	$6,722	$13,130
2012	5,748	97	5,845	11,630
2013	5,748	84	5,832	10,812
2014	4,372	67	4,439	10,296
2015	2,186	33	2,219	9,299
2016-2020	-	-	-	20,741
Total Payments	24,566	491	25,057	$75,908
Less: Amount representing interest	(1,878)	(40)	(1,918)	
Present Value of Minimum Lease Payments	$22,688	$451	$23,139	

June 30, 2010	University Capital Leases	
Year	Principal	Interest
2011	$5,962	$760
2012	5,288	557
2013	5,461	371
2014	4,248	191
2015	2,180	39
Total Payments	$23,139	$1,918

10. CAPITAL LEASES AND OTHER LONG-TERM LIABILITIES

During the year ended June 30, 2010 the following changes occurred in long-term liabilities as recorded in the statement of net assets (in thousands):

	Beginning Balance	Additions/ Adjustments*	Reductions/ Adjustments*	Ending Balance
University:				
Capital lease obligations	$22,870	$297	($5,990)	$17,177
Compensated absences	23,593	2,250	-	25,843
Workers' compensation	10,416	272	-	10,688
Deferred revenues and credits	23,668	12,604	(12,705)	23,567
Advances and deposits	26,782	124	(399)	26,507
Other Liabilities	3,301	-	(2,194)	1,107
University Related Organization:				
Other Liabilities	$3,025	$21	-	$3,046

* *Adjustments include changes in estimates*

During the year ended June 30, 2009 the following changes occurred in long-term liabilities as recorded in the statement of net assets (in thousands):

	Beginning Balance	Additions/ Adjustments*	Reductions/ Adjustments*	Ending Balance
University:				
Capital lease obligations	$34,177	$77	($11,384)	$22,870
Compensated absences	21,707	1,886	-	23,593
Workers' compensation	11,274	-	(858)	10,416
Deferred revenues and credits	13,556	19,311	(9,199)	23,668
Advances and deposits	27,383	6	(607)	26,782
Other Liabilities	418	3,016	(133)	3,301
University Related Organization:				
Other Liabilities	$3,636	-	($611)	$3,025

* *Adjustments include changes in estimates*

11. FRINGE BENEFITS

Expenditures for the years ended June 30, 2010 and 2009 include $215.1 million and $202.7 million, respectively, for the employer portion of fringe benefit costs (pension expense, health insurance for active employees and retirees, and unemployment) that was paid directly by the Commonwealth of Massachusetts. Of this amount, $92.0 million for 2010 and $82.4 million for 2009 was reimbursed to the Commonwealth and $123.1 million and $120.2 million respectively is included in revenue as state appropriations.

The University has recorded a liability for future expected costs of its workers' compensation claims of approximately $13.9 million as of June 30, 2010 and $14.1 million as of June 30, 2009. Estimated future payments related to such costs have been discounted at a rate of 6%.

12. MEDICAL SCHOOL LEARNING CONTRACTS

The University's Medical School enters into learning contracts with certain medical students. These contracts give students the option of deferring a portion of their tuition until after residency training, and canceling all or a portion of their tuition if they practice medicine in the Commonwealth for one year, or for students matriculating after 1990, two or four (depending on conditions) full years in primary care. The University does not record as revenue the portion of tuition deferred under these learning contracts until actual cash repayments are received. The cumulative amount granted under such learning contracts plus accrued interest totaled $59.2 million and $56.8 million at June 30, 2010 and 2009, respectively. Cumulative repayments totaled approximately $40.6 million and $38.4 million as of June 30, 2010 and 2009, respectively.

13. RETIREMENT PLANS

The Commonwealth of Massachusetts is statutorily responsible for the pension benefit of University employees who participate in the State Employees' Retirement System ("SERS"). SERS, a single employer defined benefit public employee retirement system, is administered by the Commonwealth and covers substantially all non-student employees. The University makes contributions on behalf of the employees through a fringe benefit charge assessed by the Commonwealth. Such pension expense amounted to approximately $38.9 million and $46.2 million for the years ended June 30, 2010 and 2009, respectively. The annuity portion of the SERS is funded by employees, who contribute a percentage of their regular compensation. Annual covered payroll approximated 75.4% and 76.6% for the years ended June 30, 2010 and 2009, respectively of annual total payroll for the University. Non-vested faculty and certain other employees of the University can opt out of SERS and participate in a defined contribution plan, the Massachusetts Optional Retirement Plan ("ORP"). At June 30, 2010 and 2009, there were approximately 1,787 and 1,907 University employees, respectively participating in ORP. The Commonwealth matches 5% of ORP contributions. SERS issues stand-alone financial statements that can be obtained from the Commonwealth.

The University of Massachusetts Foundation, Inc. had a defined contribution plan (the "Plan") for eligible employees through the Teachers Insurance and Annuity Association ("TIAA") and College Retirement Equity Fund ("CREF") retirement programs. The Plan was designed, and contributions were made, in accordance with the provisions of 403(b) of the Internal Revenue Code. Effective June 1, 2009, the University of Massachusetts Foundation, Inc. employees became employees of the University of Massachusetts. Therefore, the TIAA-CREF defined contribution plan was terminated and contributions ceased. Eligibility began immediately under the terminated plan and the Foundation contribution, based upon a percentage of salaries, was approximately $0 and $38,000 for the years ended June 30, 2010 and 2009, respectively. The Foundation has no liability for benefits paid under the Plan.

14. CONCENTRATION OF CREDIT RISK

The financial instrument that potentially subjects the University to concentrations of credit risk is the receivable from UMass Memorial which is uncollateralized. The receivable from UMass Memorial represents 5.3% and 6.2% of total accounts receivable for the University at June 30, 2010 and 2009, respectively. The University also has receivables from two organizations comprising approximately 7.5% and 7.1% of the total outstanding receivables at June 30, 2010. The University also had receivables from two organizations comprising approximately 8.3% and 5.8% of the total outstanding receivables at June 30, 2009.

15. COMMITMENTS AND CONTINGENCIES

The Building Authority, University, and WCCC have outstanding purchase commitments under construction contracts and real estate agreements in amounts aggregating approximately $336.4 million and $388.3 million at June 30, 2010 and 2009, respectively. In connection with the investments in certain limited partnership agreements, the Foundation has an additional $6.9 million and $3.4 million in committed calls as of June 30,2010 and 2009, respectively, which are scheduled to be funded over a number of years.

The University is a defendant in various lawsuits and is subject to various contractual matters; however, University management is of the opinion that the ultimate outcome of all litigation or potential contractual obligations will not have a material effect on the financial position, financial results or cash flows of the University.

From time to time the University and/or its affiliated organizations are subject to audits of programs that are funded through either federal and/or state agencies. The Medical School has become aware that the Office of the Inspector General for the U.S. Department of Health and Human Services is performing an audit of Medicaid Supplemental Revenues ("MSR") received by UMMMC.

The eventual outcome of this audit is currently unknown. However, depending on the eventual outcome, UMMMC may be required to repay any MSR received deemed to be disallowed as a result of the audit. Dependent on the outcome, UMMS, consistent with the Agreement for Medical Educational Services, made part of the Definitive Agreement between the Medical School and UMass Memorial Medical Center, and its subsequent amendments and the indemnification provisions in these Agreements, may be required to indemnify UMMMC. Although the eventual outcome of this audit is currently unknown, and management believes that as of the date of the financial statements it is not probable that a liability exists, management concludes it is reasonably possible that amounts could be repaid and that those amounts may be material to the Statement of Revenues, Expense and Changes in Net Assets and the Statement of Cash Flow in a future period.

16. SEGMENT INFORMATION

A segment is an identifiable activity reported as a stand-alone entity for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds and has related expenses, gains and losses, assets, and liabilities that are required by an external party to be accounted for separately. The University has two segments that meet the reporting requirements under GASB 35.

The Worcester City Campus Corporation is organized to receive, take title to, hold, manage, develop, improve, demolish, renovate, lease for terms up to 99 years, or otherwise transfer, convey, or deal with any real or personal property conveyed to it including, without limitation, real and personal property utilized at or in connection with the operations of the University. The consolidated financial statements of Worcester City Campus Corporation include the accounts of its subsidiaries, Worcester Foundation for Biomedical Research, Inc. ("WFBR") and Public Sector Partners, Inc ("PSP"). WFBR is organized and operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code to solicit, receive, administer and make gifts and donations to the University of Massachusetts Medical School to support research activities, and to carry on any other activity that may be lawfully carried on by a corporation formed under Chapter 180 of Massachusetts General Laws and which is not inconsistent with the Corporation's qualification as an organization described in Section 501(c)(3) of the Internal Revenue Code. PSP is a Section 501(c)(3) not-for-profit health care consulting organization corporation located in Worcester, Massachusetts providing support and management services to various entities in the health care and insurance industries. PSP has a wholly owned subsidiary, MedMetrics Health Partners, Inc. MedMetrics Health Partners was created by and is an affiliate of PSP. Medmetrics is a Section 501(c)(4) not for profit pharmacy (PBM). WCCC outstanding revenue bonds were issued pursuant to specific bond indentures which provide that the revenue bonds are to be paid by certain revenues that are pledged to pay debt service.

The following summary financial information for WCCC is presented before elimination of certain intra-University transactions:

Statement of Net Assets at June 30:

	2010	2009
Assets		
Current Assets	$69,453	$50,982
Noncurrent Assets	434,694	425,608
Total Assets	$504,147	$476,590
Liabilities		
Current Liabilities	$57,340	$52,757
Noncurrent Liabilities	300,175	308,261
Total Liabilities	$357,515	$361,018
Net Assets	$146,632	$115,572

Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30:

	2010	2009
Operating Revenues	$278,631	$261,470
Operating Expenses	263,411	249,979
Operating Income	$15,220	$11,491
Increase in Net Assets	$31,060	$1,621
Beginning Net Assets	115,572	113,951
Ending Net Assets	$146,632	$115,572

Statement of Cash Flows for the year ended June 30:

	2010	2009
Net Cash Provided by Operating Activities	$29,379	$27,004
Net Cash Provided by/(Used in) Noncapital Financing Activities	(2,192)	140
Net Cash Used in Financing Activities	(58,790)	(65,303)
Net Decrease in Cash and Cash Equivalents	(31,603)	(38,159)
Beginning Cash and Cash Equivalents	57,321	95,480
Ending Cash and Cash Equivalents	$25,718	$57,321

The University of Massachusetts Building Authority is empowered to acquire, construct, remove, demolish, add to, alter, enlarge, reconstruct and do other work upon any building or structure and to provide and install furnishings, furniture, machinery, equipment, approaches, driveways, walkways, parking areas, planting, landscaping and other facilities therein. The Building Authority's Enabling Act authorizes it to acquire property from the Commonwealth or others (but the Building Authority has no eminent domain power), to rent or lease as lessor or lessee any portion of a project, to operate projects, to employ experts and other persons and to enter into contracts. In addition, the Enabling Act authorizes the Building Authority to borrow money to finance and refinance projects it undertakes, and to issue and sell its revenue bonds and notes therefore which are payable solely from its revenues.

The following summary financial information for the Building Authority is presented before elimination of certain intra-University transactions:

Statement of Net Assets at June 30:

	2010	2009
Assets		
Current Assets	$29,169	$20,619
Noncurrent Assets	1,857,282	1,223,947
Total Assets	$1,886,451	$1,244,566
Liabilities		
Current Liabilities	$198,357	$123,923
Noncurrent Liabilities	1,355,539	860,422
Total Liabilities	$1,553,896	$984,345
Net Assets	$332,555	$260,221

Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30:

	2010	2009
Operating Revenues	$106,941	$89,100
Operating Expenses	41,912	33,711
Operating Income	$65,029	$55,389
Increase in Net Assets	$72,334	$43,025
Beginning Net Assets	260,221	217,196
Ending Net Assets	$332,555	$260,221

Statement of Cash Flows for the year ended June 30:

	2010	2009
Net Cash Provided by Operating Activities	$95,170	$81,884
Net Cash Provided by Noncapital Financing Activities	-	7,517
Net Cash Provided by/(Used in) Investing Activities	(337,739)	163,306
Net Cash Provided by/(Used in) Capital and Related Financing Activities	279,405	(202,575)
Net Increase in Cash and Cash Equivalents	36,836	50,132
Beginning Cash and Cash Equivalents	324,445	274,313
Ending Cash and Cash Equivalents	$361,281	$324,445

17. SUBSEQUENT EVENT

As part of the fiscal year 2010 budget process, the University received a budget from the Commonwealth that was $95.1 million less than the previous year. In order to address this significant decrease in funding, Governor Deval Patrick awarded $150.6 million in Education Stabilization Funds ("ESF") to the University. These funds originated from the passage of the American Recovery and Reinvestment Act ("ARRA") of 2009. In fiscal year 2011, the University's prior year budget cut was partially restored with an increase of $44.5 million. Additionally, the state awarded $37.8 million in State Fiscal Stabilization funds ("SFSF") to the University. Fringe benefits for payroll at the rate of 33.12% will be funded by the University when charged to these funds. In addition, the University is the recipient of several ARRA funded grants and contracts that were competitively awarded by various federal departments.

On November 16, 2010, the Foundation completed the acquisition of the building and land at 333 Faunce Corner Road, Dartmouth, MA, from the Board of Trustees of Southern New England School of Law. This acquisition marks the culmination of the gift of the assets of Southern New England School of Law to the University of Massachusetts Foundation, Inc. and the University of Massachusetts Dartmouth. This transaction was approved by the University's Board of Trustees on December 10, 2009 and the Commonwealth of Massachusetts Board of Higher Education on February 2, 2010. On July 1, 2010, the University of Massachusetts Dartmouth began operation of the law school, now known as UMass Law School at Dartmouth. The Foundation and the University of Massachusetts Dartmouth will enter into a long-term lease that will outline their obligation to each other.

On November 18, 2010, the Building Authority issued $552.3 million in bonds to fund a number of new construction and renovation projects across most of the University's campuses. The bond issue consists of tax-exempt, taxable Build America Bonds and taxable bonds. The interest rates on the tax-exempt bonds is between 2.5% and 5%, between 3.8% and 5.45% for the Build America Bonds and 5.75% for the taxable bonds. The tax-exempt bonds will mature in 2020 while the Build America Bonds and the taxable bonds will mature in November 2040. The debt service payments related to these bonds are detailed below.

Year Ending June 30,	Principal	Interest	Total
2011		$ 12,621	$ 12,621
2012	$ 4,750	27,815	32,565
2013	6,365	27,595	33,960
2014	11,350	27,152	38,502
2015	11,915	26,570	38,485
2016-2020	69,155	123,050	192,205
2021-2025	85,700	105,035	190,735
2026-2030	91,705	85,095	176,800
2031-2035	110,490	59,409	169,899
2036-2040	131,790	26,372	158,162
2041	29,090	793	29,883
	$552,310	$521,507	$1,073,817

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Report of Independent Auditors on Accompanying Information

To the Board of Trustees of the
University of Massachusetts

The report on our audits of the basic financial statements of the University of Massachusetts as of June 30, 2010 and 2009 and for the years then ended, which references the work of other auditors, appears on page 1 of this document. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information listed in the accompanying index is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

December 16, 2010

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

Combining Statement of Net Assets for University Related Organizations as of June 30, 2010 and 2009
(in thousands of dollars)

Supplemental Schedule I

ASSETS	Total June 30, 2010	Eliminations and Adjustments June 30, 2010	The University of Massachusetts Foundation, Inc. June 30, 2010	University of Massachusetts Dartmouth Foundation, Inc. June 30, 2010	Total June 30, 2009	Eliminations and Adjustments June 30, 2009	The University of Massachusetts Foundation, Inc. June 30, 2009	University of Massachusetts Dartmouth Foundation, Inc. June 30, 2009
Current Assets								
Accounts, Grants and Loans Receivable					$22		$22	
Pledges Receivable	$3,758	($10,813)	$12,748	$1,823	8,237	($3,874)	9,043	$3,068
Due From Related Organizations	739	739			806	806		
Other Assets	65			65	16			16
Total Current Assets	**4,562**	**(10,074)**	**12,748**	**1,888**	**9,081**	**(3,068)**	**9,065**	**3,084**
Noncurrent Assets								
Cash and Cash Equivalents	3,611		43	3,568	3,402		267	3,135
Pledges Receivable	6,121	(9,863)	14,372	1,612	3,498	(20,843)	23,292	1,049
Investments	297,055	(442,968)	707,752	32,271	250,769	(410,317)	632,717	28,369
Other Assets	1,270		1,217	53	51			51
Investment In Plant Net of Accumulated Depreciation	1,699		1,699		950		950	
Total Noncurrent Assets	**309,756**	**(452,831)**	**725,083**	**37,504**	**258,670**	**(431,160)**	**657,226**	**32,604**
Total Assets	**$314,318**	**($462,905)**	**$737,831**	**$39,392**	**$267,751**	**($434,228)**	**$666,291**	**$35,688**
LIABILITIES								
Current Liabilities								
Accounts Payable	$106	($406)	$487	$25	$177	($1,364)	$1,513	$28
Due To Related Organizations	625	(1,819)		2,444	1,535	(551)		2,086
Notes Payable	2		2					
Assets Held on Behalf of the University		(411,541)	411,541			(381,163)	381,163	
Assets Held on Behalf of Others	9,990		9,990					
Deferred Revenues and Credits	5,340		5,340		6,243		6,243	
Total Current Liabilities	**16,063**	**(413,766)**	**427,360**	**2,469**	**7,955**	**(383,078)**	**388,919**	**2,114**
Noncurrent Liabilities								
Notes Payable	618		618					
Other Liabilities	3,046	165	2,881		3,025	69	2,956	
Total Noncurrent Liabilities	**3,664**	**165**	**3,499**		**3,025**	**69**	**2,956**	
Total Liabilities	**$19,727**	**($413,601)**	**$430,859**	**$2,469**	**$10,980**	**($383,009)**	**$391,875**	**$2,114**
Net Assets:								
Invested in Capital Assets Net of Related Debt	$1,699	$1,699			$950	$950		
Restricted								
Nonexpendable	240,595	(49,304)	$255,957	$33,942	225,549	(51,219)	$245,121	$31,647
Expendable	48,127		45,468	2,659	41,033		38,102	2,931
Unrestricted	4,170	(1,699)	5,547	322	(10,761)	(950)	(8,807)	(1,004)
Total Net Assets	**$294,591**	**($49,304)**	**$306,972**	**$36,923**	**$256,771**	**($51,219)**	**$274,416**	**$33,574**

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

Supplemental Schedule II

	Total June 30, 2010	Eliminations and Adjustments June 30, 2010	The University of Massachusetts Foundation, Inc. June 30, 2010	University of Massachusetts Dartmouth Foundation, Inc. June 30, 2010	Total June 30, 2009	Eliminations and Adjustments June 30, 2009	The University of Massachusetts Foundation, Inc. June 30, 2009	University of Massachusetts Dartmouth Foundation, Inc. June 30, 2009
EXPENSES								
Operating Expenses								
Educational and General								
Public Service	$10,388	($1,559)	$10,703	$1,244	$13,443	($378)	$11,615	$2,206
Depreciation	28		28		20		20	
Scholarships and Fellowships	782	(391)	649	524	544	(927)	1,122	349
Total Operating Expenses	**11,198**	**(1,950)**	**11,380**	**1,768**	**14,007**	**(1,305)**	**12,757**	**2,555**
Operating Income/(Loss)	**(11,198)**	**1,950**	**(11,380)**	**(1,768)**	**(14,007)**	**1,305**	**(12,757)**	**(2,555)**
NONOPERATING REVENUES/(EXPENSES)								
Gifts	10,498	(586)	9,617	1,467	15,929	(5,786)	18,146	3,569
Investment Income	19,676	(41,568)	59,889	1,355	(50,324)	25,769	(73,790)	(2,303)
Endowment Income	974	(5,402)	6,376		2,774	(10,918)	13,692	
Net Nonoperating Revenues	**31,148**	**(47,556)**	**75,882**	**2,822**	**(31,621)**	**9,065**	**(41,952)**	**1,266**
Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses	**19,950**	**(45,606)**	**64,502**	**1,054**	**(45,628)**	**10,370**	**(54,709)**	**(1,289)**
Additions to Permanent Endowments	13,003	3,292	7,416	2,295	12,892	2,811	8,382	1,699
Less: Amounts Earned/Received on Behalf of the University		23,033	(23,033)			(18,256)	18,256	
Less: Amounts Earned/Received on Behalf of Others	10		10					
Distribution to University		16,871	(16,871)			19,064	(19,064)	
Disposal of Plant Facilities					(16)		(16)	
Other Additions/Deductions	4,857	4,325	532		(8,407)	(12,126)	3,719	
Total Other Revenues, Expenses, Gains, and Losses	**17,870**	**47,521**	**(31,946)**	**2,295**	**4,469**	**(8,507)**	**11,277**	**1,699**
Total Increase/(Decrease) in Net Assets	**37,820**	**1,915**	**32,556**	**3,349**	**(41,159)**	**1,863**	**(43,432)**	**410**
NET ASSETS								
Net Assets at Beginning of Year	256,771	(51,219)	274,416	33,574	297,930	(53,082)	317,848	33,164
Net Assets at End of Year	**$294,591**	**($49,304)**	**$306,972**	**$36,923**	**$256,771**	**($51,219)**	**$274,416**	**$33,574**

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APPENDIX D

DEFINITIONS OF CERTAIN TERMS

In addition to terms defined elsewhere herein, the following terms have the following meanings in the Summary of the Loan and Trust Agreements and the Summary of the Financing Agreement unless the context otherwise requires:

"Act" means Massachusetts General Laws Chapter 23G, as amended.

"Affiliate" means any entity in which the University or the Institution has a direct or indirect interest, financial or otherwise, or any entity established for the benefit of the University or the Institution.

"Authority" means the Massachusetts Health and Educational Facilities Authority.

"Authorized Officer" means: (i) in the case of the Issuer, any of the President and Chief Executive Officer; Executive Vice President and Chief Operating Officer; Treasurer and Executive Vice President of Finance & Administration and Chief Financial Officer; Secretary and General Counsel; Executive Vice President for Legislative Affairs; Executive Vice President for Finance Programs; Executive Vice President for Real Estate; Executive Vice President for Devens Operations and Defense Sector Initiatives; Executive Vice President for Marketing and Communications; Senior Vice President, Investment Banking; or any other official of the Issuer so designated by a resolution of the Issuer; and (ii) in the case of the University or the Institution, the Chairman or other presiding officer of the Board of Trustees, the President, Director or other chief executive or administrative officer, any Vice President or Vice Chairman, the Treasurer or other chief financial officer or any Associate Treasurer, and when used with reference to an act or document of the University or the Institution, also means any other person authorized to perform the act or execute the document and (iii) in the case of the Trustee, any Vice President, Assistant Vice President or Corporate Trust Officer, and when used with reference to an act or document of the Trustee, also means any other person authorized to perform the act or execute the document.

"Available Revenues" means the sum of the University's unrestricted operating, non-operating and other revenues excluding revenues derived from federal, state, local and nongovernmental grants and contracts but including, in any event, state appropriations, all as included in the operating, activities or other equivalent statement of operations included in the University's financial statements in accordance with generally accepted accounting principles as promulgated by GASB.

"Bond Counsel" means Greenberg Traurig, LLP, or any attorney at law or firm of attorneys selected by the Issuer, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions and duly admitted to practice law before the highest court of any state of the United States.

"Bondowners" or "Owners" means the registered owners of the Bonds from time to time as shown in the books kept by the Paying Agent as bond registrar and transfer agent.

"Bonds" means the University Bonds and the WCCC Bonds, any additional bonds issued under the Loan and Trust Agreements and any bonds issued in exchange or replacement therefor and, where appropriate with respect to redemption and required purchase, portions thereof in authorized denominations.

"Bond Year" means each one year period (or shorter period from the date on which the Bonds are issued) ending on June 30, which date has been chosen by the Issuer at the direction of the University or the Institution, as applicable.

"Book-Entry-Only System" means the system of registration of the Bonds described in the Loan and Trust Agreements.

"Business Day" means a day on which banks in each of the cities in which the principal offices of the Trustee and the Paying Agent are located are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement between the University and People's United Bank, as Trustee, or the University, the Institution and People's United Bank, as Trustee, respectively, dated the date of issuance and delivery of the Bonds, as originally executed and as may be amended from time to time in accordance with the terms thereof.

"Debt Service and Related Costs" means, with respect to a particular period, the principal, redemption premium, if any, purchase price, if any, and interest due on such General Obligation Indebtedness during such period, all fees and expenses payable in or with respect to such period to the issuer of, or to any trustee for, such General Obligation Indebtedness and any other costs that are due during such period pursuant to the indenture, resolution or other documents entered into in connection with the issuance of such Indebtedness; provided that such term shall not include any amount that is otherwise provided for. Where the actual amount is unknown, the University shall use its best efforts to estimate the amount that will be due for such period.

"Debt Service Fund" means the fund so named established pursuant to the respective Loan and Trust Agreements.

"DTC" means The Depository Trust Company, a limited purpose trust company, New York, New York.

"Event of Default" shall have the meaning ascribed thereto in the respective Loan and Trust Agreements and the Financing Agreement.

“Expendable Fund Balance” means the accumulation of excess unrestricted revenues over expenditures with respect to the University for all prior years and for each current year from the unrestricted current fund, the quasi endowment fund, the unexpended unrestricted plant fund and the unrestricted renewal and replacement plant fund.

“Expense Fund” means the fund so named established pursuant to the respective Loan and Trust Agreements.

“Financing Agreement” means the Financing Agreement dated as of October 1, 2011 between the Issuer and the University.

“General Obligation Indebtedness” means the Bonds, the Massachusetts Health Educational Facilities Authority (the “Authority”) Variable Rate Demand Revenue Bonds, University of Massachusetts Issue, Series A, the Authority’s Revenue Bonds, University of Massachusetts Issue, Series B, the Authority’s Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series B, the Authority’s Revenue Bonds, University of Massachusetts Issue, Series D, the Authority’s Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series D, the Authority’s Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series E (2007), UMBA’s Facilities Revenue Bonds, Senior Series 2003-1, UMBA’s Project and Refunding Revenue Bonds, Senior Series 2004-1, UMBA’s Refunding Revenue Bonds, Senior Series 2005-1 (Delayed Delivery), UMBA’s Refunding Revenue Bonds, Senior Series 2005-2, UMBA’s Taxable Refunding Revenue Bonds, Senior Series 2006-2, UMBA’s Project Revenue Bonds, Senior Series 2008-1, UMBA’s Facilities Revenue Bonds, Senior Series 2008-A, UMBA’s Project Revenue Bonds, Senior Series 2008-2, UMBA’s Project Revenue Bonds, Senior Series 2009-1, UMBA’s Project Revenue Bonds, Senior Series 2009-2 (Federally Taxable Build America Bonds), UMBA’s Project Revenue Bonds, Senior Series 2009-3 (Federally Taxable), UMBA’s Project Revenue Bonds, Senior Series 2010-1, UMBA’s Project Revenue Bonds, Senior Series 2010-2 (Federally Taxable Build America Bonds), UMBA’s Project Revenue Bonds, Senior Series 2010-3 (Federally Taxable), UMBA’s Refunding Revenue Bonds, Senior Series 2011-1, UMBA’s Refunding Revenue Bonds, Senior Series 2011-2 and any additional Indebtedness issued by the University, UMBA or the Issuer and as described in the applicable Loan and Trust Agreement.

“Government or Equivalent Obligations” means (i) cash, (ii) direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guaranty the full faith and credit of the United States of America have been pledged, (iii) Refcorp interest strips, CATS, TIGRS and STRPS and (v) defeased municipal bonds rated AAA by S&P or Aaa by Moody’s or AAA by Fitch.

"Indebtedness" means all obligations for borrowed money, or installment sale and capitalized lease obligations, incurred or assumed, including guaranties or any other obligation for payments of principal and interest with respect to money borrowed.

"Institution" or "WCCC" means Worcester City Campus Corporation.

"Institution Tax Certificate" means the Institution Tax Certificate delivered by the Institution at the closing of the WCCC Bonds.

"Interest Payment Date" means April 1 and October 1 beginning with April 1, 2012.

"Issuer" means Massachusetts Development Finance Agency.

"Loan and Trust Agreements" means the University Loan and Trust Agreement and the WCCC Loan and Trust Agreement (each, a "Loan and Trust Agreement").

"Opinion of Bond Counsel" means a written opinion in form and substance not unacceptable to the Trustee or the Issuer, as the case may be, signed by an attorney or firm of attorneys experienced in the field of municipal bonds, whose opinions are generally accepted by purchasers of municipal bonds.

"Opinion of Counsel" means a written opinion in form and substance not unacceptable to the Trustee or the Issuer, as the case may be, signed by an attorney or firm of attorneys, who may be counsel for the University or the Institution, or other counsel.

"Outstanding," when used to modify Bonds, refers to Bonds issued under the Loan and Trust Agreements, excluding: (i) Bonds which have been exchanged or replaced, or delivered to the Paying Agent for credit against a principal payment or a sinking fund installment; (ii) Bonds which have been paid; (iii) Bonds which have become due and for the payment of which moneys have been duly provided; and (iv) Bonds for which there have been irrevocably set aside sufficient funds, or Government or Equivalent Obligations bearing interest at such rates, and with such maturities as will provide sufficient funds, to pay the principal of, premium, if any, and interest on such Bonds, provided, however, that if any such Bonds are to be redeemed prior to maturity, the Issuer shall have taken all action necessary to redeem such Bonds and notice of such redemption shall have been duly mailed in accordance with this Agreement or irrevocable instructions so to mail shall have been given to the Trustee.

"Paying Agent" means People's United Bank, acting as Paying Agent as provided in the respective Loan and Trust Agreements and any Paying Agent designated from time to time pursuant to the respective Loan and Trust Agreements.

"Project" with respect to the University Bonds, means the project financed by the Series C Bonds.

"Project" with respect to the WCCC Bonds, means the project financed by the Series B Bonds.

"Revenues" means all rates, payments, rents, fees, charges, and other income and receipts, including proceeds of insurance, eminent domain and sale, and including proceeds derived from any security under the applicable Loan and Trust Agreement, payable to the Issuer or the Trustee under the applicable Loan and Trust Agreement, excluding administrative fees of the Issuer, fees of the Trustee, fees of the Paying Agent, reimbursements to the Issuer, the Trustee or the Paying Agent for expenses incurred by the Issuer, the Trustee or the Paying Agent, and indemnification of the Issuer and the Trustee.

"Series B Bonds" means the $52,020,000 Massachusetts Health and Educational Facilities Authority Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series B, and any bond or bonds duly issued in exchange or replacement therefor.

"Series C Bonds" means the $35,000,000 Massachusetts Health and Educational Facilities Authority Revenue Bonds, University of Massachusetts Issue, Series C, and any bond or bonds duly issued in exchange or replacement therefor.

"Trustee" means People's United Bank and its successors in trust under the respective Loan and Trust Agreement.

"UMBA" means the University of Massachusetts Building Authority.

"UCC" means the Massachusetts Uniform Commercial Code.

"University" means the University of Massachusetts.

"University Bonds" means the $29,970,000 Massachusetts Development Finance Agency Revenue Refunding Bonds, University of Massachusetts Issue, Series 2011, and any bond or bonds duly issued in exchange or replacement therefor.

"University Tax Certificate" means the University Tax Certificate delivered by the University at the closing of the University Bonds.

"WCCC Bonds" means the $10,495,000 Massachusetts Development Finance Agency Revenue Refunding Bonds, Worcester City Campus Corporation Issue, (University of Massachusetts Project) Series 2011, and any bond or bonds duly issued in exchange or replacement therefor.

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APPENDIX E

SUMMARY OF THE LOAN AND TRUST AGREEMENTS

The following is a summary, prepared by Greenberg Traurig, LLP, Bond Counsel, of certain provisions of University Loan and Trust Agreement (the "University Loan and Trust Agreement") *among the Massachusetts Development Finance Agency (the "Issuer"), the University of Massachusetts (the "University*") *and People's United Bank, as Trustee (the "Trustee"), the WCCC Loan and Trust Agreement (the "WCCC Loan and Trust Agreement" and, together with the University Loan and Trust Agreement, the "Agreement") among the Issuer, Worcester City Campus Corporation, (the "Institution") and the Trustee. This Summary does not purport to be complete and reference is made to the applicable Loan and Trust Agreement for full and complete statements of such and all provisions.*

<u>The Issuer's Assignment and Pledge of Revenues and Funds</u>

The Issuer assigns and pledges to the Trustee in trust upon the terms of the Agreement all Revenues to be received from the University or the Institution, as applicable, under the Agreement or derived from any security provided under the Agreement; all rights to receive such Revenues and the proceeds of such rights; all of the Issuer's rights under the Financing Agreement; all funds and investments held from time to time in the funds established under the Agreement including investment income therefrom; all of its right, title and interest in the Agreement, including enforcement rights and remedies but excluding certain rights of indemnification and to reimbursement of certain expenses; and the proceeds of all of the foregoing. This assignment and pledge does not include: (i) the rights of the Issuer pursuant to provisions for consent, concurrence, approval or other action by the Issuer, notice to the Issuer, the filing of reports, certificates or other documents with the Issuer, reimbursement or indemnification or the rights thereto, (ii) the powers of the Issuer herein to enforce the obligations of the Issuer which the Issuer has not assigned to the Trustee, or (iii) the rights of the Issuer under the Financing Agreement to receive payment of administrative expenses, reports, notice and indemnity against claims and to enforce remedies pursuant to the Financing Agreement.

The Institution joins in the Issuer's assignment and pledge of all funds and investments held in the funds established under the Agreement, including investment income therefrom to the extent of its interest in such funds and investments.

<u>Defeasance</u>

When there are in the Debt Service Fund and Redemption Fund sufficient funds or Government or Equivalent Obligations in such principal amounts, bearing interest at such rates and with such maturities as will provide, without reinvestment, sufficient funds to pay or redeem the Bonds in full (including principal of, premium, if any, and interest), and when all the rights of the Issuer, the Paying Agent, and the Trustee under the Agreement have been provided for, upon written notice from the University or the Institution, as applicable, to the Issuer, the Paying Agent, and the Trustee, the Bondowners shall cease to be entitled to any benefit or security under the Agreement except the right to receive payment of the funds deposited and held for payment and other rights which by their nature cannot be satisfied prior to or simultaneously with termination of the lien hereof, the security interests created by the Agreement (except in such funds and investments) shall terminate, and the Issuer and the Trustee shall execute and deliver such instruments as may be necessary to discharge the lien and security interests created under the Agreement; provided, however, that if any such Bonds are to be redeemed prior to the maturity thereof, the Issuer shall have taken all action necessary to redeem such Bonds and notice of such redemption shall have been duly mailed in accordance with the Agreement or irrevocable instructions so to mail shall have been given to the Trustee. Furthermore, the obligation to pay all amounts that may become due in respect of the Bonds under section 148(f) of the Code shall survive any defeasance pursuant to this paragraph. Upon such defeasance, the funds and investments required to pay or redeem the Bonds in full shall be irrevocably set aside for that purpose, subject, however, to provisions for Unclaimed Moneys under the Agreement, and moneys held for defeasance shall be invested only in Government or Equivalent Obligations. Any funds or property held by the Trustee and not required for payment or redemption of the Bonds in full shall, subject to the provisions for Unclaimed Moneys under the Agreement, after satisfaction of all the rights of the Issuer, the Trustee and the Paying Agent and after allowance for payment into the Rebate Fund, if any, be distributed to the University or the Institution, as applicable, upon such indemnification, if any, as the Issuer or the Trustee may reasonably require.

Establishment of Funds

The following funds shall be established and maintained with the Trustee for the account of the University or the Institution, as applicable, to be held in trust by the Trustee and applied subject to the provisions of the Agreement:

Debt Service Fund; Redemption Fund; Rebate Fund, and Expense Fund.

Debt Service Fund

The moneys and investments held in the Debt Service Fund shall be held in trust and applied, except as otherwise provided, solely to the payment of the principal (including sinking fund installments), redemption premium, if any, and interest on the Bonds. Promptly after October 1 of each year, if the amount deposited by the University or the Institution, as applicable, in the Debt Service Fund during the preceding 12-month period pursuant to provisions in the Agreement requiring payments by the University or the Institution, as applicable, was in excess of the amount required to be so deposited, the Trustee shall transfer such excess to the University or the Institution, as applicable, upon its request unless there is then an Event of Default known to the Trustee with respect to payments to the Debt Service Fund, Rebate Fund or to the Trustee, the Paying Agent or the Issuer, in which case the excess shall be applied to such payments.

The Trustee shall transfer moneys from the Debt Service Fund to the Paying Agent for the payment of Bonds on or before the Business Day next preceding the date on which such payment is to be made, provided that moneys set aside for the payment of particular Bonds pursuant to clause (iv) of the definition of Outstanding in the Agreement or the provisions for defeasance in the Agreement may be transferred to the Paying Agent in immediately available funds at the opening of business on the date on which the payment is to be made.

Redemption Fund

The moneys and investments held in the Redemption Fund shall be held in Trust and applied, except as otherwise provided, by the Trustee on behalf of the Issuer solely to the redemption of Bonds. The Trustee may, and upon written direction of the University or the Institution, as applicable, for specific purchases shall, apply moneys in the Redemption Fund to the purchase of Bonds for cancellation at prices not exceeding the price at which they are then redeemable (or next redeemable if they are not then redeemable), but not within the 45 days preceding a redemption date. The principal amount of Bonds so purchased shall be credited to the principal payment schedule or mandatory sinking fund schedule as provided in the Agreement. Accrued interest on the purchase of Bonds shall be paid from the Debt Service Fund.

If moneys in the Redemption Fund are to be applied to the redemption of Bonds, the Trustee shall transfer the moneys to the Paying Agent on or before the Business Day next preceding the redemption date, provided that moneys set aside for the redemption of particular Bonds pursuant to clause (iv) of the definition of Outstanding in the Agreement may be transferred in immediately available funds after opening of business on the redemption date.

If on any date the amount in the Debt Service Fund is less than the amount then required to be transferred to the Paying Agent to pay the principal (including sinking fund installments) and interest then due on the Bonds or if on any date the amount in the Rebate Fund is less than the amount then required to be paid to the United States or the Rebate Fund as provided in the Agreement, the Trustee shall apply the amount in the Redemption Fund (other than any sum (i) irrevocably set aside for the redemption of particular Bonds or required to purchase Bonds under outstanding purchase contracts or (ii) transferred to the Redemption Fund) first, to the Rebate Fund, and second, to the Debt Service Fund to the extent necessary to meet the deficiency. The University or the Institution, as applicable, shall remain liable for any sums which it has not paid into the Debt Service Fund or Rebate Fund and any subsequent payment thereof shall be used to restore the funds so applied.

If any moneys in the Redemption Fund are invested in accordance with the Agreement and a loss results therefrom so that there are insufficient funds to pay the redemption price of Bonds called for redemption in accordance with the Agreement, then the University or the Institution, as applicable, shall immediately supply the deficiency and the Trustee shall not in any way be held liable for any such deficiencies or losses.

Rebate Fund

A Rebate Fund is established with the Trustee for the purpose of compliance with section 148(f) of the Code but not as security for the Bonds. Amounts in the Rebate Fund shall not be available to pay principal, interest or redemption premium on the Bonds.

No later than 60 days after the close of the fifth Bond Year following the date of issue of the Bonds and the close of each fifth Bond Year thereafter, the Trustee, at the written direction of the University or the Institution, as applicable, shall pay from the Rebate Fund to the United

States an amount which is at least 90% of the amount then required to be paid under the section 148(f) of the Code. Within sixty 60 days after the Bonds have been paid in full, the Trustee, at the written direction of the University or the Institution, as applicable, shall pay to the United States from the applicable account within the Rebate Fund the full amount then required to be paid under the rebate provision. If the amount in the Rebate Fund is insufficient to pay the amount required to be paid under the rebate provision, the University or the Institution, as applicable, shall be liable to make up that deficiency.

Expense Fund

An Expense Fund is established with the Trustee and proceeds of the Bonds shall be deposited in the Expense Fund in accordance with the Agreement. The moneys in the Expense Fund and any investments held as part of such Fund shall be held in trust and, except as otherwise provided in the Agreement, shall be applied by the Trustee solely to the payment or reimbursement of the costs of issuing the Bonds and the Issuer's administrative fee. Upon written direction from the University or Institution, as applicable, the Trustee shall pay from the Expense Fund the costs of issuing the Bonds, including the fees of the Issuer, the reasonable fees and expenses of financial consultants and bond counsel, the reasonable fees and expenses of the Trustee, including those of its counsel in accordance with the Agreement, any recording or similar fees and any expenses of the University or the Institution, as applicable, in connection with the issuance of the Bonds. Earnings on the proceeds of the Bonds deposited in the Expense Fund shall not be applied to pay costs of issuance of the Bonds, but shall be transferred to the Debt Service Fund as provided in the Agreement. After all costs of issuing the Bonds have been paid any amounts remaining in the Expense Fund shall be transferred to the Debt Service Fund. To the extent the Expense Fund is insufficient to pay any of the above costs, the University or the Institution, as applicable, shall be liable for the deficiency and shall pay such deficiency as directed by the Issuer.

Application of Moneys

If available moneys in the Debt Service Fund after any required transfers from Redemption Fund are not sufficient on any day to pay all principal (including sinking fund installments), redemption price and interest on the Outstanding Bonds then due or overdue, such moneys (other than any sum in the Redemption Fund irrevocably set aside for the redemption of particular Bonds or required to purchase Bonds under outstanding purchase contracts) shall, after payment of all charges and disbursements of the Trustee in accordance with the Agreement, be applied (in the order such Funds are named in this paragraph) first to the payment of interest, including interest on overdue principal, in the order in which the same became due (pro rata with respect to interest which became due at the same time) and second to the payment of principal (including sinking fund installments) and redemption premiums, if any, without regard to the order in which the same became due (in proportion to the amounts due). For this purpose interest on overdue principal shall be treated as coming due on the first day of each month. Whenever moneys are to be applied pursuant to this paragraph, such moneys shall be applied at such times, and from time to time, as the Trustee in its 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. Whenever the Trustee shall exercise such discretion, it shall fix the date (which shall be the first of a month 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 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. When interest or a portion of the principal is to be paid on an overdue Bond, the Trustee may require presentation of the Bond for endorsement of the payment.

Payments by the University or the Institution

The University or the Institution, as applicable, shall pay to the Trustee for deposit in the Debt Service Fund on or before the 25th day of each March and September an amount equal to the interest coming due on the Bonds on the next April 1 or October 1, as the case may be, and on or before the 25th day of each September, the principal (including any sinking fund installment) coming due on the Bonds on the next October 1.

The payments to be made under the foregoing paragraph shall be appropriately adjusted to reflect the date of issue of the Bonds, any accrued interest deposited in the Debt Service Fund, any earnings on amounts in the Debt Service Fund, the Expense Fund or the Redemption Fund (to the extent they have been transferred to the Debt Service Fund), and any purchase or redemption of Bonds, so that there will be available on each payment date in the Debt Service Fund the amount necessary to pay the interest and principal or sinking fund installment due or coming due on the Bonds and so that accrued interest will be applied to the installments of interest to which they are applicable. The University or the Institution, as applicable, shall pay to the Trustee for deposit in the Rebate Fund the amounts and at the times required by the provisions of the Agreement.

At any time when any principal (including sinking fund installments) of the Bonds is overdue, the University or the Institution, as applicable, shall also have a continuing obligation to pay to the Trustee for deposit in the Debt Service Fund an amount equal to interest on the overdue principal but the installment payments required under this section shall not otherwise bear interest. Redemption premiums shall not bear interest.

Payments by the University or the Institution to the Trustee for deposit in the Debt Service Fund under the Agreement shall discharge the obligation of the University or the Institution, as applicable, to the extent of such payments; provided, that if any moneys are invested in accordance with the Agreement and a loss results therefrom so that there are insufficient funds to pay principal (including sinking fund installments) and interest on the Bonds when due, the University or the Institution, as applicable, shall supply the deficiency.

Within 30 days after notice, the University or the Institution, as applicable, shall also pay expenditures reasonably incurred by the Issuer, the Trustee or the Paying Agent by reason of the Agreement.

University Bonds - General Obligation

The obligation of the University to make payments to the Issuer, the Paying Agent and the Trustee under the University Loan and Trust Agreement is a general obligation of the University to pay from any source legally available for expenditure by the Board of Trustees of the University for such purpose and shall be binding and enforceable in all circumstances whatsoever, and shall not be subject to setoff, recoupment or counterclaim. Neither the Commonwealth of Massachusetts nor any political subdivision thereof shall be obligated to pay the principal of, premium (if any) or interest on, the Bonds except from any source legally available for expenditure by the Board of Trustees of the University for such purpose, and neither the faith and credit nor the taxing power of The Commonwealth of Massachusetts is pledged to the payment of principal of, premium (if any) or interest on, the Bonds. Without limiting the generality of the foregoing, the Board of Trustees of the University, acting by and on behalf of The Commonwealth of Massachusetts pursuant to Section 19A of Chapter 773 of the Acts of 1960, as amended, promises under the Agreement to transfer to the Trustee to the extent necessary any amounts legally available for expenditure by the Board of Trustees of the University; provided, that in the case of any funds expected to be available for expenditure by the Board of Trustees of the University pursuant to subsequent appropriation or other spending authorization by the legislature, the Board of Trustees of the University may only pledge that they will so transfer such funds subject to such subsequent appropriation or other spending authorization.

WCCC Bonds - Unconditional Obligation

The obligations of the Institution to make payments under the WCCC Loan and Trust Agreement (including, without limitation, payments to the Issuer, the Paying Agent and the Trustee) shall be absolute and unconditional, shall be binding and enforceable in all circumstances whatsoever, shall not be subject to abatement, offset, diminution, setoff, recoupment or counterclaim and shall be a general obligation of the Institution to which the full faith and credit of the Institution is pledged.

Investments

(a) Pending their use under the Agreement, moneys in the Debt Service Fund, Expense Fund, Redemption Fund and Rebate Fund may be invested by the Trustee in Permitted Investments (as defined below) maturing or redeemable at the option of the owner at or before the time when such moneys are expected to be needed and shall be so invested pursuant to written direction of the University or the Institution, as applicable, if there is not then an Event of Default known to the Trustee. Notwithstanding the foregoing, any amount of Bond proceeds which represent proceeds of damage, destruction, condemnation, sale or other disposition of the Project shall be invested only in Permitted Investments with a yield not more than 1/8% higher than the yield on the Bonds, or in tax-exempt bonds without regard to yield unless the Institution shall have obtained an Opinion of Bond Counsel to the effect that failure so to restrict the investment of such proceeds will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any investments pursuant to this subsection shall be held by the Trustee as a part of the applicable Fund and shall be sold or redeemed to the extent necessary to make payments or transfers or anticipated payments or transfers from such Fund, subject to the notice provisions of Section 9-504(3) of the UCC to the extent applicable. In the absence of written direction of the University or the Institution, as applicable, the Trustee shall invest in Permitted Investments described below. The Trustee shall not be liable or responsible for the making of any investment authorized by the Agreement in the manner provided in the Agreement, or for any loss resulting from any such investment so made. The

Trustee shall have no obligation to determine whether a directed investment is a Permitted Investment.

(b) Except as set forth below, and in the case of earnings needed to pay rebate, any interest realized on investments in any Fund and any profit realized upon the sale or other disposition thereof shall be credited to the Fund with respect to which they were earned and any loss shall be charged thereto. With regard to the WCCC Loan and Trust Agreement, earnings on the Expense Fund shall be deposited in the Debt Service Fund. Earnings on the Debt Service Fund shall be retained in the Debt Service Fund, unless there is an Event of Default known to the Trustee with respect to payments to the Debt Service Fund or the Rebate Fund, or to the Trustee, the Paying Agent, or the Issuer, in which case they shall be applied to such payments.

(c) (i) The term "Permitted Investments" means:

(A) Government or Equivalent Obligations;

(B) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

1. Federal Home Loan Bank System
Senior debt obligations;

2. Federal Home Loan Mortgage Corporation
("FHLMC" or "Freddie Mac")
Participation Certificates
Senior debt obligations;

3. Federal National Mortgage Association
("FNMA" or "Fannie Mae")
Mortgage-backed securities and senior debt obligations;

4. Resolution Funding Corp. ("REFCORP") obligations; and

5. Farm Credit System
Consolidated systemwide bonds and notes.

(C) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and rated at least "AAA-m," "AAAm-G" or "AA-m" by S&P, or "Aaa," "Aa1," or "Aa2" by Moody's; or "AAAmmf," or "AAmmf" by Fitch.

(D) Commercial paper which is rated at the time of purchase at least "A-1" by S&P or "Prime-1" by Moody's or "F1" by Fitch and which matures not more than two hundred seventy (270) days after the date of purchase;

(E) Certificates of deposit secured at all times by collateral described in clauses (i) and/or (ii) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral;

(F) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAI;

(G) Bonds or notes issued by any state or municipality which are rated by Moody's, S&P or Fitch in one of the two highest rating categories assigned by such agencies;

(H) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime – 1" or "A3" or better by Moody's, "A-1" or "A" or better by S&P or "F1" or "A" by Fitch; and

(I) Repurchase agreements with terms of 30 days or less.

(ii) Notwithstanding the immediately preceding paragraph, Permitted Investments shall be subject to the Investment Guidelines delivered by bond counsel to the University or the Institution, as applicable, the Issuer and the Trustee in connection with the issuance of the Bonds. In giving direction as to Permitted Investments the University or the Institution, as applicable, shall comply with the provisions of the section entitled "Tax Status" in the Agreement.

(a) A security interest required by this section shall be perfected in such manner as may be provided by law.

(b) The Trustee may hold undivided interests in Permitted Investments for more than one Fund (for which they are eligible) and may make interfund transfers in kind provided the Trustee shall maintain separate accounts for each Fund.

Unclaimed Moneys.

Except as may otherwise be required by applicable law, in case any moneys deposited with the Paying Agent for the payment of the principal of, or interest or premium, if any, on any Bond remain unclaimed for the applicable escheat period after such principal, interest or premium has become due and payable, the Paying Agent may and upon receipt of a written request of the University or the Institution, as applicable, shall pay over to the University or the Institution, as applicable, the amount so deposited in immediately available funds, without additional interest, and thereupon the Paying Agent and the Issuer shall be released from any further liability with respect to the payment of principal, interest or premium and the owner of such Bond shall be entitled (subject to any applicable statute of limitations) to look only to the University or the Institution, as applicable, as an unsecured creditor for the payment thereof.

Payments Pursuant to the Financing Agreement

If the Institution has failed to make a payment when due under the WCCC Loan and Trust Agreement, the Trustee shall promptly and, in no event later than the close of business on the next succeeding Business Day, notify the Issuer and the University of the amount due and unpaid.

Use of Project

In the acquisition, construction, maintenance, and operation of the Project, the University or the Institution, as applicable, covenants that to the best of its knowledge after due inquiry it has complied and will comply with all applicable building, zoning, land use, environmental protection, sanitary and safety laws, rules and regulations, and all applicable grant, reimbursement and insurance requirements, and will not permit a nuisance thereon; but it shall not be a breach of the Agreement if the University or the Institution, as applicable, fails to comply with such laws, rules, regulations and requirements (other than Chapter 21 E of the Massachusetts General Laws, as amended) during any period in which the University or the Institution, as applicable, is diligently and in good faith contesting the validity thereof, provided that the security created or intended to be created hereby is not, in the opinion of the Issuer, unreasonably jeopardized thereby.

The University or the Institution, as applicable, shall make timely payment of all taxes and assessments and other municipal or governmental charges and all claims and demands for work, labor, services, materials or other objects which, if unpaid, might by law become a lien on the Project or any part thereof, but it shall not be a breach of the Agreement if the University or the Institution, as applicable, fails to pay any such item during any period in which the University or the Institution, as applicable, is diligently and in good faith contesting the validity thereof, provided that the laws applicable to contesting its validity do not require payment thereof and proceedings for a refund and that the security created or intended to be created hereby is not, in the opinion of the Issuer, unreasonably jeopardized thereby.

The University or the Institution, as applicable, agrees that the Project shall be used only for the purposes described in Chapter 614 of the Massachusetts Acts of 1968, as amended, and no part of the Project shall be used for any purpose which would cause the Issuer's financing of the Project to constitute a violation of the First Amendment of the United States Constitution. In particular, the University or the Institution, as applicable, agree that no part of the Project, so long as it is owned or controlled by the University or the Institution, as applicable, shall be used for any sectarian instruction or as a place of religious worship or in connection with any part of a program of a school or department of divinity for any religious denomination; and any proceeds of any sale, lease, taking by eminent domain of the Project or other disposition thereof shall not be used for, or to provide a place for, such instruction, worship or program.

Damage to or Destruction or Taking of the Project

In the event of damage to or destruction of, or a taking of, all or a portion of the Project that exceeds 25% of the then full insurable value of the Project, the University or the Institution, as applicable, may elect to use any insurance or eminent domain proceeds received as a result thereof to defease the Agreement or redeem Bonds pursuant to the special redemption provisions of the Agreement. In order to redeem Bonds, the University or the Institution, as applicable, shall pay such proceeds to the Trustee for deposit to the Redemption Fund, and shall instruct the

Trustee to redeem Bonds pursuant to the Agreement from such proceeds deposited in the Redemption Fund.

In the event of damage to or destruction or taking of all or any part of the Project together with other property of the University or the Institution, as applicable, any reasonable allocation of insurance or eminent domain proceeds between the Project and such other property made or accepted by the Trustee in good faith shall be binding on the University or the Institution, as applicable, and the Bondowners.

Indemnification as to the Project

The University or the Institution, as applicable, regardless of any agreement to maintain insurance, shall indemnify and save harmless, to the fullest extent permitted by law, the Trustee and its directors, officers, employees and agents from and against (a) any and all claims by or on behalf of any person arising out of (1) any condition of the Project, or (2) the construction, reconstruction, improvement, use, occupancy, conduct or management of the Project or any work or anything whatsoever done or omitted to be done in or about the Project, or (3) any accident, injury or damage whatsoever to any person occurring in or about the Project, but only to the extent permitted by law, and (b) any and all costs, counsel fees, expenses or liabilities reasonably incurred in connection with any such claim or any action or proceeding brought thereon.

Default by the University or the Institution

"Event of Default" in the Agreement means anyone of the events set forth below after any applicable grace period and "default" means any Event of Default without regard to any lapse of time or notice.

(i) The University or the Institution, as applicable, shall fail to make any interest, principal, premium, if any, or accrued interest payment required of it under the Agreement.

(ii) The University or the Institution, as applicable, shall fail to make any other required payment to the Trustee, and such failure is not remedied within seven days after written notice thereof is given by the Issuer or the Trustee to the University or the Institution, as applicable; or the University or the Institution, as applicable, shall fail to observe or perform any of its other agreements, covenants or obligations under the Agreement and such failure is not remedied within 30 days after written notice thereof is given by the Issuer or the Trustee to the University or the Institution, as applicable; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the University or the Institution, as applicable, within the applicable period and is being diligently pursued until the default is corrected.

(iii) There shall be a material breach of warranty made in the Agreement by the University or the Institution, as applicable, as of the date it was intended to be effective and the breach is not cured within 30 days after written notice thereof is given by the Issuer or the Trustee to the University or the Institution, as applicable.

(iv) The University or the Institution, as applicable, shall commence a voluntary case under the federal bankruptcy laws, or shall become insolvent or unable to pay its debts as they become due, or shall make an assignment for the benefit of creditors, or shall apply for, consent to or acquiesce in the appointment of, or taking possession by, a trustee, receiver, custodian or similar official or agent for itself or any substantial part of its property.

(v) A trustee, receiver, custodian or similar official or agent shall be appointed for the University or the Institution, as applicable, or for any substantial part of its property and such trustee or receiver shall not be discharged within 60 days.

(vi) The University or the Institution, as applicable, shall have an order or decree for relief in an involuntary case under the federal bankruptcy laws entered against it, or a petition seeking reorganization, readjustment, arrangement, composition, or other similar relief as to it under the federal bankruptcy laws or any similar law for the relief of debtors shall be brought against it and shall be consented to by it or shall remain undismissed for 60 days.

(vii) With regard to the WCCC Loan and Trust Agreement only, an event of default occurs under the Financing Agreement.

If the Trustee determines that a default has been cured before the entry of any final judgment or decree with respect to it, the Trustee may waive the default and its consequences with the written consent of the Issuer, by written notice to the University or the Institution, as applicable, and shall do so upon written instruction of the owners of at least 25% in principal amount of the Outstanding Bonds.

The Trustee may enforce the obligations of the University or the Institution, as applicable, under the Agreement by legal proceedings for the specific performance of any covenant, obligation or agreement contained in the Agreement, whether or not any breach has become an Event of Default, or for the enforcement of any other appropriate legal or equitable remedy, and may recover damages caused by any breach by the University or the Institution, as applicable, of the provisions of the Agreement, including (to the extent the Agreement may lawfully provide) court costs, reasonable attorneys' fees and other costs and expenses incurred in enforcing the obligations of the University or the Institution, as applicable, under the Agreement. The Issuer may likewise enforce obligations owed to it under the Agreement which it has not assigned to the Trustee. All rights under the Agreement and the Bonds may be enforced by the Trustee without the possession of any Bonds or the production thereof at the trial or other proceedings relative thereto, and any proceedings instituted by the Trustee shall be brought in its name for the ratable benefit of the Bondowners.

Any funds pledged as security under the Agreement and any other moneys received by the Trustee for the benefit of the Bondowners, after payment or reimbursement of the reasonable expenses of the Trustee in connection therewith, shall be applied to the remaining obligations of the University or the Institution, as applicable, under the Agreement in such order as may be determined by the Trustee. Any surplus thereof shall be paid to the University or the Institution, as applicable.

The rights and remedies under the Agreement shall be cumulative and shall not exclude any other rights and remedies allowed by law, provided there is no duplication of recovery. The failure to insist upon a strict performance of any of the obligations of the University or the Institution, as applicable, or of the Issuer or to exercise any remedy for any violation thereof shall not be taken as a waiver for the future of the right to insist upon strict performance or of the right to exercise any remedy for the violation.

Rights and Duties of the Trustee

All moneys received by the Trustee under the Agreement (other than moneys received for its own use) shall be held by the Trustee in trust and applied subject-to the provisions of the Agreement.

The Trustee shall keep proper accounts of its transactions under the Agreement (separate from its other accounts), which shall be open to inspection at reasonable times upon reasonable prior written notice by the Issuer, the University and the Institution, as applicable, and their representatives duly authorized in writing.

If the Issuer shall fail to observe or perform any covenant or obligation contained in the Agreement, the Trustee may take whatever legal actions may be required to compel full performance by the Issuer of its obligations, and, in addition, the Trustee may to whatever extent it deems appropriate for the protection of the Bondowners or itself, perform any such obligation in the name of the Issuer and on its behalf.

The Trustee shall not be required to monitor the financial condition of the University or the Institution, as applicable, or the physical condition of the Project and, unless otherwise expressly provided, shall not have any responsibility with respect to reports, notices, certificates or other documents filed with it under the Agreement, except to make them available for inspection by Bondowners. Upon a failure of the University or the Institution, as applicable, to make a payment required of it under the provisions of the Agreement after the same becomes due and payable the Trustee shall give written notice thereof to the Issuer, the University or the Institution, as applicable. The Trustee will give notice to the Issuer, the University, the Institution, as applicable, of any other default known to the Trustee within five days of the Trustee's receipt of notice thereof. The Trustee shall not be required to take notice of any other breach or default by the University or the Institution, as applicable, or the Issuer except when given written notice thereof by the owners of at least 10% in principal amount of the Outstanding Bonds. The Trustee shall give default notices under the Agreement when instructed to do so by the written direction of the owners of at least 25% in principal amount of the Outstanding Bonds. The Trustee shall proceed with respect to the remedy of legal proceedings provided under the Agreement for the benefit of the Bondowners in accordance with the written directions of the owners of a majority in principal amount of the Outstanding Bonds. The Trustee shall proceed under the Agreement for the benefit of the Bondowners in accordance with the written directions of the owners of a majority in principal amount of the Outstanding Bonds. The Trustee shall not be required, however, to take any remedial action (other than the giving of notice) unless reasonable indemnity is furnished for any expense or liability to be incurred with respect thereto.

Upon receipt of written notice, direction or instruction and indemnity, as provided above, and after making such investigation, if any, as it deems appropriate to verify the occurrence of any event of which it is notified as aforesaid, the Trustee shall pursue the remedy provided by the Agreement or any of such remedies (not contrary to any such direction) as it deems appropriate for the protection of the Bondowners, and in its actions under this paragraph, the Trustee shall act for the protection of the Bondowners with the same promptness and prudence as would be expected of a prudent person in the conduct of such person's own affairs.

The Trustee shall be entitled to the advice of counsel (who may be counsel for any party) and shall be wholly protected as to any action taken in good faith in reliance on such advice. The Trustee may rely conclusively on any notice, certificate or other document furnished to it under the Agreement and reasonably believed by it to be genuine. The Trustee shall not be liable for any action taken or omitted to be taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, in good faith omitted to be taken by it and reasonably believed to be beyond the discretion or powers conferred upon it, or taken by it pursuant to any direction or instruction by which it is governed under the Agreement or omitted to be taken by it by reason of the lack of direction or instruction required for such action, or be responsible for the consequences of any error of judgment reasonably made by it. The duties of the Trustee are those expressly set forth in the Agreement and no additional duties shall be implied or inferred. When any payment or consent or other action by the Trustee is called for by the Agreement, the Trustee may defer such action pending receipt of such evidence, if any, as it may reasonably require in support thereof. A permissive right or power to act shall not be construed as a requirement to act. No recourse shall be had by the University or the Institution, as applicable, the Issuer or any Bondowner for any claim based on the Agreement, the Bonds, or any agreement securing the same against any director, officer, agent or employee of the Trustee unless such claim is based upon the negligence, bad faith, fraud or deceit of such person. For the purposes of the Agreement matters shall not be considered to be known to the Trustee unless they are known to an officer in its corporate trust department or to an employee in its corporate trust department who is authorized to sign certificates of authentication on bonds on behalf of the Trustee. The Trustee has no responsibility for the validity or sufficiency of the Agreement or the Bonds or any security therefor.

The Trustee may be or become the owner of or trade in Bonds with the same rights as if it were not the Trustee. The Trustee shall not be required to furnish any bond or surety.

It shall be the duty of the Trustee to execute and file, or cause to be executed and filed, such continuation statements as may be required by the UCC with respect to any security interest granted to the Issuer under the Agreement for the benefit of the Bondowners. All such continuation statements shall be signed by the secured party and any assignee.

Nothing contained in the Agreement shall in any way obligate the Trustee to pay any debt or meet any financial obligations to any person in relation to the Agreement except from moneys received under the provisions of the Agreement or from the exercise of the Trustee's rights under the Agreement (including from the exercise of its rights and remedies), other than the moneys received for its own purposes.

Any action taken by the Trustee under the Financing Agreement shall be taken in its capacity under the Agreement and the Trustee shall be entitled to the same protections as under the Agreement for such actions.

Resignation or Removal of the Trustee

The Trustee may resign on not less than 30 days' notice given in writing to the Issuer, the Bondowners, the University and the Institution, as applicable, but such resignation shall not take effect until a successor has been appointed. The Trustee will promptly certify to the Issuer that it has mailed such notice to all Bondowners and such certificate will be conclusive evidence that such notice was given in the manner required hereby. The Trustee may be removed for cause (including the imposition of excessive fees or administrative expenses) by written notice from the Issuer and either the University or the Institution, as applicable, to the Trustee or for any reason by written notice from the owners of a majority in principal amount of the Outstanding Bonds to the Trustee, the Issuer, the University or the Institution, as applicable, but such removal shall not take effect until a successor has been appointed.

Successor Trustee

Any corporation or association which succeeds to the corporate trust business of the Trustee as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of the Trustee under the Agreement, without any further act or conveyance.

In case the Trustee resigns or is removed or becomes incapable of acting, or becomes bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property is appointed, or if a public officer takes charge or control of the Trustee, or of its property or affairs, a successor shall be appointed by written notice from the University or the Institution, as applicable, to the Issuer. The successor Trustee shall notify the Bondowners of the appointment in writing within 20 days from the appointment. The University or the Institution shall or shall cause the successor Trustee to promptly certify to the Issuer, the University or the Institution, as applicable that it has mailed such notice to all Bondowners and such certificate will be conclusive evidence that such notice was given in the manner required hereby. If no appointment of a successor is made within 20 days after the giving of written notice in accordance with the Agreement or after the occurrence of any other event requiring or authorizing such appointment, the outgoing Trustee or any Bondowner may apply, at the expense of the University or Institution, as applicable, to any court of competent jurisdiction for the appointment of such a successor, and such court may thereupon, after such notice, if any, as such court may deem proper, appoint such successor. Any successor Trustee appointed under the Agreement shall be a trust company or a bank having the powers of a trust company, legally permitted to serve as trustee under the Act, having a capital and surplus of not less than $50,000,000. Any such successor Trustee shall notify the Issuer and the University or the Institution, as applicable, of its acceptance of the appointment and, upon giving such notice, shall become Trustee, vested with all the property, rights and powers of the Trustee under the Agreement, without any further act or conveyance. Each successor Trustee shall execute, deliver, record and file such instruments as are required to confirm or perfect its succession under the Agreement and any predecessor Trustee shall from time to time execute, deliver, record and file such instruments as the incumbent Trustee may reasonably require to confirm or perfect any succession under the Agreement.

Rights and Duties of the Issuer

The Issuer shall have the right to take any action not prohibited by law or make any decision not prohibited by law with respect to proceedings for indemnity against the liability of the Issuer and its officers, directors, employees and agents and for collection or reimbursement of moneys due to it under this Agreement for its own account. The Issuer may enforce its rights under the Agreement which have not been assigned to the Trustee by legal proceedings for the specific performance of any obligation contained herein or for the enforcement of any other legal or equitable remedy, and may recover damages caused by any breach by the University or the Institution, as applicable, of its obligations to the Issuer under the Agreement, including court costs, reasonable attorney's fees and other costs and expenses incurred in enforcing such obligations.

The Issuer shall not be required to monitor the financial condition of the University or the Institution, as applicable and shall not have any responsibility or other obligation with respect to reports, notices, certificates or other documents filed with it under the Agreement.

The Issuer and its officers, directors, employees and agents shall be entitled to the advice of counsel (who may be counsel for any party) and shall not be liable for any action taken or omitted to be taken in good faith in reliance on such advice. They may rely conclusively on any communication or other document furnished to it under the Agreement and reasonably believed by it to be genuine. No such person shall be liable for any action (i) taken in good faith and reasonably believed by such person to be within the discretion or powers conferred upon such person, or (ii) in good faith omitted to be taken because reasonably believed to be beyond the discretion or powers conferred upon such person, (iii) taken pursuant to any direction or instruction by which such person is governed under the Agreement, or (iv) omitted to be taken by reason of the lack of direction or instruction required for such action, nor shall such person be responsible for the consequences of any error of judgment reasonably made by such person. The Issuer shall in no event be liable for the application or misapplication of funds, or for other acts or defaults by any person except its own directors, officers and employees. When any consent or other action by the Issuer is called for by the Agreement, the Issuer may defer such action pending such investigation or inquiry or receipt of such evidence, if any, as it may require in support thereof. It shall not be required to take any remedial action (other than the giving of notice) unless reasonable indemnity is provided for any expense or liability to be incurred thereby. It shall be entitled to reimbursement for expenses reasonably incurred or advances reasonably made, with interest at the "prime rate" of the Trustee, as announced from time to time (or, if none, the nearest equivalent), in the exercise of its rights or the performance of its obligations under the Agreement, to the extent that it acts without previously obtaining indemnity. No permissive right or power to act shall be construed as a requirement to act; and no delay in the exercise of any such right or power shall affect the subsequent exercise of that right or power. The Issuer shall not be required to take notice of any breach or default by the

University or the Institution, as applicable under the Agreement except when given notice thereof by the Trustee. No recourse shall be had by the University or the Institution, as applicable, the Trustee or any Bondowner for any claim based on the Agreement, the Bonds or any agreement securing the same against any director, officer, agent or employee of the Issuer alleging personal liability on the part of such person unless such claim is based upon the willful dishonesty of or intentional violation of law by such person. No covenant, stipulation, obligation or agreement of the Issuer contained in the Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future director, officer, employee or agent of the Issuer in his or her individual capacity, and no person executing a Bond shall be liable personally thereon or be subject to any personal liability or accountability by reason of the issuance thereof.

The University or the Institution, as applicable, acknowledges that in the event of an examination, inquiry or related action by the Internal Revenue Service with respect to the Bonds or the exclusion of interest thereon from the gross income of the holders thereof for federal income tax purposes, the Issuer may be treated as the responsible party, and the University or the Institution, as applicable, agrees to respond promptly and thoroughly to the satisfaction of the Issuer to such examination, inquiry or related action on behalf of and at the direction of the Issuer. The University or the Institution, as applicable, further agrees to pay all costs of counsel selected by the Issuer to represent the Issuer in connection with such examination, inquiry or related action. The University or the Institution, as applicable, shall indemnify and hold harmless the Issuer against any and all costs, losses, claims, penalties, damages or liability of or resulting from such examination, inquiry or related action by the Internal Revenue Service, including any settlement thereof by the Issuer that has been agreed to by the University or the Institution, as applicable.

Nothing contained in the Agreement is intended to impose any pecuniary liability on the Issuer nor shall it in any way obligate the Issuer to pay any debt or meet any financial obligations to any person at any time in relation to the Agreement except from moneys received under the provisions of this Agreement or from the exercise of the Issuer's rights under the Agreement other than moneys received for its own purposes.

Action by Bondowners

Any request, authorization, direction, notice, consent, waiver or other action provided by the Agreement to be given or taken by Bondowners may be contained in and evidenced by one or more writings of substantially the same tenor signed by the requisite number of Bondowners or their attorneys duly appointed in writing. Proof of the execution of any such instrument, or of an instrument appointing any such attorney, shall be sufficient for any purpose of the Agreement (except as otherwise expressly provided) if made in the following manner, but the Issuer or the Trustee may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

> The fact and date of the execution by any Bondowner or his or her attorney of such instrument may be proved by the certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the Issuer or to the Trustee or of any notary public or other officer authorized to take acknowledgments of

deeds to be recorded in the state in which he or she purports to act, that the person signing such request or other instrument acknowledged to him or her the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondowner may be established without further proof if such instrument is signed by a person purporting to be the president or a vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its clerk or secretary or an assistant clerk or secretary.

The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books for the Bonds maintained by the Paying Agent.

Any request, consent or vote of the owner of any Bond shall bind all future owners of such Bond. Bonds owned or held by or for the account of the Issuer or the University or the Institution, as applicable, shall not be deemed Outstanding Bonds for the purpose of any consent or other action by Bondowners.

No Bondowner shall have any right to institute any legal proceedings for the enforcement of the Agreement or any applicable remedy under the Agreement, unless the Bondowners have directed the Trustee to act and furnished the Trustee indemnity as provided in the Agreement and have afforded the Trustee reasonable opportunity to proceed, and the Trustee shall thereafter fail or refuse to take such action.

Subject to the foregoing, any Bondowner may by any available legal proceedings enforce and protect its rights under the Agreement and under the laws of The Commonwealth of Massachusetts.

Corporate Organization and Powers

The University represents and warrants that it is a state coeducational institution within the Commonwealth authorized by law to provide a program of education beyond the high school level, with the power to enter into and perform the Agreement-and that by proper corporate action it has duly authorized the execution and delivery of the Agreement. The University further represents and warrants that the execution and delivery of the Agreement and the consummation of the transactions contemplated therein will not conflict with or constitute a breach of or default under any bond, indenture, note or other evidence of indebtedness of the University, the charter or by-laws of the University, any gifts, bequests or devises pledged to or received by the University, or any contract, lease or other instrument to which the University is a party or by which it is bound or cause the University to be in violation of any applicable statute or rule or regulation of any governmental authority.

The Institution represents and warrants that it is a corporation duly organized, validly existing and in good standing under the laws of The Commonwealth of Massachusetts, with the power to enter into and perform the Agreement, that it is a nonprofit institution within the Commonwealth and that by proper corporate action it has duly authorized the execution and delivery of the Agreement. The Institution further represents and warrants that the execution and delivery of the Agreement and the consummation of the transactions contemplated therein will not conflict with or constitute a breach of or default under any bond, indenture, note or other evidence of indebtedness of the University or the Institution, as applicable, the Articles of Organization or by-laws of the Institution, any gifts, bequests or devises pledged to or received by the Institution or any contract, lease or other instrument to which the Institution is a party or by which it is bound or cause the Institution to be in violation of any applicable statute or rule or regulation of any governmental authority.

Tax Status - University

The University covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under section 103 of the Code. In particular, the University will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Issuer or the University, or take or omit to take any action, if such use, action or omission would cause the Bonds to be "arbitrage bonds" within the meaning of section 148(a) of the Code. To that end, the University will comply with all requirements of section 148 of the Code to the extent applicable to the Bonds. In the event that at any time for purposes of this section it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee or the Issuer under the Agreement or otherwise, the University shall so instruct the appropriate person in writing.

The University agrees to perform all duties imposed upon it by the Agreement, by the University Tax Certificate, the University Certificate as to Arbitrage and by the Code to preserve the exclusion of the interest payable on the Bonds from federal income taxation. Insofar as the University Tax Certificate makes representations or covenant by, or to be performed by, the University, as to the expenditure or use of Bond proceeds, investment restrictions, ownership of the Project and property financed with Bond proceeds or otherwise, or impose duties and responsibilities upon the University, such provisions are specifically incorporated herein by reference.

The University represents and warrants that internal advances to be repaid from the proceeds of the Bonds are in every instance internal advances shown on the University's books of account as advances or loans, with respect to each of which it was the intention and expectation of the University that the expenditure would be permanently financed through the Issuer or other external lenders unless gifts or grants were obtained for the purpose; that no arrangements have been made for permanent financing of any of these expenditures by means other than financing through the Issuer; that any internal repayment schedules which have been arranged with respect to any of the advances are subject to modification to reflect the maturity schedule of permanent Issuer financing.

Tax Status - Institution

The Institution represents and warrants that (i) it is an organization described in section 501(c)(3) of the Code and it is not a "private foundation" as defined in section 509 of the Code; (ii) it has received letters from the Internal Revenue Service to that effect; (iii) such letters have not been modified, limited or revoked; (iv) it is in compliance with all terms, conditions and limitations, if any, contained in such letters; (v) the facts and circumstances which form the basis of such letters continue substantially to exist as represented to the Internal Revenue Service; and (vi) it is exempt from federal income taxes to the extent provided under section 501(a) of the Code. To the extent consistent with its status as a nonprofit institution, the Institution agrees that it will not take any action or omit to take any action if such action or omission would cause any revocation or adverse modification of such federal income tax status of the Institution.

The Institution covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under section 103 of the Code. In particular: (i) the Institution will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Issuer or the Institution, or take or omit to take any action, if such use, action or omission would cause the Bonds to be "arbitrage bonds" within the meaning of section 148(a) of the Code. To that end, the Institution will comply with all requirements of section 148 of the Code to the extent applicable to the Bonds. In the event that at any time for purposes of this section it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee or the Issuer under the Agreement or otherwise, the Institution shall so instruct the appropriate person in writing; and (ii) The Institution covenants that it has not taken and will not take any action, and knows of no action taken or intended, which would cause the Bonds not to meet any of the requirements of section 147 or 149 of the Code.

The Institution agrees to perform all duties imposed upon it by the Agreement, the Certificate as to Tax Matters and by the Internal Revenue Code to preserve the exclusion of the interest payable on the Bonds from federal income taxation. Insofar as the Certificate as to Tax Matters makes representations or covenants by, or to be performed by, the Institution, as to the expenditure or use of Bond proceeds, investment restrictions, ownership of the Project and property financed with Bond proceeds or otherwise, or impose duties and responsibilities upon the Institution, such provisions are specifically incorporated herein by reference.

With regard to the WCCC Bonds, the Institution covenants that it shall take all actions within its power so that the WCCC Bonds shall at all times constitute "qualified 501(c)(3) Bonds" as defined in section 145 of the Code. Without limiting the foregoing, the Institution shall not permit the $150,000,000 nonhospital bond limitation of section 145(b) of the Code to be exceeded.

<u>Securities Law Status - University</u>

The University represents and warrants that it is a state institution.

<u>Securities Law Status - Institution</u>

The Institution represents and warrants that it is an organization organized and operated exclusively for charitable purposes and not for pecuniary profit; "and that no part of its net earnings inures to the benefit of any person, private stockholder or individual, all within the meaning of the Securities Act of 1933, as amended. The Institution shall not take any action or omit to take any action if such action or omission would change its status as set forth in this section.

Annual Reports and Other Current Information

Within 240 days after the close of each fiscal year, the University or the Institution, as applicable, shall furnish to the Trustee, the Issuer and to Bondowners requesting the same, copies of its audited financial statements. Copies of the reports and statements required to be filed with the Trustee pursuant to this paragraph shall be filed with the Trustee in sufficient quantity to permit the Trustee to retain at least one copy for inspection by Bondowners and to permit the Trustee to mail a copy to each Bondowner who in writing requests it. The Trustee shall maintain a list of Bondowners who have made such a request. The University or the Institution, as applicable, shall furnish to the agencies rating the Bonds such information as they may reasonably require for current reports to their subscribers. The University or the Institution, as applicable, shall furnish to the Issuer and to the Trustee, within 60 days after the close of each fiscal year, a certificate signed by its Executive Director, Chief Financial Officer or other Authorized Officer stating that no default under the Agreement has come to its attention or, if such a default has appeared, the certificate shall provide a description of the default.

Maintenance of Corporate Existence

The Institution shall maintain its existence as a nonprofit corporation qualified to do business in Massachusetts and shall not dissolve or dispose of all or substantially all of its assets or consolidate with or merge into another entity or entities, or permit one or more other entities to consolidate with or merge into it, except that it may consolidate with or merge into one or more other entities or permit one or more other entities to consolidate with or merge into it, or transfer all or substantially all of its assets to one or more other entities (and thereafter dissolve or not dissolve as it may elect), if (a) the surviving, resulting or transferee entity or entities each is a corporation having the status and powers set forth in "Corporate Organization and Powers," above, (b) the transaction does not result in a conflict, breach or default referred to in "Corporate Organization and Powers," above, (c) the surviving, resulting or transferee entity or entities each (i) assumes by written agreement with the Issuer and the Trustee all the obligations of the Institution hereunder and (ii) notifies the Issuer and the Trustee of any change in the name of the Institution.

Continuing Disclosure

The University or the Institution, as applicable, and the Trustee hereby covenant and agree that each will comply with and carry out all of the provisions of the Continuing Disclosure Agreement applicable to it. The Issuer shall have no liability to the owners of the Bonds or any other person with respect to such disclosure matters. Notwithstanding any other provision of the Agreement, failure of the University or the Institution, as applicable, or the Trustee to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of the owners of at least 25% aggregate principal amount of Outstanding Bonds, shall) or any owner (including a beneficial owner) of Bonds may, seek specific performance of the University's or the Institution's, as applicable, obligations to comply with its obligations under the Continuing Disclosure Agreement or the Agreement and not for money damages in any amount.

Amendment

The Agreement may be amended by the parties without Bondowner consent for any of the following purposes: (a) to subject additional property to the lien of the Agreement, (b) to provide for the establishment of a book entry system of registration for the Bonds through a securities depository (which mayor may not be DTC), (c) to add to the covenants and agreements of the University or the Institution, as applicable, or to surrender or limit any right or power of the University or the Institution, as applicable, or (d) to cure any ambiguity or defect, or to add provisions which are not inconsistent with the Agreement and which do not impair the security for the Bonds.

Except as provided in the foregoing paragraph, the Agreement may be amended only with the written consent of the owners of at least a majority in principal amount of the Outstanding Bonds; provided, however, that no amendment of the Agreement may be made without the unanimous written consent of the affected Bondowners for any of the following purposes: (i) to extend the maturity of any Bond, (ii) to reduce the principal amount or interest rate of any Bond, (iii) to make any Bond redeemable other than in accordance with its terms, (iv) to create a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (v) to reduce the percentage of the Bonds required to be represented by the Bondowners giving their consent to any amendment.

Any amendment of the Agreement shall be accompanied by an Opinion of Bond Counsel to the effect that the amendment is permitted by the Agreement. A copy of any proposed amendment or supplement to the Agreement shall be sent to the rating agencies which have assigned a rating to the Bonds at least 15 days in advance of its execution or adoption.

When the Trustee determines that the requisite number of consents have been obtained for an amendment which requires Bondowner consents, it shall, within 90 days, file a certificate to that effect in its records and mail notice to the Bondowners. No action or proceeding to invalidate the amendment shall be instituted or maintained unless it is commenced within 60 days after such mailing. The Trustee will promptly certify to the Issuer that it has mailed such notice to all Bondowners and such certificate will be conclusive evidence that such notice was given in the manner required hereby. A consent to an amendment may be revoked by a notice given by the Bondowner and received by the Trustee prior to the Trustee's certification that the requisite consents have been obtained.

Governing Law

The Agreement shall be governed by the laws of The Commonwealth of Massachusetts.

The following provisions are applicable to the University Series Loan and Trust Agreement:

Revenues after Default

Any funds pledged as security hereunder and any other moneys received by the Trustee for the benefit of the Bondowners, after payment or reimbursement of the reasonable expenses of the Trustee in connection therewith, shall be applied to the remaining obligations of the

University or the Institution, as applicable, hereunder in such order as may be determined by the Trustee. Any surplus thereof shall be paid to the University or the Institution, as applicable.

Limitations on Additional Indebtedness

The University shall not issue additional Indebtedness or request or permit UMBA or the Issuer to issue additional Indebtedness on behalf of the University except as set forth herein.

(a) The University may, without limit, issue additional Indebtedness or request UMBA or the Issuer to issue additional Indebtedness on behalf of the University so long as such Indebtedness is payable from all available funds of the University. Furthermore, except as set forth below and except for pledges or liens already in existence on the date hereof, the University shall not pledge, or permit to exist any lien on, any of its funds or revenues. Additional parity Indebtedness issued by UMBA under its Trust Agreement dated as of April 1, 1984, as amended and supplemented, shall be deemed to be General Obligation Indebtedness if upon the issuance thereof the University shall be obligated to make payments in support thereof payable from all available funds of the University, notwithstanding that such additional parity Indebtedness shall also be secured by revenues pledged under said UMBA Trust Agreement. Nothing in this section shall be construed to limit the ability of UMBA to impose student fees as necessary to make up any deficiency in the Expendable Fund Balance in connection with General Obligation Indebtedness issued by UMBA.

(b) The University may request UMBA to issue additional Indebtedness on behalf of the University that is not payable from all available funds of the University as set forth above, provided (i) the additional Indebtedness is secured by (w) pledged revenues derived from the project or projects being financed, (x) new or increased student fees whether imposed by the University or UMBA, (y) existing pledged revenues or (z) 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.

(c) Indebtedness of the University shall not be subject to acceleration, and no obligation of the University to make payments on account of Indebtedness issued by UMBA or the Issuer shall be subject to acceleration.

(d) Upon the issuance of any additional Indebtedness pursuant to this section, the University shall file or caused to be filed with the Trustee a certificate evidencing compliance with the provisions of the Agreement.

Sufficiency of Expendable Funds

The following provisions shall apply to all General Obligation Indebtedness issued by the University, UMBA or the Issuer:

> On or before April 1 of each year, the President of the University or the Vice President for Management and Fiscal Affairs and Treasurer of the University shall provide in writing to UMBA and the Issuer a detailed list of the Debt Service and Related Costs with respect to the twelve-month period commencing the next succeeding October 1 and shall certify in writing to UMBA and the Issuer

whether or not there are as of such April 1 sufficient funds in the Expendable Fund Balance to pay all such Debt Service and Related Costs and, if so, that funds sufficient to pay Debt Service and Related Costs with respect to the Bonds will be held in trust for the benefit of the Trustee, to be applied to the payment of such amounts and will not be expended for any other purpose. On and after such date of certification, such funds will be so held and not expended for any other purpose.

In the event of the absence or inability of the President of the University or the Vice President Management and Fiscal Affairs and Treasurer of the University, or in the event that either such office should no longer exist, such certification may be made by such other officer of the University knowledgeable about the financial affairs of the University. The Trustees hereby authorize and delegate power to the President of the University, the Vice President for Management and Fiscal Affairs and 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 this section.

If such certification states that sufficient funds are not available in the Expendable Fund Balance to pay all Debt Service and Related Costs, such certification shall state the amount of funds in the Expendable Fund Balance that are available to pay such Debt Service and Related Costs and a ratable portion of such funds in the Expendable Fund Balance shall be held in trust for the benefit of the Trustee, to be applied to the payment of Debt Service and Related Costs with respect to the Bonds and will not be expended for any other purpose. "Ratable portion" for purposes of this paragraph shall be calculated by dividing the Debt Service and Related Costs with respect to the Bonds for such period by the Debt Service and Related Costs with respect to all Indebtedness payable from the Expendable Fund Balance for such period and multiplying the result by the available amounts in the Expendable Fund Balance. The University will continue to be obligated to pay all Debt Service and Related Costs with respect to the Bonds notwithstanding any shortfall in amounts available in the Expendable Fund Balance on or before April 1.

All moneys collected or received by the University, from whatever source, to pay Debt Service and Related Costs with respect to the Bonds, including without limitation moneys held in trust for the benefit of the Trustee, shall be collected or received for the account of the Trustee in trust to be held and applied solely to Debt Service and Related Costs with respect to the Bonds.

The following provisions are applicable to the WCCC Loan and Trust Agreements:

Additional Bonds

The Issuer may issue additional Bonds to complete the Project or to refund Bonds previously issued under the Agreement.

Prior to the delivery of any additional Bonds, the University or the Institution, as applicable, the Issuer and the Trustee shall enter into a supplemental agreement providing for the details of the additional Bonds, including the application of the proceeds thereof substantially in accordance with the provisions relating to the Bonds. The supplemental agreement shall require payment of the debt service on the additional Bonds as it becomes due. The supplemental agreement may also amend any other provision of the Agreement, provided that it will not have a material adverse effect upon the security for the Bonds other than as is implicit in the authorization of parity Bonds.

Disposition of Assets

So long as the Bonds are Outstanding, the Institution shall not sell, transfer or otherwise dispose of the Project except that the Institution shall have the right to transfer the Institution's interest in the Project to the University or any Affiliate upon (a) the assumption by the University or such Affiliate of all of the obligations of the Institution under the Agreement (provided, however, that to the extent the University shall acquire the property, the University need not comply with covenants not applicable to a governmental entity (as opposed to a 501(c)(3) entity)); (b) the receipt of an Opinion of Bond Counsel that such sale, transfer or other disposition will not adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code; and (c) the written approval of the University. Upon any such transfer, the Institution shall have no further liability under the Agreement.

APPENDIX F

SUMMARY OF THE FINANCING AGREEMENT

The following is a summary, prepared by Greenberg Traurig, LLP, Bond Counsel, of certain provisions of the Financing Agreement between the Massachusetts Development Finance Agency and the University of Massachusetts (the "University"), acting in the name and on behalf of The Commonwealth of Massachusetts. This summary does not purport to be complete and reference is made to the Financing Agreement for full and complete statements of such and all provisions. All capitalized terms used herein not otherwise defined herein shall have the same meaning set forth in Appendix D.

The Financing Agreement sets out the agreements made by the University to provide for the transfer of funds (the University's "Transfer Obligation") for the payment of the WCCC Bonds (the "Bonds") issued, to the extent the same are not paid by the Worcester City Campus Corporation ("WCCC") under the WCCC Loan and Trust Agreement (the "Loan and Trust Agreement"). As security for the Bonds, the Issuer is assigning to the Trustee all of its right, title and interest in the Financing Agreement (except for rights reserved by the Issuer described below).

Transfer Obligation

Subject to the first two paragraphs under the heading "Special Obligation of the University," the University's Transfer Obligation shall be satisfied by transfers of amounts equal to installments of the principal (including sinking fund installments) of the Bonds plus interest thereon at the times and in the manner set forth in the Loan and Trust Agreement regarding the WCCC's repayment of its loan, promptly upon notification from the Trustee that the WCCC has failed to make any payments required by the Loan and Trust Agreement; and, the University will promptly transfer to the Trustee any other amounts not paid by the WCCC when due under the Loan and Trust Agreement upon notice from the Trustee, provided that the University's obligation to make payments due under the indemnification provisions of the Loan and Trust Agreement shall extend only so far as existing law then permits.

Special Obligation of the University

Neither the University's Transfer Obligation nor any other obligation of the University under the Financing Agreement shall constitute a debt of the Commonwealth or any department, agency or instrumentality thereof and neither the full faith and credit nor the taxing power of the Commonwealth are pledged therefor; but the University covenants and agrees that the Financing Agreement, its Transfer Obligation and all such other obligations are special obligations of the University which the University agrees to perform or cause to be performed.

Notwithstanding anything in the Financing Agreement to the contrary, transfers in respect of the University's Transfer Obligation and any other obligation of the University under the Financing Agreement are required to be made solely from any source legally available for expenditure by the Board of Trustees of the University for such purpose, provided, that in the case of any funds expected to be available for expenditure by the Board of Trustees of the

University pursuant to subsequent appropriation or other spending authorization by the legislature, the Board of Trustees of the University's obligation to transfer such funds is subject to such subsequent appropriation or other spending authorization.

The obligations of the University to make transfers required under the Financing Agreement from the special funds described in the Financing Agreement shall be absolute and unconditional without defense or set off by the Issuer under the Financing Agreement or under any other agreement between the University and the Issuer or for any other reason, including without limitation, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Financing Agreement, or failure of any person to pay the fees, rentals or other charges owed to the University, and irrespective of whether or not any such person or the University receives either partial or total reimbursement as a credit against such payment, it being the intention of the parties that the transfers required of the University under the Financing Agreement will be made in full from such special funds when due without any delay or diminution whatsoever.

Benefit of Bondowners

All covenants, agreements and representations on the part of the University and the Issuer, as set forth in the Financing Agreement, are declared to be for the benefit of the owners from time to time of the Bonds, and their successors and assigns. The University covenants and agrees to do all things within its power in order to comply with and to enable the Issuer to comply with all requirements and to fulfill and to enable the Issuer to fulfill all covenants of the Loan and Trust Agreement.

Assignment of Issuer's Rights

As the source of payment for the Bonds, the Issuer will assign to the Trustee all the Issuer's rights under the Financing Agreement (except for the rights of the Issuer to receive payment of the Issuer's Annual Administrative Fee and other Issuer expenditures reasonably incurred by the Issuer by reason of the Financing Agreement or the Loan and Trust Agreement, reports and indemnity against claims, and to enforce the obligations to the Issuer which have not been assigned to the Trustee under the Loan and Trust Agreement or the Financing Agreement).

Tax Covenant

The University agrees that it will not take any action or permit any action to be taken on its behalf, or cause or permit any circumstance within its control to arise or continue, if such action or circumstance, or its expectation on the date of issue of the Bonds, would cause the interest paid by the Issuer on the Bonds to be subject to Federal income tax in the hands of the registered owners.

Limitations On Additional Indebtedness

The University shall not issue additional Indebtedness or request or permit UMBA or the Issuer to issue additional Indebtedness on behalf of the University except as set forth herein.

(a) The University may, without limit, issue additional Indebtedness or request UMBA or the Issuer to issue additional Indebtedness on behalf of the University so long as such Indebtedness is payable from all available funds of the University. Furthermore, except as set forth below and except for pledges or liens already in existence on the date hereof, the University shall not pledge, or permit to exist any lien on, any of its funds or revenues. Additional parity Indebtedness issued by UMBA under its Trust Agreement dated as of April 1, 1984, as amended and supplemented, shall be deemed to be General Obligation Indebtedness if upon the issuance thereof the University shall be obligated to make payments in support thereof payable from all available funds of the University, notwithstanding that such additional parity Indebtedness shall also be secured by revenues pledged under said UMBA Trust Agreement. Nothing in the Financing Agreement shall be construed to limit the ability of UMBA to impose student fees as necessary to make up any deficiency in the Expendable Fund Balance in connection with General Obligation Indebtedness issued by UMBA.

(b) The University may request UMBA to issue additional Indebtedness on behalf of the University that is not payable from all available funds of the University as set forth in the preceding paragraph, provided (i) the additional Indebtedness is secured by (w) pledged revenues derived from the project or projects being financed, (x) new or increased student fees whether imposed by the University or UMBA, (y) existing pledged revenues or (z) 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.

(c) Indebtedness of the University shall not be subject to acceleration, and no obligation of the University to make payments on account of Indebtedness issued by UMBA or the Issuer shall be subject to acceleration.

(d) Upon the issuance of any additional Indebtedness pursuant to the Financing Agreement, the University shall file or caused to be filed with the Trustee a certificate evidencing compliance with the provisions of the Financing Agreement.

Segregation Of Expendable Funds

The following provisions shall apply to all General Obligation Indebtedness issued by the University, UMBA or the Issuer:

On or before April 1 of each year, the President of the University or the Treasurer of the University shall provide in writing to UMBA and the Issuer a detailed list of the Debt Service and Related Costs with respect to the twelve-month period commencing the next succeeding October 1 and shall certify in writing to UMBA and the Issuer whether or not there are as of such April 1 sufficient funds in the Expendable Fund Balance to pay all such Debt Service and Related Costs and, if so, that funds sufficient to pay Debt Service and Related Costs with respect to the Bonds will be held in trust for the benefit of the Trustee, to be applied to the payment of such amounts and will not be expended for any other purpose. On and after such date of certification, such funds will be so held and not expended for any other purpose.

In the event of the absence or inability of the President of the University or the Treasurer of the University, or in the event that either such office should no longer exist, such certification may be made by such other officer of the University knowledgeable about the financial affairs of the University. The Trustees hereby authorize and delegate power to the President of the University, the 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 this Section.

If such certification states that sufficient funds are not available in the Expendable Fund Balance to pay all Debt Service and Related Costs, such certification shall state the amount of funds in the Expendable Fund Balance that are available to pay such Debt Service and Related Costs and a ratable portion of such funds in the Expendable Fund Balance shall be held in trust for the benefit of the Trustee, to be applied to the payment of Debt Service and Related Costs with respect to the Bonds and will not be expended for any other purpose. "Ratable portion" for purposes of this paragraph shall be calculated by dividing the Debt Service and Related Costs with respect to the Bonds for such period by the Debt Service and Related Costs with respect to all Indebtedness payable from the Expendable Fund Balance for such period and multiplying the result by the available amounts in the Expendable Fund Balance. The University will continue to be obligated to pay all Debt Service and Related Costs with respect to the Bonds notwithstanding any shortfall in amounts available in the Expendable Fund Balance on or before April 1.

All moneys collected or received by the University, from whatever source, to pay Debt Service and Related Costs with respect to the Bonds, including without limitation moneys held in trust for the benefit of the Trustee, shall be collected or received for the account of the Trustee in trust to be held and applied solely to Debt Service and Related Costs with respect to the Bonds.

<u>Reports</u>

Until all transfers due under the Financing Agreement have been made in full, for each fiscal year commencing with the fiscal year ending June 30, 2012, the University shall deliver to the Issuer and the Trustee, within 240 days after the end of its fiscal year, audited annual financial statements of the University on account of such fiscal year.

<u>Immunity of Issuer and Trustee</u>

In the exercise of the powers of the Issuer and the Trustee and their members, officers, employees and agents under the Loan and Trust Agreement or the Financing Agreement including (without limiting the foregoing) the application of moneys and the investment of funds, the Issuer and the Trustee shall not be accountable to the University for any action taken or omitted with respect to the Project, the Loan and Trust Agreement or the Financing Agreement by it or its members, officers, employees and agents in good faith and believed by it or them to be authorized or within the discretion or rights or powers conferred under the Loan and Trust Agreement or the Financing Agreement. The Issuer and the Trustee and their members, officers, employees and agents shall be protected in its or their acting upon any paper or documents believed by it or them to be genuine, and it or they may conclusively rely upon the advice of counsel and may (but need not) require further evidence of any fact or matter before taking any action. No recourse shall be had by the University for any claims based on the Loan and Trust

Agreement or the Financing Agreement against any member, officer, employee or agent of the Issuer or the Trustee alleging personal liability on the part of such person unless such claims are based upon the bad faith, fraud or deceit of such person. To the extent permitted by law, the University shall indemnify the Issuer and the Trustee and any of their members, officers, employees or agents and save them harmless against any liability resulting from acts or omissions of the University or from acts or omissions of the Issuer or the Trustee or any of their members, officers, employees or agents in connection with any necessary or reasonable acts taken pursuant to the Financing Agreement or the Loan and Trust Agreement, except for fraud, deceit, or acts taken in bad faith or which are grossly negligent. The obligations of the University under this paragraph shall survive the termination of the Financing Agreement and the resignation or removal of the Trustee.

Compliance with Laws

With respect to the University's use of the Project, the University will at all times comply with all applicable requirements of Federal and state laws and with all applicable lawful requirements of any agency, board, or commission created under the laws of The Commonwealth of Massachusetts or of any other duly constituted public authority including, without limitation, compliance with all applicable building, zoning, land use, environmental protection, sanitary and safety laws, rules and regulations, and all applicable grant, reimbursement and insurance requirements, and will not permit a nuisance thereto; provided, however, that the University shall be deemed in compliance with this paragraph so long as it is contesting in good faith any such requirement by appropriate legal proceedings.

Permitted Purposes

The University agrees that any portion of the Project leased or otherwise used by the University shall not be used for any purpose which would cause the Issuer's financing of the Project to constitute a violation of the First Amendment of the United States Constitution. In particular, the University agrees that no part of the Project leased or otherwise used by the University for so long as it is leased or otherwise used by the University shall be used for any sectarian instruction or as a place of religious worship or in connection with any part of a program of a school or department of divinity for any religious denomination.

Events of Default

Each of the following events is defined in the Financing Agreement as, and declared to be and shall constitute, an "Event of Default," and "default" means any Event of Default without regard to any lapse of time or notice: (1) failure by the University to make any transfer required to be made under the Financing Agreement; (2) subject to the provisions under the heading "Transfer Obligation," failure by the University to observe and perform any other covenant, condition or agreement on its part to be observed or performed under the Financing Agreement for a period of 30 days after written notice specifying such failure and requesting that it be remedied is given to the University by the Issuer and the Trustee; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, it shall not constitute an Event of Default if the corrective action is instituted by the University within the applicable period and is being diligently pursued until the default is corrected; (3) if any of the representations, warranties or certifications of the University under the Financing Agreement or otherwise made or delivered in connection with the Financing Agreement or pursuant to the Loan and Trust Agreement shall prove to be false or misleading in any material respect and such breach is not cured within thirty (30) days after written notice thereof is given by the Issuer and the Trustee to the University; and (4) the failure by the University promptly to stay or lift any execution, garnishment or attachment of such consequence as will, in the judgment of the Issuer, impair its ability to carry out its obligations under the Financing Agreement.

The University covenants that, in case a default shall occur in the transfer of any sum to be transferred by the University under the Financing Agreement as and when such transfer is required, whether at the time originally scheduled or otherwise, then, upon demand of the Issuer or the Trustee, the University will transfer to the Trustee an amount equal to the sum of: (i) all amounts then due and payable under the Financing Agreement; and (ii) such further amount as shall be sufficient to cover the costs and expenses of collection, including a reasonable compensation to the Issuer, the Trustee, their agents, attorneys and counsel, and any expenses or liabilities incurred by the Issuer or the Trustee other than because of its or their own negligence or bad faith; provided such transfer is only required from the special funds and other assets described in the Financing Agreement.

In case the University shall fail forthwith to transfer such amounts upon such demand, the Issuer or the Trustee may, (i) institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid, (ii) prosecute any such action or proceeding to judgment or final decree and (iii) enforce any such judgment or final decree against the University and collect in the manner provided by law out of the special funds and other assets described in the second paragraph under the heading "Special Obligation of the University" the moneys adjudged or decreed to be payable.

Other Remedies

Whenever any Event of Default under the Financing Agreement shall have occurred and be continuing, the Issuer or the Trustee may take whatever action at law or in equity as may appear necessary or desirable to collect the amounts to be transferred by the University under the Financing Agreement, then due, or to enforce performance and observance of any obligation, agreement or covenant of the University under the Finance Agreement. No action taken pursuant to this paragraph shall relieve the University from its obligations pursuant to the Financing Agreement, all of which shall survive any such action. The Issuer or the Trustee may take whatever action at law or in equity as may appear necessary and desirable to collect the amounts then due or to enforce the performance and observance of any obligation, agreement or covenant of the University under the Financing Agreement.

Notice of Default

The University shall give the Trustee and the Issuer a prompt written notice of any condition or occurrence which constitutes a default under the Financing Agreement immediately upon becoming aware of the existence thereof.

Limitation of Liability of the Issuer

In the event of any default by the Issuer under the Financing Agreement, the liability of the Issuer to the University shall be enforceable only out of its interest under the Financing Agreement and there shall be no other recourse for damages by the University against the Issuer, its officers, members, agents and employees, or against any of the property now or hereafter owned by it or them.

Applicable Law

The Financing Agreement shall be deemed to be a contract made in the Commonwealth and governed by Massachusetts law.

Assignments

The University shall not assign the Financing Agreement or any interest of the University in the Financing Agreement, either in whole or in part. The Issuer and the Trustee may assign the Financing Agreement as set forth in the Financing Agreement.

Amendments

The Financing Agreement may not be amended except by an instrument in writing signed by the parties, with notice to the Trustee and any rating agency then rating the Bonds.

Term of the Financing Agreement

The Financing Agreement and the respective obligations of the parties to the Financing Agreement shall be in full force and effect from the date of the Financing Agreement until the Loan and Trust Agreement has been defeased.

Successors and Assigns

The rights and obligations of the parties to the Financing Agreement shall be binding on and inure to their respective successors and assigns.

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APPENDIX G

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Date of Closing]

Massachusetts Development Finance Agency
160 Federal Street, 7th Floor
Boston, Massachusetts 02210

Re: Massachusetts Development Finance Agency ("Issuer") $29,970,000 Revenue Refunding Bonds, University of Massachusetts Issue, Series 2011 (the "University Bonds") and $10,495,000 Revenue Refunding Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series 2011 (the "WCCC Bonds" and, together with the University Bonds, the "Bonds").

We have acted as bond counsel to the University of Massachusetts (the "University") in connection with the issuance by the Issuer of the Bonds pursuant to Chapter 23G of Massachusetts General Laws (the "Act"), a Loan and Trust Agreement dated as of October 1, 2011 (the "University Loan and Trust Agreement") among the Issuer, the University and People's United Bank, as trustee (the "University Trustee") relating to the University Bonds and a Loan and Trust Agreement dated as of October 1, 2011 (the "WCCC Loan and Trust Agreement," and together with the University Loan and Trust Agreement, the "Trust Agreements") among the Issuer, Worcester City Campus Corporation (the "Institution") and People's United Bank, as trustee (the "WCCC Trustee") relating to the WCCC Bonds. In such capacity, we have examined the law and such certified proceedings and papers as we have deemed necessary to render this opinion, including, without limitation, the Financing Agreement dated as of October 1, 2011 (the "Financing Agreement") between the University, acting in the name of and on behalf of The Commonwealth of Massachusetts (the "Commonwealth"), and the Issuer relating to the WCCC Bonds.

Pursuant to the University Loan and Trust Agreement, the proceeds from the sale of the University Bonds will be used by the Issuer to make a loan to the University, and pursuant to the WCCC Loan and Trust Agreement, the proceeds from the sale of the WCCC Bonds will be used by the Issuer to make loans to the Institution.

The University Bonds are payable from funds to be provided therefor by the University under the University Loan and Trust Agreement. The WCCC Bonds are payable from funds to be provided therefor by WCCC pursuant to the WCCC Loan and Trust Agreement and the University under the Financing Agreement. Under the applicable Trust Agreement, the University or WCCC, as the case may be, has agreed to make payments sufficient to pay when due the principal (including sinking fund installments) and redemption price of and interest on the Bonds. Pursuant to the Financing Agreement, the University has agreed to make, from the sources specified therein, payments to the Issuer to the extent WCCC's payments under the WCCC Loan and Trust Agreement are insufficient. Such payments and other moneys payable to the Issuer or the applicable Trustee under the applicable Trust Agreement and the Financing Agreement, including proceeds derived from any security provided thereunder (the "Revenues"), and the rights of the Issuer under the Trust Agreement and the Financing Agreement to receive the same (excluding, however, certain administrative fees, indemnification and reimbursements) are pledged and assigned by the Issuer as security for the applicable Bonds.

As to questions of fact material to our opinion, we have relied upon the representations of the Issuer, the University and the Institution contained in the Trust Agreements and the Financing Agreement, as applicable, the certified proceedings and other certifications of public officials and others furnished to us, including certifications furnished to us by or on behalf of the University and the Institution, 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 Issuer is validly existing as a body politic and corporate and public instrumentality of the Commonwealth with the power to enter into the Trust Agreements and the Financing Agreement, perform the agreements on its part contained therein and issue the Bonds.

2. The Trust Agreements and the Financing have been duly authorized, executed and delivered by the Issuer and constitute valid and binding obligations of the Issuer enforceable upon the Issuer.

3. Pursuant to the Act, each of the Trust Agreements creates a valid lien on the funds pledged by such Trust Agreement for the security of the Bonds issued thereunder on a parity with other bonds, if any, to be issued under such Trust Agreement.

4. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding special obligations of the Issuer, payable solely from the sources provided therefor pursuant to the applicable Trust Agreement. Neither the Commonwealth nor any political subdivision thereof nor the Issuer is obligated to pay the principal of or interest on the Bonds except from the sources provided therefor as aforesaid pursuant to the applicable Trust Agreement, and neither the faith and credit nor the taxing power of the Commonwealth nor of any political subdivision thereof nor of the Issuer is pledged to the payment of the principal of or interest on the Bonds.

5. Interest on the Bonds will be excludable from the gross income of holders of the Bonds for federal income tax purposes. This opinion is expressly conditioned upon continued compliance with certain requirements imposed by the Internal Revenue Code of 1986, as amended (the "Code"), which must be satisfied subsequent to the date of issuance of the Bonds in order to assure that interest on the Bonds is and continues to be excludable from the gross income of holders of the Bonds. Failure to comply with certain of such requirements could cause interest on the Bonds to be required to include in the gross income of holders of the Bonds retroactive to the date of issuance of the Bonds. In particular, and without limitation, these requirements include requirements as to the tax-exempt status of the Institution, restrictions on the use, expenditure and investment of Bond proceeds and the payment of rebate, or penalties in lieu of rebate, to the United States, subject to certain exceptions.

(a) Interest on the Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations under the Code. However, interest on the Bonds will be included in determining "adjusted current earnings" of certain corporate holders of the Bonds and, therefore, will be taken into account in computing of the alternative minimum tax applicable to certain corporations.

(b) We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. Interest on the Bonds and any profit 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, or 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 Agreements and the Financing Agreement 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,

GREENBERG TRAURIG, LLP

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APPENDIX H

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Agreement") is executed and delivered by and between the Worcester City Campus Corporation (the "Institution"), University of Massachusetts (the "University") and People's United Bank, as trustee (the "Trustee"), in connection with the issuance of the Massachusetts Development Finance Agency Revenue Refunding Bonds, University of Massachusetts Issue, Series 2011 (the "University Bonds") and the Massachusetts Development Finance Agency Revenue Refunding Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series 2011 (the "WCCC Bonds" and collectively with the University Bonds and the WCCC Bonds, the "Bonds"). The University Bonds are being issued pursuant to a Loan and Trust Agreement dated as of October 1, 2011 (the "University Trust Agreement") among the Massachusetts Development Finance Agency (the "Issuer"), the University and the Trustee. The WCCC Bonds are being issued pursuant to a Loan and Trust Agreement dated as of October 1, 2011 (the "WCCC Trust Agreement" and together with the University Trust Agreement, the "Trust Agreement") among the Issuer, the Institution and the Trustee. The proceeds of each series of Bonds are being loaned by the Issuer to the Institution and to the University, as the case may be, pursuant to the applicable Trust Agreement.

The Institution, the University and the Trustee agree as follows:

SECTION 1: Purpose of this Agreement. This Agreement is being executed and delivered by the Institution, the University and the Trustee for the benefit of the Bondowners (defined below) and in order to assist the Participating Underwriter (defined below) in complying with the Rule (defined below). The Institution, the University and the Trustee acknowledge that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Agreement, and has no liability to any person, including any Bondowner, with respect to any such reports, notices or disclosures. The Trustee, except as provided in Section 3(c), has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Agreement, and has no liability to any Bondowner, with respect to any such reports, notices or disclosures except for its negligent failure to comply with its obligations under Section 3(c).

SECTION 2: Definitions In addition to the definitions set forth elsewhere in this Agreement, which apply to any capitalized term used in this Agreement unless otherwise defined in this section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any annual report provided by the Institution or the University pursuant to, and as described in, Sections 3 and 4 of this Agreement.

"Bondowner" shall mean the registered owner of a Bond and any beneficial owner thereof, as established to the reasonable satisfaction of the Trustee or University.

"Dissemination Agent" shall mean any Dissemination Agent or successor Dissemination Agent designated in writing by the University and which has filed with the Institution, the University, the Trustee and the Issuer a written acceptance of such designation. The same entity may serve as both Trustee and Dissemination Agent. Initially, the University shall serve as the Dissemination Agent. In the absence of a third party Dissemination Agent, the University shall serve as the Dissemination Agent.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Agreement.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Agreement. Filing information relating to the MSRB is set forth in Exhibit B hereto.

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3: Provision of Annual Reports.

(a) The Dissemination Agent, not later than 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2011 (the "Filing Deadline"), shall provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Agreement. Not later than 30 days prior to the Filing Deadline, the Institution and the University (if it is not the Dissemination Agent) shall provide its respective Annual Report to the Dissemination Agent. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Agreement, provided that the audited financial statements of the Institution and the University may be submitted separately from, and at a later date than, the balance of their Annual Report if such audited financial statements are not available as of the date set forth above. If the Dissemination Agent submits the audited financial statements of the Institution or the University at a later date, it shall provide unaudited financial statements by the above-specified deadline and shall provide the audited financial statements as soon as practicable after the audited financial statements become available. The Institution and the University shall submit their audited financial statements to the Dissemination Agent as soon as practicable after they become available, and the Dissemination Agent shall submit such audited financial statements to the MSRB as soon as practicable thereafter. The Institution and the University shall provide copies of their Annual Report to the Issuer and the Trustee.

(b) The Dissemination Agent shall file a report with the Institution, the University, the Issuer and the Trustee certifying that the Annual Report has been provided pursuant to this Agreement and stating the date it was provided (the "Compliance Certificate"); such report shall include a certification from the Institution and the University that their Annual Report complies with the requirements of this Agreement.

(c) If the Trustee has not received a Compliance Certificate by the Filing Deadline, the Trustee shall send, and the Institution and the University hereby authorizes and directs the Trustee to submit on their behalf, a notice to the MSRB in substantially the form of Exhibit A.

(d) If the Dissemination Agent has not provided the Annual Report to the MSRB by the Filing Deadline, the Institution and the University shall send, or cause the Dissemination Agent to send, a notice substantially in the form of Exhibit A irrespective of whether the Trustee submits such written notice.

SECTION 4: Content of Annual Reports.

(a) The Institution's Annual Report shall contain or incorporate by reference the Institution's annual audited financial statements prepared in conformity with generally accepted accounting principles financial information as in effect from time to time.

(b) The University's Annual Report shall contain or incorporate by reference the University's annual audited financial statements prepared in conformity with generally accepted accounting principles financial information as in effect from time to time and financial and operating data relating to the following information contained in Appendix A to the Official Statement dated November 2, 2011 pertaining to the Bonds, and in each case substantially in the same level of detail as is found in the referenced page or under the referenced caption of such Appendix A:

1. Number of the undergraduates and graduates at each campus of the University as of the fall of the prior fiscal year (pp. 2-5);

2. Degrees and programs offered at each campus of the University (pp. 2-5);

3. Number and members of the Board of Trustees or other chief governing body of the University and general governmental structure ("Governance");

4. Academic programs (to the extent not covered by (1) above) and accreditation ("Academic Programs and Accreditation");

5. 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 on a five-year comparative basis through the fall of the prior fiscal year ("Enrollment");

6. Tuition and fees on a five-year comparative basis through the prior fiscal year ("Tuition and Fees");

7. Sources of revenue of the University ("University Revenues and Budgeting");

8. Management of funds ("University Revenues and Budgeting - Management of Appropriated Funds and Management of Non-Appropriated Funds");

9. Summary of operations, including revenues and expenditures (accrual basis) on a five-year comparative basis through the prior fiscal year ("University Revenues and Budgeting - Summary of Operations");

10. Endowment assets on a five-year comparative basis through the prior fiscal year ("Endowment and Fundraising"); and

11. Outstanding indebtedness ("Indebtedness of the University").

SECTION 5: Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.

2. Non-payment related defaults, if material.

3. Unscheduled draws on debt service reserves reflecting financial difficulties.

4. Unscheduled draws on credit enhancements reflecting financial difficulties.

5. Substitution of credit or liquidity providers, or their failure to perform.

6. 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 security, or other material events affecting the tax status of the security.

7. Modifications to the rights of the security holders, if material.

8. Bond calls, if material, and tender offers (the giving of notice of regularly scheduled mandatory sinking fund redemption shall not be deemed material for this purpose).

9. Defeasances.

10. Release, substitution, or sale of property securing repayment of the securities, if material.

11. Rating changes.

12. Bankruptcy, insolvency, receivership or similar event of the Institution or the University.[*]

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[*] As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Institution or the University in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Institution or the University, 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 (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Institution or the University.

13. The consummation of a merger, consolidation, or acquisition involving the Institution or the University or the sale of all or substantially all of the assets of the Institution or the University, 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.

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the Institution or the University obtains knowledge of the occurrence of a Listed Event, the Institution or the University, as the case may be, shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file or cause to be filed a notice of such occurrence with the MSRB. The Institution and the University shall provide a copy of each such notice to the Issuer and the Trustee. The Dissemination Agent, if other than the University or the Institution, shall have no duty to file a notice of an event described hereunder unless it is directed in writing to do so by the Institution or the University and shall have no responsibility for verifying any of the information in any such notice or determining the materiality of the event described in such notice.

SECTION 6: <u>Transmission of Information and Notices</u>. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7: <u>Termination of Reporting Obligation</u>. The Institution's and University's obligations under this Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or upon delivery to the Trustee of an opinion of counsel expert in federal securities laws selected by the Institution or the University and acceptable to the Trustee to the effect that compliance with this Agreement no longer is required by the Rule. If the Institution's or the University's obligations under the Trust Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Agreement in the same manner as if it were the original Institution or University and the University or Institution shall have no further responsibility hereunder.

SECTION 8: <u>Dissemination Agent</u>. The Institution or the University may, from time to time with notice to the Trustee and the Issuer, appoint or engage a third-party Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may, with notice to the Trustee and the Issuer, discharge any such third-party Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the University) may resign upon 30 days' written notice to the Institution, the University, the Trustee and the Issuer.

SECTION 9: <u>Amendment; Waiver</u>. Notwithstanding any other provision of this Agreement, the Institution, the University and the Trustee may amend this Agreement (and, except as provided in the last sentence of this Section 9, the Trustee shall agree to any amendment so requested by the Institution and the University) and any provision of this

Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Institution, the University and the Trustee to the effect that such amendment or waiver would not, in and of itself, violate the Rule. Without limiting the foregoing, the Institution, the University and the Trustee may amend this Agreement if (a) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Institution or the University, (b) this Agreement, as so amended, would have complied with the requirements of the Rule at the time the Bonds were issued, taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) (i) the Trustee determines, or the Trustee receives an opinion of counsel expert in federal securities laws and acceptable to the Trustee to the effect that, the amendment does not materially impair the interests of the Bondowners or (ii) the amendment is consented to by the Bondowners as though it were an amendment to the applicable Trust Agreement pursuant to Section 1101 of each Trust Agreement. The annual financial information containing the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. Neither the Trustee nor the Dissemination Agent shall be required to accept or acknowledge any amendment of this Agreement if the amendment adversely affects its respective rights or immunities or increases its respective duties hereunder.

SECTION 10: Additional Information. Nothing in this Agreement shall be deemed to prevent the Institution or the University from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the Institution or the University chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Agreement, the Institution and the University shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11: Default. In the event of a failure of the Institution, the University or the Dissemination Agent to comply with any provision of this Agreement, the Trustee may (and, at the request of Bondowners representing at least 25% in aggregate principal amount of Outstanding Bonds, subject to receiving indemnity satisfactory to it, shall), take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Institution, the University or the Dissemination Agent, as the case may be, to comply with its obligations under this Agreement. Without regard to the foregoing, any Bondowner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Institution, the University or the Dissemination Agent, as the case may be, to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the any Trust Agreement, and the sole remedy under this Agreement in the event of any failure of the University, the Institution or the Dissemination Agent to comply with this Agreement shall be an action to compel performance and not for money damages under any circumstances.

SECTION 12: Duties, Immunities and Liabilities of Trustee and Dissemination Agent. As to the Trustee, Article VII of each Trust Agreement is hereby made applicable to this

Agreement as if this Agreement were (solely for this purpose) contained in the applicable Trust Agreement. The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement, and the Institution and the University (in the case of the University, to the extent permitted by law) agree to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Institution and the University under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Institution and the University covenant that whenever it is serving as Dissemination Agent, it shall take any action required of the Dissemination Agent under this Agreement.

The Trustee shall have no obligation under this Agreement to report any information to the MSRB or any Bondowner. If an officer of the Trustee obtains actual knowledge of the occurrence of an event described in Section 5 hereunder, whether or not such event is material, the Trustee shall timely notify the Institution and the University of such occurrence, provided, however, that any failure by the Trustee to give such notice to the Institution and the University shall not affect the Institution's and University's obligations under this Agreement or give rise to any liability by the Trustee for such failure.

SECTION 13: Beneficiaries. This Agreement shall inure solely to the benefit of the Institution, the University, the Trustee, the Dissemination Agent, the Participating Underwriter and the Bondowners, and shall create no rights in any other person or entity.

SECTION 14: Disclaimer. No Annual Report or notice of a Listed Event filed by or on behalf of the Institution or the University under this Agreement shall obligate the Institution or the University to file any information regarding matters other than those specifically described in Section 4 and Section 5 hereof, nor shall any such filing constitute a representation by the Institution or the University or raise any inference that no other material events have occurred with respect to the Institution or the University or the Bonds or that all material information regarding the Institution, the University or the Bonds has been disclosed. The Institution and the University shall have no obligation under this Agreement to update information provided pursuant to this Agreement except as specifically stated herein.

SECTION 15: Notices. Unless otherwise expressly provided, all notices to the Issuer, the University, the Institution, the Trustee and the Dissemination Agent shall be in writing and shall be deemed sufficiently given if sent by registered or certified mail, postage prepaid, or delivered or sent by facsimile during business hours to such parties at the address specified in Section 1103 of the applicable Trust Agreement or, as to all of the foregoing, to such other address as the addressee shall have indicated by prior written notice to the party giving notice.

SECTION 16: Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 17: Governing Law. This instrument shall be governed by the laws of The Commonwealth of Massachusetts.

IN WITNESS WHEREOF, the parties hereto have executed this instrument this ____ day of ________, 2011.

WORCESTER CITY CAMPUS CORPORATION

By: ______________________________________
President

UNIVERSITY OF MASSACHUSETTS

By: ______________________________________

PEOPLE'S UNITED BANK, as Trustee

By: ______________________________________

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Massachusetts Development Finance Agency

Name of Bond Issues:

Revenue Refunding Bonds, University of Massachusetts Issue, Series 2011

Revenue Refunding Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series 2011

Name of Obligated Persons: University of Massachusetts and
Worcester City Campus Corporation

Date of Issuance: _______ __, 2011

NOTICE IS HEREBY GIVEN that the _____________ has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated ______________ by and among Worcester City Campus Corporation, University of Massachusetts and People's United Bank, as trustee.

Dated: ___________________

PEOPLE'S UNITED BANK, as Trustee
on behalf of the University of
Massachusetts and Worcester City
Campus Corporation

cc: Massachusetts Development Finance Agency, University and Institution

EXHIBIT B

Filing information relating to the Municipal Securities Rulemaking Board is as follows:

Municipal Securities Rulemaking Board http://emma.msrb.org

APPENDIX I

OFFICIAL NOTICE OF SALE

**$28,060,000*
Revenue Refunding Bonds
University of Massachusetts Issue
Series 2011**

**$10,370,000*
Revenue Refunding Bonds
Worcester City Campus Corporation Issue
(University of Massachusetts Project)
Series 2011**

October 25, 2011

NOTICE IS HEREBY GIVEN that electronic bids will be received by the Massachusetts Development Finance Agency (the "Issuer"), for the purchase of Revenue Refunding Bonds, University of Massachusetts Issue, Series 2011 (the "University Bonds") and Revenue Refunding Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series 2011 (the "WCCC Bonds" and together with the University Bonds, the "Bonds") of the Issuer to be sold in the respective aggregate principal amounts set forth above. Bids for the purchase of each series of the Bonds will be submitted via the Parity Electronic Bid Submission System ("Parity"). No other method of submitting bids will be accepted. The bids will be received via Parity up to the time described below under the captions "Time" and "Procedures for Electronic Bidding."

The Bonds shall be special obligations of the Issuer payable solely from the Revenues of the Issuer, including (i) with respect to the University Bonds, payments to the Trustee for the account of the Issuer by the University of Massachusetts (the "University"), in accordance with the provisions of the Loan and Trust Agreement dated as of October 1, 2011 (the "University Loan and Trust Agreement") among the Issuer, the University and People's United Bank, as trustee (the "Trustee"), providing for the issuance of the University Bonds, and (ii) with respect to the WCCC Bonds, payments to the Trustee for the account of the Issuer by Worcester City Campus Corporation ("WCCC"), in accordance with the provisions of the Loan and Trust Agreement dated as of October 1, 2011 (the "WCCC Loan and Trust Agreement" and together with the University Loan and Trust Agreement, the "Loan and Trust Agreement") among the Issuer, WCCC and the Trustee, providing for the issuance of the WCCC Bonds, all as more fully described in the Preliminary Official Statement referred to below, which should be read in conjunction herewith. Terms used in this Official Notice of Sale and not defined herein have the same meanings assigned to them in the Preliminary Official Statement.

Time. Bids will be received by the Issuer via Parity on Wednesday, November 2, 2011 at the below times for each series of Bonds (subject to the provisions described below under the caption "Procedures for Electronic Bidding") or at such later date and/or other time as shall be established by the Issuer and communicated on Thomson Municipal Market Monitor News (www.tm3.com) ("TM3"), as described herein under the caption "Postponement." If no legal bid or bids are received for either series of the Bonds by November 2, 2011, an alternative date and time may be designated by the Issuer and communicated on TM3.

SERIES	TIME
University Bonds	**11:00 a.m. (Boston time)**
WCCC Bonds	**11:15 a.m. (Boston time)**

Bidders may bid for one or both series of Bonds. A bidder is not required to bid on both series of Bonds if it bids on one series of Bonds.

Details of the Bonds. Each series of Bonds will be dated and bear interest, calculated on the basis of 30-day months and a 360-day year, from the date of delivery, at the rate per annum per maturity specified by the successful bidder, payable semiannually on April 1 and October 1 in each year until maturity, beginning April 1,

* Preliminary, subject to adjustment as provided herein.

2012. The Bonds shall mature or come due through mandatory sinking fund redemptions (subject to adjustment as described herein) on October 1 of each year, as shown below:

UNIVERSITY BONDS

October 1	Preliminary Principal Amount*
2012	$ 10,000
2013	780,000
2014	800,000
2015	830,000
2016	860,000
2017	895,000
2018	930,000
2019	970,000
2020	1,020,000
2021	1,070,000
2022	1,125,000
2023	1,185,000
2024	1,240,000
2025	1,300,000
2026	1,365,000
2027	1,430,000
2028	1,505,000
2029	1,580,000
2030	1,660,000
2031	1,745,000
2032	1,825,000
2033	1,920,000
2034	2,015,000

WCCC BONDS

October 1	Preliminary Principal Amount*
2012	$ 695,000
2013	710,000
2014	740,000
2015	765,000
2016	800,000
2017	830,000
2018	855,000
2019	900,000
2020	945,000
2021	995,000
2022	1,040,000
2023	1,095,000

The Bonds of each series will be issued as serial bonds, as term bonds or as a combination of serial bonds and term bonds in accordance with the bid submitted by the successful bidder (see "Bidding Parameters" below).

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

* Preliminary, subject to adjustment as provided herein.

REDEMPTION

University Bonds

Optional Redemption

The University Bonds maturing on or before October 1, 2021 are not subject to optional redemption prior to maturity unless redeemed pursuant to the special redemption provisions described below. The University Bonds maturing after October 1, 2021 are subject to optional redemption prior to maturity, on and after October 1, 2021 at the option of the Issuer at the written direction of the University, as a whole or in part at any time in such order of maturities or sinking fund installments, if applicable, as directed by the University, at their principal amounts (without premium), plus accrued interest to date fixed for redemption.

Special Redemption

The University Bonds are subject to redemption as a whole or in part at any time in any order of maturity or sinking fund installment, if applicable, as directed by the University, at their principal amounts (without premium) plus accrued interest to the redemption date, in the event of damage to or destruction of, or taking of, all or a portion of the Project refinanced with the University Bonds that exceeds 25% of the then full insurable value of such Project, from insurance or condemnation award proceeds received as a result thereof.

WCCC Bonds

Optional Redemption

The WCCC Bonds maturing on or before October 1, 2021 are not subject to optional redemption prior to maturity unless redeemed pursuant to the special redemption provisions described below. The WCCC Bonds maturing after October 1, 2021 are subject to optional redemption prior to maturity, on and after October 1, 2021 at the option of the Issuer at the written direction of WCCC, as a whole or in part at any time, in such order of maturities or sinking fund installment, as applicable, as directed by WCCC, at their principal amounts (without premium), plus accrued interest to date fixed for redemption.

Special Redemption

The WCCC Bonds are subject to redemption as a whole or in part at any time on any interest payment date, in any order of maturity or sinking fund installment, if applicable, directed by WCCC, at their principal amounts (without premium) plus accrued interest to the redemption date, in the event of damage to or destruction of, or taking of, all or a portion of the Project refinanced with the WCCC Bonds that exceeds 25% of the then full insurable value of such Project, from insurance or condemnation award proceeds received as a result thereof.

Adjustments to Principal Amounts of the Bonds. The preliminary aggregate principal amounts of the University Bonds and the WCCC Bonds of $28,060,000, and $10,370,000, respectively, and the preliminary principal amount of each annual maturity of each series of Bonds as set forth in this Official Notice of Sale may be revised before the receipt of electronic bids for their purchase. The preliminary principal amounts of the Bonds may be increased or decreased. All Bonds of each series will mature on October 1, and the final maturity will be no later than October 1, 2034 for the University Bonds and October 1, 2023 for the WCCC Bonds, but particular maturities may be eliminated from the sale. Any revisions to the preliminary principal amounts or maturities of any series of Bonds made prior to the receipt of electronic bids will be published on TM3 not later than 10:00 a.m. (Boston time) on the bid day. If revised principal amounts and/or maturities are published, bidders shall submit bids on the revised principal amounts and/or maturities, and the revised principal amounts and/or maturities will be used to compare bids and select a successful bidder. If no revisions are made, bidders shall submit bids on the original, preliminary principal amounts and maturities.

The Issuer also reserves the right to adjust the revised principal amounts following the electronic communication of bids via Parity to the Issuer to ensure proper deposits to the respective funds and accounts to defease the Bonds to be refunded and to pay costs of issuance. Such increase or decrease in principal amount shall not exceed fifteen percent (15%) in aggregate, as applicable, of any series of Bonds. The successful bidder may not withdraw its bid or change the interest rates bid or reoffering prices or yields as a result of such adjustments to the revised principal amounts within these parameters. The dollar amount bid by the successful bidder will be adjusted to reflect any increase or decrease in the revised principal amounts. Bidders should be advised that bidding with a large net premium for any series of Bonds will likely result in a corresponding reduction in the par amount of such Bonds. Such adjusted dollar bid will not change the bidder's compensation per $1,000 of par amount of such series of Bonds from that which would have resulted from the bid submitted. The interest rates specified by the respective successful bidder for each maturity of each series of Bonds will not change. The Issuer anticipates that the final maturity schedule will be communicated to the successful bidder by 10:00 a.m. (Boston time) on the day following the date of award provided the Issuer has received the reoffering prices and yields from the successful bidder.

Bidding Parameters. Separate bids will be received for the University Bonds and the WCCC Bonds. Each bid must be for all of the respective series of Bonds.

For the University Bonds, bidders must specify a rate of interest for each maturity of University Bonds. Such rates of interest must be expressed in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%). The highest interest rate of the University Bonds may not exceed the lowest by more than 2%. Each bid for the University Bonds must be a bid for not less than 100% of the par value of the University Bonds, or more than 110% of the par value for the University Bonds, but in no case shall each individual maturity be at a price less than 98%.

Bids for the WCCC Bonds, bidders must specify a rate of interest for each maturity of WCCC Bonds. Such rates of interest must be expressed in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%). The highest interest rate of the WCCC Bonds may not exceed the lowest by more than 2%. Each bid for the WCCC Bonds must be a bid for not less than 100% of the par value of the WCCC Bonds, or more than 110% of the par value for the WCCC Bonds, but in no case shall each individual maturity be at a price less than 98%.

Bids may provide for all the Bonds of a series to be issued as serial bonds only, or may designate consecutive annual principal amounts (bearing interest at the same rate) to be combined into no more than two term bonds for such series of Bonds. The Bonds of each series will be issued as serial bonds, as term bonds or as a combination of serial bonds and term bonds in accordance with the bid submitted by the successful bidder. Bonds issued as term bonds shall be subject to mandatory sinking fund redemption commencing on October 1 of the first year in which maturities have been combined to form such term bond and continuing on October 1 in each year thereafter until the stated maturity date of such term bond.

No action has been taken by the Issuer that would permit a public offering of the Bonds or possession or distribution of the Preliminary Official Statement or any other offering material in any jurisdiction outside the United States where action for that purpose is required. Accordingly, the Bonds may not be re-offered outside the United States unless arrangements are made with the Issuer and Public Financial Management, Inc. (Financial Advisor to the University for this transaction) no later than 5:00 p.m. (Boston time) on the second business day preceding the bid date. Furthermore, a successful bidder, by virtue of having submitted its bid to purchase any series of the Bonds, will be deemed to have agreed that it will not offer, sell or distribute any such Bonds in a jurisdiction outside the United States unless such underwriter has complied with all applicable laws and regulations in force in such jurisdiction in which it purchases, offers or sells the Bonds or possesses or distributes the Preliminary Official Statement or any other offering material and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of such Bonds under the laws and regulations in force in any foreign jurisdiction to which it is subject or in which it makes such purchases, offers or sales and the Issuer shall have no current or future responsibility therefor.

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

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

A bidder may bid for one or both series of Bonds. A bidder is not required to bid on both series of Bonds if it bids on one series of Bonds.

Each prospective electronic bidder shall be solely responsible to register to bid via Parity. Each qualified prospective electronic bidder shall be solely responsible to make the necessary arrangements to access Parity for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale. Neither the Issuer nor Parity shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the Issuer nor Parity shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by Parity. The Issuer is using Parity as a communication mechanism, and not as the Issuer's agent, to conduct the electronic bidding for the Bonds. The Issuer is not bound by any advice and determination of Parity to the effect that any particular bid complies with the terms of this Official Notice of Sale. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via Parity are the sole responsibility of the bidders, and the Issuer is not responsible, directly or indirectly, for any such costs or expenses. To the extent that any instructions or directions set forth in Parity conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Bonds, such bidder should telephone Parity's new issues desk at (212) 849-5021 and notify the University's and WCCC's Financial Advisor, Public Financial Management, Inc. by facsimile at (617) 951-2361.

Electronic bids must be submitted for the purchase of all of the Bonds of a series via Parity on Wednesday, November 2, 2011 at 11:00 a.m. for the University Bonds and 11:15 a.m. for the WCCC Bonds. Bids submitted after such time will not be deemed received via Parity for the purposes of this bidding process. Prior to such respective time, an eligible prospective bidder may (i) input the proposed terms of its bid via Parity, (ii) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for such series of the Bonds, or (iii) withdraw its proposed bid. Once the bids are communicated electronically via Parity to the Issuer, each bid will constitute an irrevocable offer to purchase the Bonds of such series on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on Parity shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the Issuer, as described under "Basis of Award" set forth below, represented by the rate or rates of interest and the bid price specified in their respective bids.

Good Faith Deposit. Upon notification from the Issuer, the successful bidder for the University Bonds and the WCCC Bonds shall wire transfer to the Issuer an amount equal to $280,000 and $100,000, respectively (the "Good Faith Deposit"), in immediately available funds, no later than 2 p.m. (Boston time) on the bid date. In the event that the Issuer has not received such funds by the time stated, the Issuer may revoke its acceptance of the bid. No interest on the Good Faith Deposit will accrue to the successful bidder. The Good Faith Deposit will be applied to the purchase price of the applicable series of Bonds. If the successful bidder fails to honor its accepted bid, the Good Faith Deposit will be retained by the Issuer.

Basis of Award. The Bonds of each series will be awarded to the bidder offering to purchase all of such Bonds at the lowest true interest cost (TIC) to the Issuer. The TIC (expressed as an annual interest rate) will be determined as being twice that factor or discount rate, compounded semiannually, which, when applied against each semiannual debt service payment (interest, or principal and interest, as due) for such series of Bonds, will cause the sum of such discounted semi-annual payments to be equal to the total purchase price. The TIC shall be calculated from the expected settlement date of the Bonds (November 15, 2011).

The Issuer reserves the right to reject any or all proposals and to waive any irregularity or informality with respect to any proposal.

Official Statement. The Preliminary Official Statement dated October 25, 2011 and the information contained therein have been deemed final by the Issuer as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission, as amended ("Rule 15c2-12") with permitted omissions, but are subject to change without notice and to completion or amendment in the Official Statement in final form (the "Final Official Statement"). The Preliminary Official Statement may be viewed and downloaded from http://www.munios.com.

The Issuer will make available to the successful bidder in a timely manner a reasonable number of copies of the Final Official Statement for delivery (at the expense of the successful bidder or bidders) to each potential investor requesting a copy of the Final Official Statement, and to each person to whom such bidder and members of its bidding group initially sell the Bonds, provided that the successful bidder cooperates in providing the information required to complete the Final Official Statement. The successful bidder shall comply with the requirements of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board, including an obligation, if any, to update the Final Official Statement.

Reoffering Price Certification. The successful bidder for each series of Bonds will, within one hour after being notified of the award of such series of Bonds, advise the Issuer of the initial public reoffering prices of such series of Bonds. At the time of settlement of the Bonds, the successful bidder for each series of Bonds shall furnish to the Issuer a certificate acceptable to Greenberg Traurig, LLP, Bond Counsel, to the effect that (i) all of the Bonds of each maturity of a series of Bonds have been the subject of a bona fide initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of successful winning bidder or wholesalers) at a price not higher than or a yield not lower than those shown for each maturity on the inside cover page of the Final Official Statement, and (ii) based on the records of and information available to the successful bidder at least 10% of each maturity of such series of Bonds was sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of successful winning bidder or wholesalers) at the respective initial offering price or yield for such maturity shown on the inside cover page of the Final Official Statement. In the event that the successful bidder cannot provide the certification in (ii), above, as to a particular maturity, such bidder shall instead certify that, as of the sale date, it was such bidder's reasonable expectation that at least 10% of the Bonds of such maturity of such series of Bonds would be sold at such price or yield, together with a statement as to why such expectation was not satisfied.

Continuing Disclosure. To assist bidders in complying with paragraph (b)(5) of Rule 15c2-12, the University and WCCC will undertake to provide annual reports and notices of certain events. A description of these undertakings is set forth in Appendix H of the Preliminary Official Statement and will also be set forth in the Final Official Statement.

Expenses. Each bid for a series of Bonds will be deemed to be an all-in bid for such series of Bonds. The successful bidder will be under no obligation to pay the Issuer's issuance costs. The Issuer will not pay any expenses of the successful bidder in connection with the purchase of a series of Bonds.

Settlement. The Bonds will be delivered on November 15, 2011 (the "Closing" or the "Closing Date"), in New York, New York, at DTC against payment of the purchase price therefor (less the amount of the Good Faith Deposit). The successful bidder must make payment of the purchase price of the applicable series of Bonds by 10:00 a.m. (Boston time) on November 15, 2011 in immediately available funds in Boston.

There also will be furnished the usual closing papers, including (a) a letter of PricewaterhouseCoopers, LLP, dated the Closing Date, agreeing to the inclusion of its report in Appendix C to the Preliminary Official Statement and the Final Official Statement; (b) a certificate, dated as of the Closing Date, of an authorized officer of the Issuer, to the effect that no litigation is pending or, to his or her knowledge, threatened against the Issuer (either in state or federal court) to restrain or enjoin the issuance, execution or delivery of the Bonds or in any manner questioning the proceedings or authority for the issuance of the Bonds, or affecting directly or indirectly the validity of the Bonds or of any provisions made or authorized for their payment, including the Loan and Trust Agreement, the Financing Agreement, or contesting the refunding of the Bonds, or contesting the existence of the Issuer or the title of any of its members or officers to their respective offices (but in lieu of such certificate the successful winning bidder may accept an opinion of Bond Counsel in form and substance acceptable to the successful winning bidder, that in their opinion the issues raised in any such pending or threatened litigation are without substance or that the contentions of any plaintiffs therein are without merit); (c) copies of the executed Loan and Trust Agreement, the Continuing Disclosure Agreement, the Financing Agreement and the Refunding Trust Agreement; (d) a certificate of WCCC signed by its President, dated the Closing Date, to the effect that: (1) since the date of the Final Official Statement, no material adverse change has occurred in the financial position or results of operations of the WCCC;

(2) WCCC has not, since the date of the Final Official Statement, incurred any material liabilities other than in the ordinary course of business or as set forth in or contemplated by the Final Official Statement; (3) no litigation is pending or, to his knowledge, threatened against WCCC, (i) seeking to restrain or enjoin the issuance or delivery of the WCCC Bonds, (ii) in any way contesting or affecting any authority for the issuance of the WCCC Bonds or the validity of the WCCC Bonds, the WCCC Loan and Trust Agreement or the Continuing Disclosure Agreement, or (iii) in any way contesting the existence or powers of WCCC or its Board of Trustees; and (4) to the best of his knowledge, no event affecting WCCC has occurred that should have been disclosed in the Preliminary Official Statement and the Final Official Statement, including all appendices thereto, for the purpose for which it is to be used or which should be disclosed therein in order to make the statements and information therein not misleading in any material respect and the sections of the Preliminary Official Statement, as of its date and as of the date of the bidding up to the time immediately preceding the acceptance of the bid (the "Time of Acceptance"), and the Final Official Statement, as of its date and as of the Closing Date, entitled "INTRODUCTORY STATEMENT - Use of Proceeds" (as it relates to WCCC), "ESTIMATED SOURCES AND USES OF FUNDS" (as it relates to WCCC), "CONTINUING DISCLOSURE" (as it relates to WCCC), "CERTAIN RISKS" (as it relates to WCCC), "LITIGATION" (as it relates to WCCC) and Appendix B (except for any forecasts and opinions contained therein) did not contain and does not contain an untrue statement of a material fact or omitted or omits a statement of material fact necessary to make the statements made therein, in light of the circumstances under which they were and are made, not misleading and that the aforesaid forecasts and opinions were and are believed to be reasonable in light of the experience of such officer of WCCC and the facts known to him at that time; (e) a certificate of the University, dated the Closing Date signed by the Senior Vice President for Administration, Finance and Technology, and University Treasurer, dated the Closing Date, to the effect that: (1) since the date of the Final Official Statement, no material adverse change has occurred in the financial position or results of operations of the University; (2) the University has not since the date of the Final Official Statement incurred any material liabilities other than in the ordinary course of business or as set forth in or contemplated by the Final Official Statement; (3) no litigation is pending or, to his knowledge, threatened against the University (i) seeking to restrain or enjoin the issuance or delivery of the Bonds, (ii) in any way contesting or affecting any authority for the issuance of the Bonds or the validity of the Bonds, the Financing Agreement, the University Loan and Trust Agreement or the Continuing Disclosure Agreement, or (iii) in any way contesting the existence or powers of the University or its Board of Trustees; (4) to the best of his knowledge, no event affecting the University has occurred that should have been disclosed in the Preliminary Official Statement or the Final Official Statement, including all appendices thereto, for the purpose for which it is to be used or which should be disclosed therein in order to make the statements and information therein not misleading in any material respect; and (5) the sections of the Preliminary Official Statement, as of its date and as of the Time of Acceptance, and the Final Official Statement, as of its date and the Closing Date, entitled "INTRODUCTORY STATEMENT - Use of Proceeds" (as it relates to the University), "ESTIMATED SOURCES AND USES OF FUNDS" (as it relates to the University), "DEBT SERVICE REQUIREMENTS," "CERTAIN RISKS" (as it relates to the University), "CONTINUING DISCLOSURE" (as it relates to the University), "LITIGATION" (as it relates to the University) and Appendices A and C (except for any forecasts and opinions contained therein) did not contain and does not contain an untrue statement of a material fact or omitted or omits a statement of material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading and that the aforesaid forecasts and opinions were and are believed to be reasonable in light of his experience and the facts known to him at that time; (f) a verification calculation by BondResource Partners, LP, in form and substance satisfactory to Bond Counsel and furnished to the successful winning bidder, confirming that the investment made under the Refunding Trust Agreement are in the amounts and maturities necessary to provide funds fully to pay the Issuer's Revenue Bonds, University of Massachusetts Issue, Series C (the "University's Series C Refunded Bonds" or the "Refunded Bonds"); (g) evidence of ratings for the Bonds of "Aa2" with a stable outlook by Moody's Investors Services ("Moody's") and "AA" with a stable outlook by Fitch Ratings ("Fitch"); and (h) Certificate of the successful winning bidder regarding Rule G-37.

Legal Opinions. The opinion, dated as of the Closing Date, of Greenberg Traurig, LLP, Bond Counsel, in substantially the form attached as Appendix G, will be furnished to the successful winning bidder of each series of Bonds. The opinion, dated as of the Closing Date, of Greenberg Traurig, LLP, Bond Counsel, will be furnished to the successful winning bidder to the general effect that: (a) the sections of the Preliminary Official Statement, as of its date and as of the Time of Acceptance and the Final Official Statement as of its date and as of the Closing Date entitled "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS," "THE BONDS" (except under the heading "Book-Entry-Only System"), "TAX EXEMPTION," and "COMMONWEALTH NOT LIABLE ON THE

BONDS" and Appendices D, E and F are correct in all material respects and do not omit any statement which, in their opinion, should be included therein; (b) no facts have come to their attention which would lead them to believe that the Preliminary Official Statement, as of its date and as of Time of Acceptance, and the Final Official Statement, as of its date and as of the Closing Date, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except that no opinion need be expressed with respect to the portions, entitled "INTRODUCTORY STATEMENT," "THE BONDS - Book-Entry-Only System," "VERIFICATION OF MATHEMATICAL COMPUTATIONS," "RATINGS," "COMPETITIVE SALE OF THE BONDS," and "FINANCIAL ADVISOR" and Appendix A or any other financial or statistical data contained in the Preliminary Official Statement and the Final Official Statement); and (c) the offering, sale and delivery of the Bonds are exempt from the registration requirements of the Securities Act of 1933, as amended, and the Loan and Trust Agreement and the Financing Agreement are exempt from qualification as indentures under the Trust Indenture Act of 1939, as amended. The opinion, dated as of the Closing Date, of Greenberg Traurig, LLP, counsel to WCCC, addressed to the Issuer and the successful winning bidder to the effect that: (a) WCCC has been duly incorporated and is validly existing under the laws of the Commonwealth; (b) after due inquiry, no facts have come to their attention which would lead them to believe that those portions of the Preliminary Official Statement, as of its date and as of the Time of Acceptance, and Final Official Statement as of its date and as of the Closing Date, entitled "INTRODUCTORY STATEMENT - Use of Proceeds" (as it relates to WCCC), "CERTAIN RISKS" (as it relates to WCCC) and Appendix B, contained or contains an untrue statement of material fact, as it relates to WCCC and the agreements entered into by WCCC in connection with the transactions contemplated by the Preliminary Official Statement and the Final Official Statement, or omits to state a material fact, as it relates to WCCC and the agreements entered into by WCCC in connection with the transactions contemplated by the Preliminary Official Statement and the Final Official Statement, necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) the WCCC Loan and Trust Agreement and the Continuing Disclosure Agreement have each been duly authorized, executed and delivered by WCCC and, assuming proper authorization, execution and delivery by the other parties thereto, constitute binding and enforceable agreements of WCCC in accordance with their terms; (d) based solely upon due inquiry of appropriate officers of WCCC, there is no action, suit, proceeding or investigation at law or in equity before or by any judicial or administrative court or agency, pending or threatened, against or affecting WCCC, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Preliminary Official Statement, the Final Official Statement, the WCCC Loan and Trust Agreement, the Continuing Disclosure Agreement or the validity of the Bonds or, except as disclosed in the Final Official Statement, against or affecting in any material way WCCC or its property; (e) based upon due inquiry of appropriate officers of WCCC, the execution and delivery of the WCCC Loan and Trust Agreement and the Continuing Disclosure Agreement and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of WCCC a breach of or default under the agreements or instruments to which WCCC is a party identified by WCCC and listed on a schedule to such opinion or any existing law, regulation, court order or consent decree to which WCCC is subject; and (f) WCCC is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and as such has been determined by the Internal Revenue Service to be exempt from federal income taxation under section 501(a) of the Internal Revenue Code of 1986, as amended (or a predecessor provision) (the "Code"), with the exception of taxation of any income deemed to be unrelated business taxable income and any amounts deemed taxable by virtue of section 511 of the Code. The opinion, dated as of the Closing Date, of Greenberg Traurig, LLP, counsel to the University, addressed to the Issuer and furnished to the successful winning bidder to the effect that: (a) after due inquiry, no facts have come to their attention which would lead them to believe that the portions of the Preliminary Official Statement as of its date and as of the Time of Acceptance, and the Final Official Statement, as of its date and as of the Closing Date, entitled "INTRODUCTORY STATEMENT-Use of Proceeds" (as it relates to the University), "CERTAIN RISKS" (as it relates to the University) and Appendix A (excluding financial statements and financial and statistical data, as to which no opinion need be expressed), contained or contains an untrue statement of material fact, as it relates to the University and the agreements entered into by the University in connection with the transactions contemplated by the Preliminary Official Statement or the Final Official Statement, or omits to state a material fact, as it relates to the University and the agreements entered into by the University in connection with the transactions contemplated by the Preliminary Official Statement or the Final Official Statement, necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (b) the Financing Agreement, the University Loan and Trust Agreement, the Refunding Trust Agreement and the Continuing Disclosure Agreement have each been duly authorized, executed and delivered by the University and, assuming proper authorization, execution and delivery by the parties thereto, constitute binding and enforceable agreements of the University in accordance with their terms; (c) based solely upon inquiry of appropriate officers of the University, there is no action, suit, proceeding or investigation at law or in equity before or by any judicial or administrative court or agency, pending or threatened, against or affecting the University, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Preliminary Official Statement, the Final Official Statement, the Financing Agreement, the University Loan and Trust Agreement, or, except as disclosed in the Final Official Statement, against or affecting in any material way the University or its property, including property held by the Commonwealth for the use of the University; (d) based upon inquiry of appropriate officers of the University, the execution and delivery of the Financing Agreement, the University Loan and Trust Agreement, the Continuing Disclosure Agreement and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the University a breach of or default under the agreements and instruments to which the University is a party identified by the University and listed on a schedule to such opinion or any existing law, regulation, court order or consent decree to which the University is subject. An opinion of the General Counsel of the University, dated the Closing Date, to the effect that (a) there is no action, suit, proceeding or investigation at law or in equity before any court or administrative body in which the University is named as a party pending or threatened: (i) in any way affecting the title to the office of the President of the University; or (ii) seeking to restrain or enjoin the execution or delivery of, or contesting or affecting in any way the power of the University to enter into the Financing Agreement, the University Loan and Trust Agreement, the Refunding Trust Agreement or the Continuing Disclosure Agreement; or (iii) involving any of the property or assets of the University, including property or assets held by the Commonwealth for the use of the University, wherein an unfavorable ruling could materially and adversely affect the ability of the University to meet its obligations under the Financing Agreement, the University Loan and Trust Agreement or the Continuing Disclosure Agreement, and (b) the section of the Preliminary Official Statement, as of its date and as of the Time of Acceptance, and the Final Official Statement, as of its date and as of the Closing Date, entitled "LITIGATION" (as it relates to the University) does not contain an untrue statement of a material fact or omit a statement of material fact necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading. A defeasance opinion of Bond Counsel, dated as of the Closing Date, relating to the University Series C Refunded Bonds.

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

Right to Modify or Amend Official Notice of Sale. The Issuer reserves the right to modify or amend this Official Notice of Sale prior to the bid date. If any modifications occur, supplemental information with respect to the Bonds will be communicated by posting on TM3 not later than 10:00 a.m. (Boston time) on the day on which bids may be submitted, and bidders shall bid upon a series of the Bonds based upon the terms thereof set forth in this Official Notice of Sale, as so modified by such supplemental information.

Postponement. The Issuer reserves the right to postpone the date and times established for the receipt of bids for one or both series of Bonds. Any such postponement will be announced by posting on TM3 no later than 10 a.m. (Boston time) on the announced bid date. If any date and time fixed for the receipt of bids and the sale of a series of the Bonds is postponed, an alternative sale date and time will be announced at least one business day prior to such alternative sale date. On any such alternative sale date and time, any bidder may submit bids electronically as described above for the purchase of a series of the Bonds in conformity in all respects with the provision of this Official Notice of Sale, except for the date and time of sale and except for any changes announced by posting on TM3 at the time the sale date and times are announced.

Additional Information. Further information concerning the Issuer, the University, WCCC and the Bonds is contained in the Preliminary Official Statement dated October 25, 2011, to which prospective bidders are directed, and to which this Official Notice of Sale is attached. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Official Notice of Sale. Copies of the Preliminary Official Statement and this Official Notice of Sale may be viewed and downloaded from http://www.munios.com.

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