NEW ISSUE – Book-Entry-Only

Ratings† *S&P: AAA*
Fitch: AAA

In the opinion of Bond Counsel, under existing law, assuming continued compliance with certain provisions of the Internal Revenue Code of 1986, as amended, interest on the Bonds will not be included in 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 computing the alternative minimum tax applicable to 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 HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

UMASS

$10,435,000 Revenue Bonds University of Massachusetts Issue Series D (2007)	**$118,750,000 Revenue Bonds Worcester City Campus Corporation Issue (University of Massachusetts Project) Series E (2007)**	**$101,745,000 Revenue Bonds Worcester City Campus Corporation Issue (University of Massachusetts Project) Series F (2007)**

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

This Official Statement relates to the issuance by the Massachusetts Health and Educational Facilities Authority (the "Authority") of its Revenue Bonds, University of Massachusetts Issue, Series D (2007) (the "Series D Bonds"), Worcester City Campus Corporation Issue (University of Massachusetts Project) Series E (2007) (the "Series E Bonds") and Worcester City Campus Corporation Issue (University of Massachusetts Project) Series F (2007) (the "Series F Bonds" and collectively with the Series D Bonds and the Series E 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 Chittenden Trust Company, 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, 2007, 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 mandatory, optional and special redemption prior to maturity as described herein.

The Bonds shall be special obligations of the Authority payable solely from the Revenues (as hereinafter defined) of the Authority, including (i) with respect to the Series D Bonds, payments to the Trustee for the account of the Authority by the University of Massachusetts (the "University"), in accordance with the provisions of the Loan and Trust Agreement dated as of September 12, 2006 (the "Series D Loan and Trust Agreement") among the Authority, the University and the Trustee providing for the issuance of the Series D Bonds, and (ii) with respect to the Series E Bonds and the Series F Bonds, payments to the Trustee for the account of the Authority by Worcester City Campus Corporation (the "Institution"), in accordance with the provisions, respectively, of the Loan and Trust Agreement dated as of September 12, 2006 (the "Series E Loan and Trust Agreement") among the Authority, the Institution and the Trustee providing for the issuance of the Series E Bonds and the provisions of the Loan and Trust Agreement dated as of September 12, 2006 (the "Series F Loan and Trust Agreement" and collectively with the Series D Loan and Trust Agreement and the Series E Loan and Trust Agreement, the "Loan and Trust Agreement") among the Authority, the Institution and the Trustee providing for the issuance of the Series F Bonds. Such payments required to be paid by the University or the Institution, as the case may be, will be in amounts sufficient to pay, when due, interest and principal of the Series D Bonds, Series E Bonds and the Series F Bonds, as applicable, all in accordance with the applicable Loan and Trust Agreement.

The payments pursuant to the Series D 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 Series E Loan and Trust Agreement are an unconditional obligation of the Institution. The payments pursuant to the Series F Loan and Trust Agreement are a special obligation of the Institution, payable only from Project Revenues (as defined herein), including payments payable by the University pursuant to a lease between the Institution and the University, as described herein. The University is obligated to transfer any funds due under the Series E Loan and Trust Agreement not paid by the Institution in accordance with the provisions of the Financing Agreement dated as of September 12, 2006 (the "Financing Agreement") between the Authority and the University.

Payment of the principal of and interest on each series of Bonds when due, except certain maturities of the Series E Bonds designated as "Uninsured Bonds" on the inside cover hereof, will be insured by three separate financial guaranty insurance policies to be issued simultaneously with the delivery of the Bonds by Financial Guaranty Insurance Company.

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THE BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY POLITICAL SUBDIVISION THEREOF, OR A PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY SUCH POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM THE REVENUES PROVIDED UNDER EACH LOAN AND TRUST AGREEMENT. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF MASSACHUSETTS 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 OF MASSACHUSETTS TO PAY DEBT SERVICE IN THE EVENT OF DEFAULT BY THE UNIVERSITY OR THE INSTITUTION. THE AUTHORITY DOES NOT HAVE ANY TAXING POWER.

The Bonds are offered when, as and if issued and received by the Underwriters, 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 Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel. Certain legal matters will be passed upon for the Institution and the University by its counsel, Mirick, O'Connell, DeMallie & Lougee LLP, Worcester, Massachusetts. Certain legal matters will be passed upon for the Underwriters by its counsel, McCarter & English, LLP, Boston, Massachusetts. It is expected that the Bonds in definitive form will be available for delivery to DTC in New York, New York, or its custodial agent, on or about January 4, 2007.

Merrill Lynch & Co.

Banc of America Securities LLC Citigroup

December 14, 2006

† See "RATINGS" herein.

MATURITY SCHEDULE

$10,435,000 Revenue Bonds, University of Massachusetts Issue Series D (2007)

$7,105,000 Serial Bonds

Due October 1	Amount	Interest Rate	Yield	CUSIP[†]	Due October 1	Amount	Interest Rate	Yield	CUSIP[†]
2007	$155,000	3.750%	3.470%	57586CRM9	2017	$410,000	3.875%	3.870%	57586CRX5
2008	45,000	3.500	3.460	57586CRN7	2018	425,000	4.000	3.960	57586CRY3
2009	45,000	3.750	3.450	57586CRP2	2019	440,000	4.000	4.080	57586CRZ0
2010	50,000	3.500	3.500	57586CRQ0	2020	460,000	4.000	4.180	57586CSA4
2011	50,000	3.750	3.510	57586CRR8	2021	480,000	4.000	4.310	57586CSB2
2012	340,000	3.500	3.540	57586CRS6	2022	495,000	4.000	4.330	57586CSC0
2013	355,000	3.750	3.620	57586CRT4	2023	515,000	4.125	4.350	57586CSD8
2014	370,000	3.750	3.680	57586CRU1	2024	540,000	4.250	4.370	57586CSE6
2015	380,000	3.625	3.740	57586CRV9	2025	565,000	4.250	4.390	57586CSF3
2016	395,000	3.750	3.780	57586CRW7	2026	590,000	4.250	4.410	57586CSG1

$3,330,000 4.250% Term Bond due October 1, 2031 to Yield 4.480% - CUSIP[†] 57586CSH9

$118,750,000 Revenue Bonds, Worcester City Campus Corporation Issue Series E (2007)

$61,620,000 Serial Bonds

Due October 1	Amount	Interest Rate	Yield	CUSIP[†]	Due October 1	Amount	Interest Rate	Yield	CUSIP[†]
2007	$1,535,000	4.000%	3.470%	57586CSJ5	2018	$2,235,000	5.000%	3.880%	57586CTB1
2008	1,575,000	4.000	3.460	57586CSK2	2019	885,000	4.000	4.080	57586CTC9
2009	1,640,000	4.000	3.450	57586CSL0	2019	2,350,000	5.000	3.920	57586CTD7
2010	1,705,000	4.000	3.500	57586CSM8	2020	920,000	4.000	4.180	57586CTE5
2011	1,775,000	3.500	3.510	57586CSN6	2020	2,465,000	5.000	3.950	57586CTF2
2012	2,385,000	3.750	3.540	57586CSP1	2021	955,000	4.000	4.310	57586CTG0
2013	705,000	3.500	3.620	57586CSQ9	2021	2,590,000	5.000	3.980	57586CTH8
2013	1,770,000	4.500	3.620	57586CSR7	2022	990,000	4.000	4.330	57586CTJ4
2014	590,000	3.750	3.680	57586CSS5	2022[U]	2,720,000	4.350	4.380	57586CTK1
2014	1,985,000	4.500	3.680	57586CST3	2023	1,030,000	4.000	4.350	57586CTL9
2015	760,000	4.000	3.740	57586CSU0	2023[U]	2,840,000	4.400	4.400	57586CTM7
2015	1,935,000	5.000	3.740	57586CSV8	2024	2,365,000	4.000	4.370	57586CTN5
2016	785,000	4.000	3.780	57586CSW6	2024[U]	2,960,000	4.400	4.420	57586CTP0
2016	2,030,000	5.000	3.780	57586CSX4	2025	2,460,000	4.250	4.390	57586CTQ8
2017	815,000	4.000	3.870	57586CSY2	2025[U]	3,095,000	4.400	4.440	57586CTR6
2017	2,130,000	5.000	3.830	57586CSZ9	2026	2,560,000	4.250	4.410	57586CTS4
2018	850,000	4.000	3.960	57586CTA3	2026	3,230,000	5.000	4.040	57586CTT2

$14,605,000 4.500% Term Bond due October 1, 2031 to Yield 4.480% - CUSIP[†] 57586CTU9
$18,735,000 5.000% Term Bond due October 1, 2031 to Yield 4.070% - CUSIP[†] 57586CTV7
$23,790,000 4.750% Term Bond due October 1, 2036 to Yield 4.270% - CUSIP[†] 57586CTW5

[†] The CUSIP (Committee on Uniform Securities Identification Procedures) numbers on this inside cover of the Official Statement have been assigned by an organization not affiliated with the Authority, the University, the Institution, the Underwriters 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 Authority, the University, the Institution, the Underwriters 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.

[U] "Uninsured Bonds" -- This maturity of Series E Bond is not insured by any financial guaranty insurance policy .

MATURITY SCHEDULE

$101,745,000 Revenue Bonds, Worcester City Campus Corporation Issue
Series F (2007)

$65,305,000 Serial Bonds

Due October 1	Amount	Interest Rate	Yield	CUSIP†	Due October 1	Amount	Interest Rate	Yield	CUSIP†
2007	$2,755,000	4.000%	3.470%	57586CTX3	2016	$1,990,000	4.500%	3.790%	57586CUP8
2008	2,185,000	4.000	3.460	57586CTY1	2017	2,370,000	4.250	3.860	57586CUQ6
2009	2,275,000	4.000	3.450	57586CTZ8	2017	830,000	5.000	3.830	57586CUR4
2010	1,765,000	4.250	3.500	57586CUA1	2018	3,340,000	4.250	3.960	57586CUS2
2010	600,000	5.000	3.500	57586CUB9	2019	3,485,000	4.250	4.080	57586CUT0
2011	1,840,000	4.250	3.510	57586CUC7	2020	3,635,000	4.250	4.180	57586CUU7
2011	630,000	5.000	3.510	57586CUD5	2021	3,790,000	4.500	4.310	57586CUV5
2012	1,920,000	4.250	3.540	57586CUE3	2022	2,925,000	4.500	4.330	57586CUW3
2012	665,000	5.000	3.540	57586CUF0	2022	1,030,000	5.000	3.990	57586CUX1
2013	575,000	4.250	3.620	57586CUG8	2023	3,060,000	4.500	4.350	57586CUY9
2013	2,120,000	4.500	3.620	57586CUH6	2023	1,085,000	5.000	4.010	57586CUZ6
2014	730,000	4.250	3.680	57586CUJ2	2024	3,195,000	4.375	4.370	57586CVA0
2014	2,085,000	4.500	3.680	57586CUK9	2024	1,140,000	5.000	4.020	57586CVB8
2015	1,875,000	4.250	3.750	57586CUL7	2025	3,335,000	4.500	4.390	57586CVC6
2015	1,065,000	4.500	3.750	57586CUM5	2025	1,195,000	5.000	4.030	57586CVD4
2016	1,075,000	4.250	3.790	57586CUN3	2026	3,485,000	4.500	4.410	57586CVE2
					2026	1,255,000	5.000	4.040	57586CVF9

$19,925,000 4.500% Term Bond due October 1, 2031 to Yield 4.480% - CUSIP† 57586CVG7
$ 7,275,000 5.000% Term Bond due October 1, 2031 to Yield 4.070% - CUSIP† 57586CVH5
$ 9,240,000 4.750% Term Bond due October 1, 2036 to Yield 4.270% - CUSIP† 57586CVJ1

† The CUSIP (Committee on Uniform Securities Identification Procedures) numbers on this inside cover of the Official Statement have been assigned by an organization not affiliated with the Authority, the University, the Institution, the Underwriters 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 Authority, the University, the Institution, the Underwriters 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.

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

No dealer, broker, salesman or other person has been authorized by the Authority, the Institution, the University or the Underwriters 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 Authority 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 AUTHORITY."

Certain information contained in this Official Statement has been obtained from the Institution, 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 Authority or the Underwriters. The information herein relating to the Institution has been provided by the Institution and the information herein relating to the University has been provided by the University; neither the Authority nor the Underwriters makes any representation with respect to or warrants the accuracy of such information.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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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MASSACHUSETTS HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

OFFICIAL STATEMENT

Relating to

MASSACHUSETTS HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

$10,435,000 Revenue Bonds
University of Massachusetts Issue
Series D (2007)

$118,750,000 Revenue Bonds
Worcester City Campus Corporation Issue
(University of Massachusetts Project)
Series E (2007)

$101,745,000 Revenue Bonds
Worcester City Campus Corporation Issue
(University of Massachusetts Project)
Series F (2007)

INTRODUCTORY STATEMENT

Purpose of this Official Statement

The purpose of this Official Statement is to set forth certain information concerning the Massachusetts Health and Educational Facilities Authority (the "Authority") in connection with the sale of the Authority's $10,435,000 Revenue Bonds, University of Massachusetts Issue, Series D (2007) (the "Series D Bonds"), $118,750,000 Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series E (2007) (the "Series E Bonds"), and $101,745,000 Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series F (2007) (the "Series F Bonds," and collectively with the Series D Bonds and the Series E Bonds, the "Bonds"), authorized, respectively, by the Loan and Trust Agreement dated as of September 12, 2006 (the "Series D Loan and Trust Agreement") by and among the Authority, the University of Massachusetts (the "University") and Chittenden Trust Company, as trustee (the "Trustee"), the Loan and Trust Agreement dated as of September 12, 2006 (the "Series E Loan and Trust Agreement") by and among the Authority, the Worcester City Campus Corporation (the "Institution") and the Trustee, and the Loan and Trust Agreement dated as of September 12, 2006 (the "Series F Loan and Trust Agreement" and collectively with the Series D Loan and Trust Agreement and the Series E Loan and Trust Agreement, the "Loan and Trust Agreement") by and among the Authority, the Institution and the Trustee. The Bonds are secured in accordance with the provisions of Chapter 614 of the Massachusetts Acts of 1968, as amended from time to time (the "Act") and the applicable Loan and Trust Agreement. 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."

Use of Proceeds

The proceeds from the sale of the Series D Bonds will be used: (i) to refund a portion of the Authority's Revenue Bonds, University of Massachusetts Issue, Series B, and (ii) to pay certain costs of issuing the Series D Bonds, including a portion of the premium for a financial guaranty insurance policy (the "Series D Policy") to be issued by Financial Guaranty Insurance Company (the "Insurer").

The proceeds from the sale of the Series E Bonds will be used: (i) to refund a portion of the Authority's Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series B, and (ii) to finance and/or refinance the construction of a seven-story, approximately 260,000 square foot advanced education and clinical practice center to be located at the Institution's facility at 55 Lake Avenue in Worcester, Massachusetts. Proceeds of the Series E Bonds will also be used to pay certain costs of issuing the Series E Bonds, including a portion of the premium for a financial guaranty insurance policy (the "Series E Policy") issued by the Insurer.

The proceeds from the sale of the Series F Bonds will be used: (i) to refund the outstanding amount of the Authority's Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series C (the "Institution Series C Bonds"), and (ii) to 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 (collectively, the "Series F Project") 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 (the "Mattapan Site"). Proceeds of the Series F Bonds will also be used to pay certain costs of issuing the Series F Bonds, including a portion of the premium for a financial guaranty insurance policy (the "Series F Policy") issued by the Insurer.

The Series D Policy, the Series E Policy and the Series F Policy are hereinafter referred to as the "Policy."

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 Authority, the University or the Institution, as applicable, and the Trustee shall execute the applicable Loan and Trust Agreement.

Each Loan and Trust Agreement provides, among other things, that the Institution or the University, as applicable, shall make payments to the Trustee equal to principal or sinking fund installments, as the case may be, 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 Authority assigns and pledges to the Trustee in trust upon the terms of such Loan and Trust Agreement (i) all Revenues to be received from the Institution 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 of the Authority's rights under the Policy, (iv) all funds and investments held from time to time in the funds established under the applicable Loan and Trust Agreement, other than the Rebate Fund, including investment income therefrom, and (v) all proceeds of all of the foregoing. In addition, under the Series E Loan and Trust Agreement, the Authority 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 Authority pursuant to provisions for consent, concurrence, approval or other action by the Authority, notice to the Authority or the filing of reports, certificates or other documents with the Authority, or for fees, reimbursement or indemnification or the rights thereto, (ii) the powers of the Authority to enforce the provisions of each Loan and Trust Agreement, or (iii) the rights of the Authority 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.

As additional security for its payment obligations under the Series E Loan and Trust Agreement and the Series F Loan and Trust Agreement, the Institution 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 Series E Loan and Trust Agreement and the Series F Loan and Trust Agreement, respectively. In addition, to further secure its payment obligations under the Series F Loan and Trust Agreement, the Institution will grant to the Trustee a security interest in the Lease. See below, under this caption, "Series F Loan and Trust Agreement - Grant of Security Interest under the Series F Loan and Trust Agreement."

Series D Loan and Trust Agreement

General Obligation of the University

The Series D Loan and Trust Agreement provides that to the extent permitted by law the obligation of the University to make payments under the Series D 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 Series D 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 Series D 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 Series D Loan and Trust Agreement to transfer to the Authority 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 Series D 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.

Series E Loan and Trust Agreement

General Obligation of the Institution

The Series E Loan and Trust Agreement provides that the obligation of the Institution to make payments under the Series E Loan and Trust Agreement shall be absolute and unconditional, shall be binding and enforceable in all circumstances whatsoever, and shall not be subject to 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.

The Financing Agreement

Pursuant to a Financing Agreement dated as of September 12, 2006 (the "Financing Agreement") between the Authority and the University, the University is obligated to transfer funds due under the Series E Loan and Trust Agreement not otherwise paid by the Institution. 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 Series E 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 Authority providing for the transfer of amounts (the University's "Transfer Obligation") equal to installments of the principal (including sinking fund installments) and interest due under the Series E Loan and Trust Agreement to the extent not otherwise paid by the Institution pursuant to the Series E Loan and Trust Agreement. Under the Series E Loan and Trust Agreement the Authority 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 Series E Bonds are not secured by a lien on the Institution's or the University's revenues or any other property of the Institution or the University. The Institution'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 the Institution and the University.

Series F Loan and Trust Agreement

Special Obligation of the Institution

The obligation of the Institution to make payments under the Series F Loan and Trust Agreement shall be a special obligation of the Institution, payable only from revenues derived by the Institution from the Series F Project, including without limitation payments received pursuant to the Lease and insurance and condemnation payments ("Project Revenues").

Grant of Security Interest under the Series F Loan and Trust Agreement

The Series F Bonds are secured by the Institution's present and future interest in, to and under the Lease, together with all rents, income and profit of any kind arising from such interest in the Lease and any renewals or extensions thereof for the use and occupation of all or any portion of the Premises, and all proceeds of the foregoing. The "Premises" means the parcel of land in the City of Boston, Massachusetts, consisting of approximately 15.26 acres known as Lot 3A on the West Campus, so-called, of the former Boston State Hospital campus, together with any and all improvements, appurtenances, rights, privileges and easements benefiting, belonging or pertaining thereto. The "Lease" means the Worcester City Campus Corporation/University of Massachusetts Medical School Boston State Hospital Site Lease dated April 12, 2002, between the Institution, as landlord, and the University as tenant, with respect to the Premises, as such Lease is expected to be amended as of January 4, 2007, and as it may be further amended from time to time. See Appendix A – "LETTER FROM THE UNIVERSITY," Appendix B – "LETTER FROM WORCESTER CITY CAMPUS CORPORATION" and Appendix G - "SUMMARY OF LEASE AGREEMENT." The University's obligation to make lease payments is payable from all available funds of the University other than funds appropriated to the University by the Commonwealth. The Series F Bonds are not secured by a lien on any of the University' revenues or other property of the University or the Institution. The security interest granted with respect to the Lease only secures the Series F Bonds and other parity indebtedness issued to finance improvements at the Mattapan Site, including the outstanding Institution Series C Bonds, and does not secure the Series D Bonds or the Series E Bonds.

Restriction on Creation of Liens

The Institution agrees that it will not create or suffer to be created or exist any mortgage or pledge of, security interest in or lien or encumbrance upon the Series F Project or the Premises other than Permitted Liens without the prior written consent of the Bond Insurer. See Appendix D -- "DEFINITIONS" and Appendix E -- "SUMMARY OF THE LOAN AND TRUST AGREEMENTS — Restriction on Creation of Liens"

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 Authority to issue additional indebtedness so long as such additional indebtedness is payable from all legally available funds of the University, provided that this limitation shall not apply to indebtedness incurred by the University relating to the facilities at the Mattapan Site as long as such indebtedness is secured by Project Revenues. 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. 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."

Additional indebtedness secured by a pledge of or payable from, Project Revenues may be incurred so long as all Outstanding Series F Bonds are equally and ratably payable from Project Revenues, or equally and ratably secured by such pledge, and provision is made, by amendment of the Lease or otherwise, for increased Project Revenues adequate to pay all indebtedness payable from or secured by Project Revenues, including all Outstanding Series F Bonds. The Series F Bonds are secured equally and ratably with the outstanding Institution Series C Bonds with respect to the pledge of Project Revenues.

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

Limited Obligation

THE BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT, LIABILITY OR MORAL OBLIGATION OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM THE REVENUES DERIVED BY THE AUTHORITY UNDER THE APPLICABLE LOAN AND TRUST AGREEMENT. THE AUTHORITY DOES NOT HAVE TAXING POWER.

Financial Guaranty Insurance Policy

Payments to Bondowners in respect of principal of and interest on each series of Bonds, except for the Uninsured Bonds (the Bonds, exclusive of the Uninsured Bonds, shall hereinafter be referred to as the "Insured Bonds"), will be further secured by the Policy to be issued by the Bond Insurer. The Policy unconditionally and irrevocably insures the payment when due of regularly scheduled payments of principal of and interest on each series of Insured Bonds, which shall be otherwise unpaid by reason of non-payment by the Institution or the University, as applicable, of its obligations with respect to the applicable series of Insured Bonds under the applicable Loan and Trust Agreement. The Policy is non-cancellable. See "BOND INSURANCE" herein and Appendix J - "SPECIMEN FORM OF MUNICIPAL BOND NEW ISSUE INSURANCE POLICY" for more information and a discussion of the limitations of such insurance.

So long as the Policy remains in effect, and provided that the Bond Insurer shall not have defaulted on its obligations under the Policy, the Bond Insurer is deemed to be the owner of all of the Insured Bonds for the purposes of giving consents (including consents to amendments to each Loan and Trust Agreement other than those requiring unanimous consent of the affected Bondowners), notices, directions and waivers under each Loan and Trust Agreement, and no legal action with respect to the Bonds may be pursued by the Trustee or any Bondowner without the consent of the Bond Insurer, all as provided in each Loan and Trust Agreement. For all purposes of the provisions of the applicable Loan and Trust Agreement governing Events of Default and remedies, except the giving of notice of default to Bondowners, the Bond Insurer shall be deemed to be the sole holder of the respective series of Bonds for so long as it has not failed to comply with its payment obligations under the Policy. See "BOND INSURANCE" herein and Appendix J - "SPECIMEN FORM OF MUNICIPAL BOND NEW ISSUE INSURANCE POLICY."

THE AUTHORITY

The Authority is a body politic and corporate and a public instrumentality of the Commonwealth, organized and existing under and by virtue of the Act. The purpose of the Authority, as stated in the Act, is essentially to provide assistance for public and private nonprofit institutions for higher education, and private nonprofit schools for the handicapped, nonprofit hospitals and their nonprofit affiliates, nonprofit nursing homes, and nonprofit cultural institutions in the construction, financing, and refinancing of projects to be undertaken in relation to programs for such institutions.

Authority Membership and Organization

The Act provides that the Authority shall consist of nine members who shall be appointed by the Governor and shall be residents of the Commonwealth. At least two members shall be associated with institutions for higher education, at least two shall be associated with hospitals, at least one shall be knowledgeable in the field of state and municipal finance (by virtue of business or other association) and at least one shall be knowledgeable in the field of building construction. All Authority members serve without compensation, but are entitled to reimbursement for necessary expenses incurred in the performance of their duties as members of the Authority. The Authority shall elect annually one of its members to serve as Chairman and one to serve as Vice Chairman.

The members of the Authority are as follows:

JOHN E. KAVANAGH, III, Vice Chairman; term as Member expires July 1, 2011.

Mr. Kavanagh, a resident of Ipswich, is President and Chairman of William A. Berry & Son, Inc., one of the oldest construction companies in the country. During his 19 years as President, he has redirected the company's focus from restoration specialties to a full-service building and construction management organization, with emphasis on meeting the full range of customer needs: planning, design, construction, operation and maintenance services. Mr. Kavanagh is a Trustee and the former Chairman of the Board of the North Shore Music Theater, Corporator of Brigham and Women's Hospital and Partners HealthCare System, Trustee and member of the Board of Directors of Massachusetts Eye and Ear Infirmary, Corporator of Danvers Savings Bank and a former member of Tufts University Board of Overseers.

MARVIN A. GORDON, Secretary; term as Member expires July 1, 2010.

Mr. Gordon, a resident of Milton, is Chairman of the Board, Chief Executive Officer of Gordon Logistics, L.L.C. in Mansfield, Massachusetts. From 1974 to 2001, Mr. Gordon was Chief Executive Officer and Chairman of Whitehall Co. Ltd. of Norwood, Massachusetts. From 1994 to 1996, Mr. Gordon served on the Board of Directors to Techniek Development Co. of San Diego, California. He also served as Chairman of the Board of US Trust Norfolk (Milton Bank and Trust) from 1974 to 1976 and as Vice President and Member of the Executive Committee from 1971 to 1974. Mr. Gordon has been actively engaged in non-profit, charitable and civic activities. His present affiliations include Board Member and Chairman of the Audit and Compliance Committee of The Milton Hospital Foundation, Inc. and Board Member of Milton Hospital, Inc., and President of Milton Fuller Housing Corporation. Mr. Gordon has been elected to and appointed to a number of public boards including serving as a Milton Selectman from 1986 to 1993 and belongs to several civic associations. Mr. Gordon holds a degree from Harvard College and Harvard Business School.

N. SCOTT BATES; term as Member expires July 1, 2010.

Mr. Bates, a resident of Concord, is Vice President of Tishman Construction Corporation of Massachusetts. He manages the business development for Tishman Construction Corporation throughout the New England region and is also responsible for developing the business strategy for Tishman's Boston office and managing its public relations with the local community. Mr. Bates has had 18 years of industry experience including nine years with Tishman Construction. From 1995 to 1997, Mr. Bates was the Manager of Business Development and Marketing for Hanscomb Inc. one of the nation's top 50 construction management firms. He serves as a Board Member for YouthBuild Boston and The Boston Private Industry's Youth Council; Member of the Development Subcommittee of the Greater Boston Chamber of Commerce; and serves on the Town of Concord's School Building Committee.

In 2004, Mr. Bates helped initiate *Building Careers Partnership*, a unique collaboration of construction industry employers and associations, the Mayor's Office of Jobs and Community Services, building trade unions, Boston Public Schools, and local workforce development organizations. In 1999, Mr. Bates received the "Marketing Executive of the Year Award" from the Society of Marketing Professional Services (SMPS). In 2004 Mr. Bates was honored by the Boston Junior Chamber of Commerce (Boston Jaycees) as one of ten recipients of the TOYL Award, which pays tribute to ten individuals ages 21 to 40 who have contributed to the Greater Boston community throughout their exceptional professional, civic, and personal achievements. Mr. Bates holds an M.B.A. from Babson Graduate School of Business and a B.A. in Economics from Colby College.

JOSEPH M. GIGLIO; term as Member expires July 1, 2013.

Mr. Giglio is an Executive Professor at Northeastern University's College of Business Administration and an adjunct faculty member at Polytechnic University in New York City. He was appointed to the board of the Special Commission on Transportation Finance by Governor Romney and has served as Special Advisor to the U.S. Office of the Secretary of Transportation. Mr. Giglio is the Vice Chairman of the Hudson Institute, a leading public policy organization in Washington D.C. and has served as Chairman of President Reagan's National Council on Public Works Improvement, which released its report "Fragile Foundations" in 1988. He also chaired the U.S. Senate Budget Commission on Innovative Financing of Infrastructure. Mr. Giglio has also served as Chairman and Vice Chairman of the Board of Directors for the Intelligent Transportation Society of America (ITSA), a federally charted advisory committee addressing public and private sector technology applications. Mr. Giglio is a former board member of the Massachusetts Educational Financing Authority and is the former Chairman of the Public-Private Division of the American Road and Transportation Builders Association. Mr. Giglio has served as Executive Vice President at Smith Barney, President of Chase Municipal Securities and as Senior Managing Director at Bear, Stearns & Co. Inc. and served as chairman of Apogee Research Inc. He holds a B.A. degree from Rutgers University, an M.P.A. degree from New York University, an M.B.A. degree from Columbia Business School and a Ph.D. degree from Northeastern University.

ALLEN R. LARSON; term as Member expires July 1, 2007.

Mr. Larson, a resident of Yarmouth Port, is the founding principal of a law firm and a separate consulting firm, the Enterprise Management Group, that advise business and non-profit clients on matters of government regulation, business competition, market entry, and economic development. Prior to establishing his law firm in 1984, Mr. Larson worked as an antitrust attorney for the Federal Trade Commission in Washington, D.C. Currently, he is a Trustee of Cape Cod Community College, President of the Cape Cod Center for Sustainability, a Director of the YMCA-Cape Cod, and a Member of the Yarmouth Town Finance Committee. Mr. Larson graduated from Dartmouth College and earned a J.D. from Albany Law School and an M.B.A. from the University of Minnesota.

GAYL A. MILESZKO; term as Member expires July 1, 2012.

Ms. Mileszko, a native of Amherst and current resident of Boston, is the Director of the Massachusetts Department of Labor. Prior to joining the Department of Labor, Ms. Mileszko served in the Governor's office as Director of External Relations and as Chief of Staff for Legislative and Intergovernmental Affairs. She was associated with the investment banking firm Tucker Anthony Incorporated in Boston and New York from 1990 to 2002, serving as a Vice President in public finance and later as a Senior Vice President in the fixed income capital markets division. She was a member of the staff of the Committee on Appropriations for the U.S. House of Representatives from 1983 to 1988, and previously served as a staff assistant to Massachusetts Congressman Silvio O. Conte. Ms. Mileszko holds a B.A. from Yale College.

TIMOTHY O'CONNOR; term as Member expires July 1, 2009.

Mr. O'Connor, a resident of Salem, is Executive Vice President, Chief Financial Officer and Treasurer of Lahey Clinic Foundation, Inc.; Lahey Clinic Hospital, Inc.; Lahey Clinic, Inc.; Lahey Clinic Affiliated Services, Inc. and Lahey Clinic Canadian Foundation. In addition Mr. O'Connor is also President, Chief Financial Officer and Treasurer of Lahey Clinic Insurance Company Limited. His memberships and affiliations include the American

Medical Group Association, the Healthcare Financial Management Association, the Healthcare Information and Management Systems Society and the Massachusetts Hospital Association's Committee on Finance.

ROBERT M. PLATT; term as Member expires July 1, 2009.

Mr. Platt, a resident of Newton, is President of National Consulting Inc., a business development and marketing strategy organization which assists clients in achieving their true market potential. Mr. Platt works in conjunction with both state and federal government to facilitate the exchange of ideas and opportunities for clients. His board memberships include Past President of the Newton Athletic Association, Past Board of Director of the Newton Youth Soccer for Boys and Girls, and Past Board Member of Youth Commission for the City of Newton. Mr. Platt's current board memberships include Commissioner of Parks and Recreation of his ward in Newton, Advisory Board Member for Second Step which aids women who have suffered domestic violence and abuse, and Member of the Board of Trustees for Curry College. Mr. Platt holds a B.A. from Curry College.

CHRISTINE C. SCHUSTER; term as Member expires July 1, 2013.

Ms. Schuster, a resident of Sudbury, is President and Chief Executive Officer of Emerson Health System located in Concord. Ms. Schuster formerly held the position of President and Chief Executive Officer of Quincy Medical Center. She is a Member of the Board of Trustees of the South Shore Chamber of Commerce where she serves as Vice Chairman of Government Affairs; and is a Member of the Board of Trustees of the Massachusetts Hospital Association ("MHA") where she serves as the MHA Chair of the Clinical Issues Advisory Council which provides advice and counsel to the MHA on key medical, clinical, and public policy issues. She also serves on the American Hospital Association Regional Policy Board. Ms. Schuster was recognized by Modern Healthcare magazine and Witt Kieffer Associates as one of the Year 2000 "Up and Comers Award" recipients. She is a frequent speaker both locally and nationally on a wide variety of healthcare topics. Ms. Schuster received an M.B.A. with Honors from the University of Chicago Graduate School of Business and a B.S. in Nursing from Boston University.

There are nine Board Members of the Authority.

Staff and Advisors

BENSON T. CASWELL, a resident of North Andover, was appointed Executive Director of the Authority on April 9, 2002, and is responsible for the management of the Authority's affairs. From 1992 through 2002, Mr. Caswell worked for Ponder & Co. in Chicago where he was a Senior Vice President. From 1987 through 1992, he was Vice President of Ziegler Securities, Chicago, Illinois. From 1983 through 1986, he was an attorney with Gardner, Carton & Douglas. Mr. Caswell holds a Juris Doctor from the University of Chicago, an MBA from Lehigh University and a B.S. from the University of Maine.

The Act provides that the Authority may employ such other counsel, engineers, architects, accountants, construction and financial experts, or others as the Authority deems necessary.

Powers of the Authority

Under the Act, the Authority is authorized and empowered, among other things, directly or by and through a participating institution for higher education, a participating school for the handicapped, a participating hospital or hospital affiliate, a participating nursing home or a participating cultural institution as its agent, to acquire real and personal property and to take title thereto in its own name or in the name of one or more participants as its agent; to construct, reconstruct, remodel, maintain, manage, enlarge, alter, add to, repair, operate, lease, as lessee or lessor, and regulate any project; to enter into contracts for any or all of such purposes, or for the management and operation of a project; to issue bonds, bond anticipation notes and other obligations, and to fund or refund the same; to fix and revise from time to time and charge and collect rates, rents, fees and charges for the use of and for the services furnished or to be furnished by a project or any portion thereof and to enter into contracts in respect thereof; to establish rules and regulations for the use of a project or any portion thereof; to receive and accept from any public agency loans or grants for or in the aid of the construction of a project or any portion thereof; to mortgage any project and the site thereof for the benefit of the holders of revenue bonds issued to finance such projects; to make loans to any participant for the cost of a project or to refund outstanding obligations, mortgages or advances issued, made or given by such participant for the cost of a project; to charge participants its administrative costs and expenses incurred; to acquire any federally guaranteed security and to pledge or use such security to secure or provide for the repayment of its bonds; and to do all things necessary or convenient to carry out the purposes of the Act. Additionally, the Authority may undertake a joint project or projects for two or more participants.

Indebtedness of the Authority

The Authority has heretofore authorized and issued certain series of its revenue bonds for public and private colleges and universities, and private hospitals and their affiliates, community providers, cultural institutions, schools for the handicapped and nursing homes in the Commonwealth. Each series of revenue bonds has been a special obligation of the Authority.

The Authority expects to enter into separate agreements with eligible institutions in the Commonwealth for the purpose of financing projects for such institutions. Each series of bonds issued by the Authority constitutes a separate obligation of the borrowing institution for such series, and the general funds of the Authority are not pledged to any bonds or notes.

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, 2007, 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 and mandatory purchase 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 a series of 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 depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority 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 has been obtained from sources that the Authority believes to be reliable, but none of the Authority, the University, the Institution or the Underwriters takes responsibility for the accuracy thereof.

No Responsibility of the Authority, the University, the Institution or the Trustee. NONE OF THE AUTHORITY, THE UNIVERSITY, THE INSTITUTION 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 Authority and the Trustee. In addition, the Authority may, with the consent of the Bond Insurer, 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 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 Authority and the Trustee may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge may be made to the 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

Series D Bonds

Mandatory Redemption

The Series D Bonds maturing October 1, 2031 shall be redeemed from sinking fund installments in direct order of maturity at their principal amounts without premium on October 1 of each of the years and in the amounts as follows:

Year	Sinking Fund Installment
2027	$615,000
2028	635,000
2029	665,000
2030	695,000
2031*	720,000

*Final Maturity

Optional Redemption

The Series D Bonds maturing on or before October 1, 2016 are not subject to optional redemption prior to maturity unless redeemed pursuant to the special redemption provisions described below. The Series D Bonds maturing after October 1, 2016 are subject to optional redemption prior to maturity, on and after October 1, 2016 at the option of the Authority with the written consent of the Institution or at the written direction of the Institution, as a whole or in part at any time in such order of maturities or sinking fund installments selected by the Institution, at par, plus accrued interest to date fixed for redemption.

Special Redemption

Under the special redemption provisions of the Series D Loan and Trust Agreement, the Series D Bonds are subject to redemption as a whole at any time, or in part, on any interest payment date, in any order of maturity or sinking fund installment as directed by the Institution, 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 that exceeds 25% of the then full insurable value of the Project financed with the Series D Bonds, 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."

Series E Bonds

Mandatory Redemption

The Series E Bonds in the par amount of $14,605,000, maturing October 1, 2031, shall be redeemed from sinking fund installments in direct order of maturity at their principal amounts without premium on October 1 of each of the years and in the amounts as follows:

Year	Sinking Fund Installment
2027	$2,670,000
2028	2,790,000
2029	2,915,000
2030	3,050,000
2031*	3,180,000

* Final Maturity

The Series E Bonds in the par amount of $18,735,000, maturing October 1, 2031, shall be redeemed from sinking fund installments in direct order of maturity at their principal amounts without premium on October 1 of each of the years and in the amounts as follows:

Year	Sinking Fund Installment
2027	$3,390,000
2028	3,560,000
2029	3,740,000
2030	3,925,000
2031*	4,120,000

* Final Maturity

The Series E Bonds maturing October 1, 2036 shall be redeemed from sinking fund installments in direct order of maturity at their principal amounts without premium on October 1 of each of the years and in the amounts as follows:

Year	Sinking Fund Installment
2032	$4,325,000
2033	4,530,000
2034	4,750,000
2035	4,975,000
2036*	5,210,000

* Final Maturity

Optional Redemption

The Series E Bonds maturing on or before October 1, 2016 are not subject to optional redemption prior to maturity unless redeemed pursuant to the special redemption provisions described below. The Series E Bonds maturing after October 1, 2016 are subject to optional redemption prior to maturity, on and after October 1, 2016 at the option of the Authority with the written consent of the Institution or at the written direction of the Institution, as a whole or in part at any time in such order of maturities or sinking fund installments selected by the Institution, at par, plus accrued interest to date fixed for redemption.

Special Redemption

Under the special redemption provisions of the Series E Loan and Trust Agreement, the Series E Bonds are subject to redemption as a whole at any time, or in part, on any interest payment date, in any order of maturity or sinking fund installment as directed by the Institution, 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 that exceeds 25% of the then full insurable value of the Project financed with the Series E Bonds, 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.”

Series F Bonds

Mandatory Redemption

The Series F Bonds in the par amount of $19,925,000, maturing October 1, 2031, shall be redeemed from sinking fund installments in direct order of maturity at their principal amounts without premium on October 1 of each of the years and in the amounts as follows:

Year	Sinking Fund Installment
2027	$3,640,000
2028	3,810,000
2029	3,980,000
2030	4,155,000
2031*	4,340,000

* Final Maturity

The Series F Bonds in the par amount of $7,275,000, maturing October 1, 2031, shall be redeemed from sinking fund installments in direct order of maturity at their principal amounts without premium on October 1 of each of the years and in the amounts as follows:

Year	Sinking Fund Installment
2027	$1,315,000
2028	1,385,000
2029	1,450,000
2030	1,525,000
2031*	1,600,000

* Final Maturity

The Series F Bonds maturing October 1, 2036 shall be redeemed from sinking fund installments in direct order of maturity at their principal amounts without premium on October 1 of each of the years and in the amounts as follows:

Year	Sinking Fund Installment
2032	$1,680,000
2033	1,760,000
2034	1,845,000
2035	1,930,000
2036*	2,025,000

* Final Maturity

Optional Redemption

The Series F Bonds maturing on or before October 1, 2016 are not subject to optional redemption prior to maturity unless redeemed pursuant to the special redemption provisions described below. The Series F Bonds maturing after October 1, 2016 are subject to optional redemption prior to maturity, on and after October 1, 2016 at the option of the Authority with the written consent of the Institution or at the written direction of the Institution, as a whole or in part at any time in such order of maturities or sinking fund installments selected by the Institution, at par, plus accrued interest to date fixed for redemption.

Special Redemption

Under the special redemption provisions of the Series F Loan and Trust Agreement, the Series F Bonds are subject to redemption as a whole at any time, or in part, on any interest payment date, in any order of maturity or sinking fund installment as directed by the Institution, 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 that exceeds 25% of the then full insurable value of the Series F 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 the Institution, as applicable, may purchase Bonds of any maturity and credit them against a principal payment for such maturity or, as the case may be, any sinking fund installment for such maturity, at the principal amount or applicable redemption price, as the case may be, by delivering them to the Trustee for cancellation at least sixty (60) days before the principal payment date or sinking fund installment 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 Authority 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 Series D Bonds will be used, together with other available funds, to refund a portion of the Authority's Revenue Bonds, University of Massachusetts Issue, Series B (the "University Series B Refunded Bonds") and to pay certain costs of issuing the Series D Bonds. See, Appendix K - "TABLES OF REFUNDED BONDS " for a more detailed description of the University Series B Refunded Bonds. A more detailed description of the use of proceeds of the Series D 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 B Refunded Bonds will be achieved through the irrevocable deposit of a portion of the proceeds of the Series D Bonds in a refunding trust fund established for the University Series B Refunded Bonds (the "University Refunding Trust Fund") to be held by Flagship Bank and Trust Company, National Association, as refunding trustee (the "University Refunding Trustee") pursuant to a refunding trust agreement to be entered into for the University Series B Refunded Bonds (the "University Refunding Trust Agreement") by and among the Authority, 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 Grant Thornton LLP, 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 B Refunded Bonds on and until their maturity or redemption dates. The University Series B Refunded Bonds will be called for redemption prior to maturity on October 1, 2011. 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 Series E Bonds will be used, together with other available funds, to refund a portion of the Authority's Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series B (the "Institution Series B Refunded Bonds") and to pay certain costs of issuing the Series E Bonds. See, Appendix K - "TABLES OF REFUNDED BONDS" for a more detailed description of the Institution Series B Refunded Bonds. A more detailed description of the use of proceeds of the Series E 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 Institution Series B Refunded Bonds will be achieved through the irrevocable deposit of a portion of the proceeds of the Series E Bonds in a refunding trust fund established for the Institution Series B Refunded Bonds (the "Institution Series B Refunding Trust Fund") to be held by Flagship Bank and Trust Company, National Association, as refunding trustee (the "Institution Refunding Trustee") pursuant to a refunding trust agreement to be entered into for the Institution Series B Refunded Bonds (the "Institution Series B Refunding Trust Agreement") by and among the Authority, the Institution and the Institution Refunding Trustee. Moneys in the Institution Series B Refunding Trust Fund will be applied to the purchase of Government or Equivalent Obligations as defined in the Institution Series B Refunding Trust Agreement. Based on a verification report of Grant Thornton LLP, the Government or Equivalent Obligations, interest thereon and the remaining moneys in the Institution Series B Refunding Trust Fund will be sufficient in amount and available when necessary to pay when due the principal, interest, and redemption premium on the Institution Series B Refunded Bonds on and until their maturity or redemption dates. The Institution Series B Refunded Bonds will be called for redemption prior to maturity on October 1, 2011. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" and "ESTIMATED SOURCES AND USES OF FUNDS" herein. None of the funds in the Institution Series B 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 Series F Bonds will be used, together with other available funds, to refund the outstanding amount of the Authority's Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series C (the "Institution Series C Refunded Bonds") and to pay certain costs of issuing the Series E Bonds. See, Appendix K - "TABLES OF REFUNDED BONDS" for a more detailed description of the Institution Series C Refunded Bonds. A more detailed description of the use of proceeds of the Series E 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 Institution Series C Refunded Bonds will be achieved through the irrevocable deposit of a portion of the proceeds of the Series E Bonds in a refunding trust fund established for the Institution Series C Refunded Bonds (the "Institution Series C Refunding Trust Fund") to be held by the Institution Refunding Trustee pursuant to a refunding trust agreement to be entered into for the Institution Series C Refunded Bonds (the "Institution Series C Refunding Trust Agreement") by and among the Authority, the Institution and the Institution Refunding Trustee. Moneys in the Institution Series C Refunding Trust Fund will be applied to the purchase of Government or Equivalent Obligations as defined in the Institution Series C Refunding Trust Agreement. Based on a verification report of Grant Thornton LLP, the Government or Equivalent Obligations, interest thereon and the remaining moneys in the Institution Series C Refunding Trust Fund will be sufficient in amount and available when necessary to pay when due the principal, interest, and redemption premium on the Institution Series C Refunded Bonds on and until their maturity or redemption dates. The Institution 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 Institution Series C Refunding Trust Fund shall serve as security for or be available to pay principal of or interest on the Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Grant Thornton LLP will verify the accuracy of mathematical computations relating to the adequacy of the maturing principal of and interest earned on the Government or Equivalent Obligations and any initial cash balance held by the University Refunding Trustee and the Institution Refunding Trustee, as applicable, to provide for the payment of the principal of, redemption premium and interest on the University Series B Refunded Bonds, the Institution Series B Refunded Bonds and the Institution Series C Refunded Bonds, as applicable, when due, which computations support certain opinions of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel.

DEBT SERVICE REQUIREMENTS

The following table sets forth, for each year ending June 30, the amounts required in such year by the University, the Institution 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 and Sinking Fund Installments 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
2007	-	$ 2,523,402	$ 2,523,402	$ 78,660,528	$ 81,183,929
2008	$ 4,445,000	10,352,956	14,797,956	81,034,913	95,832,870
2009	3,805,000	10,188,263	13,993,263	76,550,585	90,543,847
2010	3,960,000	10,033,131	13,993,131	76,564,143	90,557,274
2011	4,120,000	9,866,506	13,986,506	74,876,760	88,863,266
2012	4,295,000	9,692,175	13,987,175	73,596,366	87,583,541
2013	5,310,000	9,497,231	14,807,231	71,474,116	86,281,347
2014	5,525,000	9,270,400	14,795,400	68,739,714	83,535,114
2015	5,760,000	9,026,575	14,786,575	63,269,060	78,055,635
2016	6,015,000	8,767,219	14,782,219	58,685,672	73,467,890
2017	6,275,000	8,491,475	14,766,475	55,745,689	70,512,164
2018	6,555,000	8,201,394	14,756,394	55,755,048	70,511,442
2019	6,850,000	7,900,438	14,750,438	55,744,384	70,494,821
2020	7,160,000	7,588,781	14,748,781	55,759,976	70,508,757
2021	7,480,000	7,263,006	14,743,006	55,747,072	70,490,078
2022	7,815,000	6,917,813	14,732,813	44,076,944	58,809,757
2023	8,160,000	6,558,665	14,718,665	44,096,728	58,815,393
2024	8,530,000	6,188,566	14,718,566	44,129,646	58,848,212
2025	10,200,000	5,776,603	15,976,603	35,141,436	51,118,039
2026	10,650,000	5,317,034	15,967,034	35,148,553	51,115,586
2027	11,120,000	4,822,275	15,942,275	31,971,510	47,913,785
2028	11,630,000	4,292,131	15,922,131	31,308,109	47,230,241
2029	12,180,000	3,733,844	15,913,844	30,617,357	46,531,200
2030	12,750,000	3,149,206	15,899,206	27,786,683	43,685,889
2031	13,350,000	2,537,056	15,887,056	49,601,746	65,488,802
2032	13,960,000	1,896,425	15,856,425	8,712,835	24,569,260
2033	6,005,000	1,426,306	7,431,306	8,716,912	16,148,219
2034	6,290,000	1,134,300	7,424,300	8,728,461	16,152,761
2035	6,595,000	828,281	7,423,281	8,741,748	16,165,029
2036	6,905,000	507,656	7,412,656		7,412,656
2037	7,235,000	171,831	7,406,831		7,406,831

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[1] Includes debt of the University, the Institution and related organizations and excludes (a) debt service on the University Series B Refunded Bonds and the Institution Series B and Series C Refunded Bonds, and (b) certain capital leases with annual debt service requirements of approximately $1 million and includes Revolving Loan Program Bonds, which have a variable rate of interest assumed here to be 4.50% per year. 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:

Series D Bonds

Sources of Funds

Proceeds of Series D Bonds	$10,435,000
Net Original Issuance Discount	(202,803)
Total Sources of Funds	$10,232,197

Uses of Funds

Deposit to Refunding Trust Fund for Series B Bonds	$10,116,582
Issuance expenses*	115,615
Total Uses of Funds	$10,232,197

Series E Bonds

Sources of Funds

Proceeds of Series E Bonds	$118,750,000
Net Original Issuance Premium	3,926,105
Total Sources of Funds	$122,676,105

Uses of Funds

Project Fund Deposit	$ 88,969,965
Deposit to Refunding Trust Fund for Series B Bonds	32,417,718
Issuance expenses*	1,288,422
Total Uses of Funds	$122,676,105

Series F Bonds

Sources of Funds

Proceeds of Series F Bonds	$101,745,000
Net Original Issuance Premium	2,764,101
Total Sources of Funds	$104,509,101

Uses of Funds

Project Fund Deposit	$ 34,570,317
Deposit to Refunding Trust Fund for Series C Bonds	68,822,268
Issuance expenses*	1,116,516
Total Uses of Funds	$104,509,101

* Estimated amount to provide for Underwriters' discount, legal fees, bond insurance premium and other costs of issuance of the Bonds.

CERTAIN RISKS

No Security Interest for Series D Bondowners or Series E Bondowners

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

Special Obligation - Series F Bonds

The Institution's obligations with respect to the Series F Bonds are a special obligation of the Institution, payable only from Project Revenues. The expected source of funds necessary to pay the Institution's obligations under the Series F Loan and Trust Agreement are revenues it will receive from the University pursuant to the Lease. See, Appendix G - "SUMMARY OF THE LEASE AGREEMENT," Appendix A - "LETTER FROM THE UNIVERSITY" and Appendix B - "LETTER FROM WORCESTER CITY CAMPUS CORPORATION." See also "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS." Accordingly, the ability of the Institution to meet its payment obligations under the Series F Loan and Trust Agreement will depend upon the anticipated payments from the University to the Institution pursuant to the Lease. The payments under the Lease are payable by the University only out of certain revenues of the University, which does not include funds appropriated to the University by the Commonwealth. Payments under the Lease are required to be made from University trust fund revenues available to the University's Medical School. The Series F Bonds are not secured by a lien on the revenues of the Institution or the University or any property of the University or the Institution other than the Institution's pledge to the Trustee of its present and future interest in, to and under the Lease. Neither the payments under the Lease nor any other obligation under the Lease shall constitute a debt of the Commonwealth or any department, agency or instrumentality of the Commonwealth and neither the full faith and credit nor the taxing power of the Commonwealth are pledged therefore. There can be no assurance that University trust fund revenues will be available or sufficient to provide for the Lease payments. See Appendix E - "SUMMARY OF THE LOAN AND TRUST AGREEMENTS - Summary of the Series F Loan and Trust Agreement - Payments by the Institution."

Special Obligations under the Financing Agreement

The University's obligation under the Financing Agreement to transfer amounts sufficient to meet the obligation of the Institution to pay amounts due under the Series E 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 Series E Loan and Trust Agreement does not limit the Institution from incurring additional secured or unsecured indebtedness. The University's 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."

Creditworthiness of the Bond Insurer

The Bond Insurer's obligation under the Policy issued by it is a general obligation of the Bond Insurer. Default by the Bond Insurer may result in insufficient funds being available to pay the principal of and interest on the Insured Bonds. In such event, the remedies available to the Trustee may be limited by, among other things, certain risks related to bankruptcy proceedings, and may also have been altered prior to a default by the Bond Insurer, which has the right, acting with the Institution and the Trustee, without Bondowner consent, to amend certain provisions of the each Loan and Trust Agreement, including those governing defaults and remedies.

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 Authority, the University and the Institution 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. 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."

BOND INSURANCE

Financial Guaranty Insurance Company has supplied the following information for inclusion in this Official Statement. No representation is made by the Authority, the Institution, the University or the Underwriters as to the accuracy or completeness of this information.

Payments Under the Policy

Concurrently with the issuance of the Bonds, Financial Guaranty Insurance Company ("Financial Guaranty") will issue three separate financial guaranty insurance policies (collectively, the "Policy") for the Insured Bonds. The Policy unconditionally guarantees the payment of that portion of the principal or accreted value (if applicable) of and interest on the Insured Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the Institution or the University, as applicable. Financial Guaranty will make such payments to U.S. Bank Trust National Association, or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal or interest (as applicable) is due or on the business day next following the day on which Financial Guaranty shall have received notice (in accordance with the terms of the Policy) from an owner of Insured Bonds or the Trustee of the nonpayment of such amount by the Institution or the University, as applicable. The Fiscal Agent will disburse such amount due on any Insured Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal or interest due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal or interest shall be vested in Financial Guaranty. The term "nonpayment" in respect of an Insured Bond includes any payment of principal or interest made to an owner of an Insured Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

Once issued, the Policy is non-cancellable by Financial Guaranty. The Policy covers failure to pay principal of the Insured Bonds on their stated maturity dates and their mandatory sinking fund redemption dates, and not on any other date on which the Insured Bonds may have been otherwise called for redemption, accelerated or advanced in maturity. The Policy also covers the failure to pay interest on the stated date for its payment. In the event that payment of the Insured Bonds is accelerated, Financial Guaranty will only be obligated to pay principal and interest in the originally scheduled amounts on the originally scheduled payment dates. Upon such payment, Financial Guaranty will become the owner of the Insured Bond, appurtenant coupon or right to payment of principal or interest on such Insured Bond and will be fully subrogated to all of the Bondowner's rights thereunder.

The Policy does not insure any risk other than Nonpayment by the Issuer, as defined in the Policy. Specifically, the Policy does not cover: (i) payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity; (ii) payment of any redemption, prepayment or acceleration premium; or (iii) nonpayment of principal or interest caused by the insolvency or negligence or any other act or omission of the Trustee.

As a condition of its commitment to insure the Insured Bonds, Financial Guaranty may be granted certain rights under each of the Loan and Trust Agreements. Specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Insured Bonds, may be set forth in the description of the principal legal documents appearing elsewhere in this Official Statement, and reference should be made thereto.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty Insurance Company

Financial Guaranty is a New York stock insurance corporation that writes financial guaranty insurance in respect of public finance and structured finance obligations and other financial obligations, including credit default swaps. Financial Guaranty is licensed to engage in the financial guaranty insurance business in all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands and the United Kingdom.

Financial Guaranty is a direct, wholly owned subsidiary of FGIC Corporation, a Delaware corporation. At September 30, 2006, the principal owners of FGIC Corporation and the approximate percentage of its outstanding common stock owned by each were as follows: The PMI Group, Inc. – 42%; affiliates of the Blackstone Group L.P. – 23%; and affiliates of the Cypress Group L.L.C. – 23%. Neither FGIC Corporation nor any of its stockholders or affiliates is obligated to pay any debts of Financial Guaranty or any claims under any insurance policy, including the Policy, issued by Financial Guaranty.

Financial Guaranty is subject to the insurance laws and regulations of the State of New York, where Financial Guaranty is domiciled, including New York's comprehensive financial guaranty insurance law. That law, among other things, limits the business of each financial guaranty insurer to financial guaranty insurance (and related lines); requires that each financial guaranty insurer maintain a minimum surplus to policyholders; establishes limits on the aggregate net amount of exposure that may be retained in respect of a particular issuer or revenue source (known as single risk limits) and on the aggregate net amount of exposure that may be retained in respect of particular types of risk as compared to the policyholders' surplus (known as aggregate risk limits); and establishes contingency, loss and unearned premium reserve requirements. In addition, Financial Guaranty is also subject to the applicable insurance laws and regulations of all other jurisdictions in which it is licensed to transact insurance business. The insurance laws and regulations, as well as the level of supervisory authority that may be exercised by the various insurance regulators, vary by jurisdiction.

At September 30, 2006, Financial Guaranty had net admitted assets of approximately $3.795 billion, total liabilities of approximately $2.659 billion, and total capital and policyholders' surplus of approximately $1.136 billion, determined in accordance with statutory accounting practices ("SAP") prescribed or permitted by insurance regulatory authorities.

The unaudited consolidated financial statements of Financial Guaranty and subsidiaries, on the basis of U.S. generally accepted accounting principles ("GAAP"), as of September 30, 2006 and the audited consolidated financial statements of Financial Guaranty and subsidiaries, on the basis of GAAP, as of December 31, 2005 and 2004, which have been filed with the Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs"), are hereby included by specific reference in this Official Statement. Any statement contained herein under the heading "BOND INSURANCE," or in any documents included by specific reference herein, shall be modified or superseded to the extent required by any statement in any document subsequently filed by Financial Guaranty with such NRMSIRs, and shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement. All financial statements of Financial Guaranty (if any) included in documents filed by Financial Guaranty with the NRMSIRs subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be included by specific reference into this Official Statement and to be a part hereof from the respective dates of filing of such documents.

The New York State Insurance Department recognizes only SAP for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the New York Insurance Law, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. Although Financial Guaranty prepares both GAAP and SAP financial statements, no consideration is given by the New York State Insurance Department to financial statements prepared in accordance with GAAP in making such determinations. A discussion of the principal differences between SAP and GAAP is contained in the notes to Financial Guaranty's audited SAP financial statements.

Copies of Financial Guaranty's most recently published GAAP and SAP financial statements are available upon request to: Financial Guaranty Insurance Company, 125 Park Avenue, New York, NY 10017, Attention: Corporate Communications Department. Financial Guaranty's telephone number is (212) 312-3000.

Recent Developments

On November 15, 2006, Financial Guaranty received a subpoena from the Antitrust Division of the U.S. Department of Justice. Based upon press reports, Financial Guaranty believes that the subpoena relates to an ongoing criminal investigation of alleged bid rigging of awards of municipal guaranteed investment contracts ("Municipal GICs") and that several other companies (including other financial guarantors) have received similar subpoenas. Until December 18, 2003, when Financial Guaranty was acquired from General Electric Capital Corporation ("GE Capital") by its current owners, Financial Guaranty was affiliated with certain companies (the "Former Affiliates") that provided Municipal GICs. The Former Affiliates remained a part of GE Capital after the acquisition of Financial Guaranty, and the outstanding Municipal GICs remained with the Former Affiliates. The subpoena contains no allegations or statements concerning the activities of Financial Guaranty. Financial Guaranty intends to cooperate fully with the investigation.

Financial Guaranty's Credit Ratings

The financial strength of Financial Guaranty is rated "AAA" by Standard & Poor's, a Division of The McGraw-Hill Companies, Inc., "Aaa" by Moody's Investors Service, and "AAA" by Fitch Ratings. Each rating of Financial Guaranty should be evaluated independently. The ratings reflect the respective ratings agencies' current assessments of the insurance financial strength of Financial Guaranty. Any further explanation of any rating may be obtained only from the applicable rating agency. These ratings are not recommendations to buy, sell or hold the Insured Bonds, and are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Insured Bonds. Financial Guaranty does not guarantee the market price or investment value of the Insured Bonds nor does it guarantee that the ratings on the Insured Bonds will not be revised or withdrawn.

Neither Financial Guaranty nor any of its affiliates accepts any responsibility for the accuracy or completeness of the Official Statement or any information or disclosure that is provided to potential purchasers of the Bonds, or omitted from such disclosure, other than with respect to the accuracy of information with respect to Financial Guaranty or the Policy under the heading "BOND INSURANCE." In addition, Financial Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds.

RIGHTS OF THE BOND INSURER

For all purposes of the provisions of each applicable Loan and Trust Agreement governing Events of Default and remedies, except the giving of notice of default to Bondowners, the Bond Insurer shall be deemed to be the sole holder of the respective series of Insured Bonds for so long as it has not failed to comply with its payment obligations under the Policy. Any acceleration of the Bonds or any annulment thereof shall be subject to the prior written consent of the Bond Insurer (if it has not failed to comply with its payment obligations under the Policy). So long as the Bond Insurer is not in default under the Policy, the Bond Insurer shall, under the terms of each Loan and Trust Agreement, at all times be deemed to be the exclusive owner of the applicable series of Bonds for the purpose of approvals, consents (including consents to amendments to the applicable Loan and Trust Agreement other than those requiring unanimous consent of the affected Bondowners), waivers or institution of any action and the direction of all remedies as set forth in the applicable Loan and Trust Agreement. The Bond Insurer shall, to the extent it makes payment of principal of or interest on the Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy. See Appendix E – "SUMMARY OF THE LOAN AND TRUST AGREEMENTS" under the heading "Rights of the Bond Insurer" and Appendix J – "SPECIMEN FORM OF MUNICIPAL BOND NEW ISSUE INSURANCE POLICY."

CONTINUING DISCLOSURE

The Authority has determined that no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Bonds and the Authority will not provide any such information. The Institution, the University 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 Authority shall have no liability to the Bondowners or any other person with respect to such disclosures.

The Institution and the University have each covenanted for the benefit of Bondowners to provide certain financial information and operating data relating to the Institution and the University following the end of each of the entity's fiscal years (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed on behalf of the Institution and the University within 270 days after each fiscal year end with each Nationally Recognized Municipal Securities Information Repository and with the appropriate State Repository, if any. The notices of material events will be filed on behalf of the Institution and the University with the Municipal Securities Rulemaking Board and State Repository, if any. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in Appendix I - "Form of Continuing Disclosure Agreement." These covenants have been made in order to assist the Underwriters in complying with Rule 15c2- 12 promulgated by the Securities and Exchange Commission. To date the Institution and the University have complied in all material respects with their previous continuing disclosure agreements.

LITIGATION

On the date of issuance of the Bonds, an opinion will be delivered by Counsel to the Institution and the University to the effect that to such Counsel's knowledge, no litigation or other legal action is pending or threatened wherein an unfavorable ruling or finding could adversely affect the enforceability of the documents entered into or the validity of the Bonds or which contests such party's or parties' powers or authority with respect to the foregoing. See Appendices A and B with respect to the absence of any material litigation affecting the Institution or the University.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization or existence of the Authority, nor the title of the present members or other officers of the Authority to their respective offices is being contested. There is no litigation pending which in any manner questions the right of the Authority to make a loan to the Institution to finance the Project in accordance with the provisions of the Act and each applicable Loan and Trust Agreement.

LEGAL MATTERS

All legal matters incidental to the authorization and issuance of the Bonds by the Authority are subject to the approval of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., 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 H. Certain legal matters will be passed on for the Underwriters by its counsel, McCarter & English, LLP, Boston, Massachusetts. Certain legal matters will be passed on for the Institution and the University by its counsel, Mirick, O'Connell, DeMallie & Lougee, LLP, Worcester, Massachusetts.

TAX EXEMPTION

Bond Counsel is of the opinion that, under existing law, interest on the Bonds will not be included in 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 included 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 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 Authority has provided covenants and certificates as to continued compliance with such requirements.

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

Bond Counsel has not opined as to any other 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.

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 H — "PROPOSED FORM OF OPINION OF BOND COUNSEL."

RATINGS

Standard & Poor's Ratings Services, a Division of the McGraw Hill Companies ("S&P") and Fitch Ratings ("Fitch") are expected to assign their municipal bond ratings of "AAA" and "AAA", respectively, to the Insured Bonds based on the issuance of the Policy by the Bond Insurer. In addition, S&P and Fitch have each assigned an underlying municipal bond rating of "A" and "A+", respectively, to the Bonds based solely on the University and without regard to the Policy. 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 THE BONDS FOR INVESTMENT AND DEPOSIT

The Act provides that the Bonds are securities in which all public officers and public bodies of the Commonwealth and its political subdivisions, all Massachusetts insurance companies, trust companies, savings banks, cooperative banks, banking associations, investment companies, executors, administrators, trustees and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them. The Bonds, under the Act, are securities which may properly and legally be deposited with and received by any Commonwealth or municipal officer or any agency or political subdivision of the Commonwealth for any purpose for which the deposit of bonds or obligations of the Commonwealth is now or may hereafter be authorized by law.

COMMONWEALTH NOT LIABLE ON THE BONDS

The Bonds 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 Commonwealth or any such political subdivision, but shall be payable solely from the Revenues derived by the Authority under the applicable Loan and Trust Agreement. Neither the faith and credit nor the taxing power of the Commonwealth or of any political subdivision thereof is pledged to the payment of the principal of or the interest on the Bonds. The 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 on the Bonds in the event of default by the Institution. The Authority does not have taxing power.

UNDERWRITING

The Bonds are being purchased for reoffering by Merrill Lynch, Pierce, Fenner & Smith Incorporated, as the representative of the Underwriters. The Underwriters have agreed to purchase the Series D Bonds at an aggregate discount of $43,004.39, the Series E Bonds at an aggregate discount of $489,388.75 and the Series F Bonds at an aggregate discount of $419,308.28, each from the public offering price set forth on the inside cover pages hereof. The Underwriters have agreed to accept delivery and pay for all of the Series D Bonds if any are delivered, all of the Series E Bonds if any are delivered and all of all of the Series F Bonds if any are delivered. The obligations of the Underwriters are subject to certain terms and conditions set forth in the purchase contract. The Institution has agreed to indemnify the Underwriters and the Authority against certain liabilities, including certain liabilities arising under federal and state securities laws. The Underwriters may allow concessions from the public offering price to certain dealers, banks and others. After the initial public offering at the offering price or prices set forth on the inside cover of this Official Statement, the public offering price or prices may be varied from time to time by the Underwriters.

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 Policy, 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.

Information relating to DTC and the book-entry system described under the heading "THE BONDS — Book-Entry-Only System" has been furnished by DTC and is believed to be reliable, and information relating to the Bond Insurer and the Policy contained herein under the heading "BOND INSURANCE" and in Appendix J hereto has been furnished by the Bond Insurer and is believed to be reliable, but none of the Authority, the Institution, the University or the Underwriters 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 the Institution. With respect to such information from the University and the Institution, while the information contained therein is believed to be reliable, the Authority and the Underwriters do not make any representations or warranties whatsoever with respect to such information.

The financial statements of the University at June 30, 2006 and 2005 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 November 8, 2006 which references the report of other auditors.

Appendix D - "DEFINITIONS OF CERTAIN TERMS," Appendix E - "SUMMARY OF THE LOAN AND TRUST AGREEMENTS" Appendix F - "SUMMARY OF THE FINANCING AGREEMENT" and Appendix G - "SUMMARY OF THE LEASE AGREEMENT" have been prepared by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel. The proposed legal opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. is set forth in Appendix H.

Appendix I contains the Form of Continuing Disclosure Agreement. Appendix J contains a Specimen Form of Bond Insurance Policy, which has been supplied by the Bond Insurer. All Appendices are incorporated as an integral part of this Official Statement.

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

MASSACHUSETTS HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

By: /s/ Benson T. Caswell
Executive Director

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APPENDIX A

December 14, 2006

Massachusetts Health and Educational
Facilities Authority
99 Summer Street, Suite 1000
Boston, MA 02110

Members of the Authority:

In connection with the issuance by the Massachusetts Health and Educational Facilities Authority (the "Authority") of its Revenue Bonds, University of Massachusetts Issue, Series D (2007) (the "Series D Bonds"), its Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series E (2007) (the "Series E Bonds"), and its Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series F (2007) (the "Series F 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

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 fundamental mission of the University is to provide within available resources the highest possible quality of instruction, research and public service to the widest possible segment of the citizens of the Commonwealth. In the fall of 2005, the University enrolled approximately 47,915 full-time equivalent ("FTE") students. The University is committed to providing, without discrimination, diverse program offerings to meet the needs of the state's population. The University's five campuses are geographically dispersed throughout Massachusetts and possess unique and complementary missions.

Amherst Campus

The Amherst campus, the University's flagship campus approximately 90 miles west of Boston, is the largest in the University system. With a student body of approximately 18,612 FTE undergraduate and approximately 4,335 FTE graduate students enrolled in the fall of 2005, 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 89 bachelor's, 72 master's and 51 doctoral degree programs. During the 2004-2005 academic year, 54 associate, 4,262 bachelor and 1,450 advanced degrees were conferred. Students may enroll in the Commonwealth College (the Commonwealth's honors college), School of Education, College of Engineering, College of Natural Resources and the Environment, College of Humanities and Fine Arts, Isenberg School of Management, School of Nursing, College of Natural Sciences and Mathematics, 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, convocation center and theatre, the William D. Mullins Center, and 41 campus residence halls in five unique residential areas. The December 2004 report of *The Top American Research Universities (The Center)* ranks UMass 45th among public research universities on nine measures of competitive success. The Amherst campus ranks among the top 25 public institutions on prominent grants and fellowships awarded to faculty, and among the top 50 public institutions on two of the measures – national academy members and doctorates awarded. The Amherst campus also ranked 69th in federal research dollars.

Boston Campus

The 175-acre Boston campus, which is located three miles from downtown Boston on a harbor peninsula with the John F. Kennedy Presidential Library and the Massachusetts State Archives and Commonwealth Museum, is 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 6,510 FTE undergraduate students and approximately 2,019 FTE graduate students enrolled in the fall of 2005. The Boston campus offers 78 undergraduate degree programs, 15 undergraduate certificate programs, 34 master's programs, 26 graduate certificate programs and 13 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 School of Policy Studies and the Graduate College of Education. During the 2004-2005 academic year, 49 certificate, 1,578 bachelor and 749 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.

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 has over 40 undergraduate and 25 graduate programs (including 4 at the Ph.D. level) offered by 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 and the School for Marine Science and Technology. 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 UMass Dartmouth sites include the Center for Marine Science and Technology on the waterfront in New Bedford, the Star Store Center for the Arts in New Bedford, and the Advanced Technology and Manufacturing Center in Fall River, a state-of-the-art technology facility for small business incubation.

The Dartmouth campus had approximately 6,694 FTE undergraduate and approximately 717 FTE graduate students enrolled in the fall of 2005. During the 2004-2005 academic year, 1,042 bachelor and 260 advanced degrees were conferred. *U.S. News and World Report's 2006 Edition of America's Best Colleges* has ranked the University of Massachusetts Dartmouth 13th in the entire north region, which in addition to Massachusetts also includes New York, New Jersey, Pennsylvania, Maryland and Washington, D.C. At UMass Dartmouth, the scholarly research and creative activities of faculty and graduate students are interwoven with the undergraduate experience. The Dartmouth campus is an active partner in research and economic development projects for the southeastern Massachusetts region, emphasizing the marine industry and economy, public policy, school outreach and artistic and cultural development.

Lowell Campus

The Lowell campus, approximately 30 miles northwest of Boston on the Merrimack River, had a student body of approximately 6,471 FTE undergraduate and approximately 1,478 FTE graduate students in the fall of 2005. The Lowell campus offers five associate's, 38 bachelor's, 31 master's and 15 doctoral degree programs within the College of Arts and Sciences, the College of Engineering, the School of Health and Environment, the College of Management and the Graduate School of Education. During the 2004-2005 academic year, 41 associate, 1,324 bachelor, and 637 advanced degrees were conferred.

The mission of the Lowell campus is to provide educational and research programs designed to support and develop a sustainable regional industrial economic sector. It is the University's most technologically-oriented campus, focusing on an integrated strategy in which the academic disciplines of engineering, management, science, education and health are applied in the pursuit of a thriving industrial economic sector.

Worcester Campus

The Worcester campus, located approximately 40 miles west of Boston and 50 miles east of Amherst, is one of twenty-eight freestanding, university-based academic health science campuses in the United States. The campus houses the School of Medicine, the Graduate School of Biomedical Sciences, the Graduate School of Nursing 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 1997 legislative acts of the Commonwealth of Massachusetts, 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. See Appendix C.

Created in 1962, the Medical School provides health care education to Massachusetts residents, with a goal of enabling residents to study medicine at an affordable cost and of providing incentives to its graduates to practice primary care and other medical disciplines in underserved areas in Massachusetts. According to *US News & World Report's 2005 Edition of America's Best Graduate Schools*, the Medical School ranked 3rd among the best medical schools in the nation in the primary care category. The school has consistently placed in the top ten percent of medical schools in the *US News & World Report's* rankings for primary care medical schools. Most recently in October 2006, Craig C. Mello, PhD, the Blais University Chair in Molecular Medicine, was the co-recipient of the 2006 Nobel Prize in Physiology or Medicine for the discovery of RNA interference – gene-silencing by double-stranded RNA.

The Worcester campus had approximately 1,079 FTE graduate and medical students enrolled in the fall of 2005. In addition, there were approximately 541 medical residents. The Worcester campus offers four master's and 13 doctoral degree programs but does not offer undergraduate degrees. During the 2004-2005 academic year, 163 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. The programs offered by the University and once supported through the Center for Professional Education were fully integrated into UMassOnline. Headquartered at the President's Office Collaborative Services Facility in Shrewsbury, Massachusetts, UMassOnline helps the University to provide greater access to its educational programs and to increase revenues that can be used to support the campuses. In 2005, UMassOnline and the Continuing Education units at the five campuses collaboratively generated tuition revenue of approximately $19,000,000 and supported 19,728 enrollments. Since 2001, UMassOnline has realized average annual gross revenue and enrollment growth rates of 53 percent and 38 percent, respectively.

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 seven-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; and deploying marketing programs that will position the University as a high-quality national player in online higher education and increase online course and program enrollments in the Massachusetts, New England, national and international markets.

Currently, the University offers more than 58 online degrees, certificates and continuing medical education programs, as well as 1,000 courses annually. UMassOnline is led by its Chief Executive Officer. (See "Administrative Officers" below).

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. The following University offices/projects are currently housed at CSF: University Information Technology Services; Project e*mpac; the ISIS Project; Graduate School of Nursing; UMassOnline; Office of Technology Management; the Donahue Institute; and Central Administrative Services, which comprises the University Treasurer's Office, the University Auditing Office, Human Resources, the University Procurement Office and the University Controller's Office. The Worcester City Campus Corporation has recently entered into a purchase and sales agreement to acquire the property at 333 South Street, Shrewsbury, that is the present location of the CSF, from Maxtor Realty Corporation and Seagate Technology, LLC. The purchase price of $27.5 million consists of approximately 83 acres of property and two buildings containing approximately 670,000 gross square feet of space. This acquisition will allow 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 Health Care. This property will also provide substantial capital cost avoidance as the acquisition cost of ~$45 per square foot compares favorably with new building costs of $150 - $300 per square foot for office or laboratory construction. Another major potential, as occupancy stabilizes, will be to reduce current occupancy costs within this complex to the University and Medical School.

The University of Massachusetts Club

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

University Related Organizations

The financial statements of the University included in Appendix C 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 Building Authority, a public instrumentality of the Commonwealth created by Chapter 773 of the Acts of 1960 of the Commonwealth, and Worcester City Campus Corporation ("WCCC"), a tax-exempt organization, and the University of Massachusetts Amherst Foundation, Inc. (the "UMass Amherst Foundation"), a tax-exempt organization which was established in fiscal year 2003. The purposes of the Building Authority are to provide dormitories, dining commons and other buildings and structures for use of the University and other entities associated with the University and to issue bonds to finance such projects. On November 4, 1992, the University created WCCC to purchase various assets of Worcester City Hospital, to operate as a real estate holding company and to foster and promote the growth, progress and general welfare of the University. WCCC includes the Worcester Foundation for Biomedical Research, Inc. ("WFBR") as a subsidiary. Beginning in fiscal year 2002, for financial reporting purposes, WCCC is included and categorized as a blended component unit of the University in the annual financial report. In previous fiscal years, WCCC was categorized separately from the University and was reported in the financial statements as a part of the University Related Organizations. 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") under the coordinating authority of the Commonwealth's Board of Higher Education ("BHE") (successor to the Higher Education Coordinating Council). The day-to-day operations of the University are directed by a team of administrative officers of the University, the chief executive officer being the President.

The General Laws give the University Trustees the authority to govern the University and to appoint the President of the University, the Chancellors (the senior administrative officers of each campus) and other officers and members of the professional staff. The General Laws also grant to the University Trustees the legal right to establish and manage non-appropriated funds, which funds include, for example, certain student fees, grants and contracts and funds used to support certain self-sufficient operations within the University. See "University Revenues and Budgeting" below. The University Trustees consist of 19 voting members and three non-voting members. Seventeen voting members of the University Trustees are appointed by the Governor of the Commonwealth. 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 student members serve one-year 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, over-all 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.

Board of Higher Education

The University is subject to the coordinating authority of the BHE, 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 boards of trustees of the public institutions of higher education in Massachusetts in order to identify and define institutional missions.

The BHE consists of 11 voting members; however, seven of the voting members are now appointed by the Governor, one of whom is the Commissioner of Education, *ex officio*, and three members are to be chosen to represent public institutions of higher education. Of the seven 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 three members chosen to represent public institutions of higher education, one shall be a member of the University Trustees selected by the chair of the University Trustees, one shall 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 shall 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. BHE members serve staggered terms of five years, except for the undergraduate student member, who serves for a term of one year. No member may be appointed for more than two consecutive terms, and a student member may serve only one term.

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 1st 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**
Stephen P. Tocco, *Board of Trustees Chair*, Reading *Appointed September 2006* President and CEO of ML Strategies*	2011
Karl E. White, *Vice Chair*, Boston *Appointed March 1999* Chief Investment Officer, Fletcher Asset Management, Inc	2007
Alfred Albano, Worcester *Non-Voting Student Member, elected July 2006* University of Massachusetts, Worcester	2007
John A. Armstrong, Ph.D., Amherst *Appointed October 2004* Former Vice President and Director of Research, IBM (retired)	2009
Lawrence F. Boyle, Milton *Appointed January 2002* Senior Partner, Morrison, Mahoney & Miller, LLP	2011
Jennifer Braceras, Concord *Appointed September 2006* Attorney and Writer	2011

Matthew E. Carlin, Natick — 2009
Appointed July 2005
President, Resource Options Inc.

Christine K. Cassel, M.D., Philadelphia, Pennsylvania — 2008
Appointed October 2003
President and Chief Executive Officer,
ABIM Foundation, American Board of Internal Medicine

John A. DiBiaggio, Ph.D., Snowmass Village, Colorado — 2008
Appointed October 2003
Former President, Tufts University (retired)

Tamara Endich, Truro — 2007
Voting Student Member, elected July 2006
University of Massachusetts, Dartmouth

Ruben J. King-Shaw, Jr., Carlisle — 2010
Appointed September 2005
Chairman & CEO, Mansa Equity Partners, Inc.

Aleksandar Kulenovic, Cambridge — 2007
Non-Voting Student Member, elected July 2006
University of Massachusetts, Boston

Richard J. Lawton, Esq., North Easton — 2011
Appointed September 2006
Attorney, Law Offices of Richard J. Lawton

Marisha Leiblum, Pelham — 2007
Non-Voting Student Member, elected July 2006
University of Massachusetts, Amherst

Kenneth A. Macafee II, D.M.D., Needham — 2011
Appointed September 2006
Oral and Maxillofacial Surgeon

Heather M. Makrez, Lowell — 2007
Voting Student Member, elected July 2006
University of Massachusetts, Lowell

Robert J. Manning, Swampscott — 2011
Appointed September 2006
President and CEO, MFS Investment Management

Robert B. McCarthy, Watertown — 2007
Appointed January 1999
President, Professional Fire Fighters of Massachusetts
Former Captain, Watertown Fire Department (retired)

William T. O’Shea, Basking Ridge, New Jersey — 2008
Appointed October 2003
President, Bell Laboratories/ CTO, Lucent Technologies (retired)

Janet D. Pearl, M.D., Wellesley — 2009
Appointed October 2004
Co-Director of the Pain Management Center, Caritas St. Elizabeth’s Medical Center

Alda Rego-Weathers, Attleboro 2011
Appointed September 2006
Deputy Commissioner, Massachusetts Department of Public Health

Robert K. Sheridan, Hingham 2007
Appointed August 2002
Chief Executive Officer, Savings Bank Life Insurance

*ML Strategies, LLC, a limited liability company of which, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. is the sole member, is a multidisciplinary consulting firm. Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. is serving as bond counsel in connection with the Series D Bonds, the Series E Bonds and the Series F Bonds.

Administrative Officers

Jack M. Wilson, President, age 61

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

James R. Julian, Jr., Executive Vice President, age 45

James R. Julian, Jr. 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, Senior Vice President for Academic and Student Affairs and International Relations, age 65

Marcellette G. Williams has been appointed to the position of Senior Vice President for Academic and Student Affairs and International Relations. Ms. Williams assumed her duties on a full-time basis in July 2005. Ms. Williams served as interim Chancellor of the Amherst campus from July 2001 through July 2002. Prior to becoming interim Chancellor, Ms. Williams was deputy chancellor and professor of English and Comparative Literature at the Amherst campus. Prior to joining the University, Ms. 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.

Thomas Chmura, Vice President for Economic Development, age 57

Thomas Chmura has been Vice President for Economic Development at the University since January 1993. He also served as Chief of Staff for the President's Office in 1995. Previously, Mr. Chmura was Director of Economic Development for the Greater Baltimore Committee, the business leadership organization for the Baltimore metropolitan area from 1989 to 1992. Mr. Chmura received a B.S. degree in Engineering and an M.S. degree in Urban and Environmental Studies from Rensselaer Polytechnic Institute in Troy, New York.

David J. Gray, Chief Information Officer and Vice President for Information Services and Chief Executive Officer of UMassOnline, age 52

David J. Gray was hired as Chief Information Officer and Vice President for Information Services in September 2000. In addition, on May 19, 2004, Mr. Gray was appointed by President Wilson to the position of Chief Executive Officer ("CEO") of UMassOnline. Since September 2003, he had served as interim CEO of UMassOnline. 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.

Stephen W. Lenhardt, Sr., Vice President for Management and Fiscal Affairs and Treasurer, age 65

Stephen W. Lenhardt, Sr. has been Vice President for Management and Fiscal Affairs since 1987 and University Treasurer since 1991. Prior to assuming his present duties, Mr. Lenhardt served in several executive positions for the New York City Health and Hospitals Corporation, ultimately as Vice President for Facilities Management and Operations. He received a B.A. degree in Social Welfare from The Pennsylvania State University, University Park, Pennsylvania and M.S.W. and M.P.A. degrees from the University of Pittsburgh.

J. Keith Motley, Vice President for Business and Public Affairs, age 50

J. Keith Motley has been appointed to the position of Vice President for Business and Public Affairs. Mr. Motley served as interim Chancellor of the Boston campus from August 2004 until June 5, 2005. Prior to becoming interim Chancellor, Mr. Motley served as the Vice Chancellor for Student Affairs at the Boston campus. Previously, Mr. 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. Mr. Motley is the founder of the Roxbury Preparatory Charter School and chairs the school's board of trustees. He also serves as chairman of the board of trustees of Newbury College in Brookline. Mr. Motley holds B.S. and M.Ed. degrees from Northeastern University, and a Ph.D. degree from Boston College.

Lawrence T. Bench, Interim General Counsel, age 61

Lawrence T. Bench was appointed Interim General Counsel at the University of Massachusetts effective November 28, 2005. He has served as Associate Counsel for the University of Massachusetts advising the University and its officers and employees and representing them in civil litigation since 1974. Mr. Bench held the position of Assistant Attorney General for the Massachusetts Department of the Attorney General in Boston from 1971 to 1974. He previously served as law clerk to Justice Paul G. Kirk of the Supreme Judicial Court of Massachusetts. Mr. Bench received a B.A. degree in History from Boston College in Chestnut Hill, Massachusetts in 1966. He received a Juris Doctor degree from Boston College Law School in 1969. He also served on the Board of Editors of the Boston College Law Review.

John V. Lombardi, Chancellor Amherst campus, age 64

John V. Lombardi commenced his role as Chancellor of Amherst campus on July 1, 2002. Mr. Lombardi previously held the position of President of the University of Florida from 1990 to 1999. Mr. Lombardi also served as Provost and Vice President for Academic Affairs at The Johns Hopkins University from 1987 to 1990, and Dean of the College of Arts and Sciences at Indiana University Bloomington from 1985 to 1987. Mr. Lombardi holds a B.A. degree from Pomona College and M.A. and Ph.D. degrees from Columbia University.

Michael F. Collins, Chancellor Boston Campus, age 51

Michael F. Collins commenced his role as Chancellor of the Boston campus on June 6, 2005. Previously, Dr. Collins served as President and Chief Executive Officer of Caritas Christi Health Care from 1994 to 2004. From 1994 to 2001, Dr. Collins served as President of St. Elizabeth's Medical Center in Brighton, a university academic medical center affiliated with Tufts University School of Medicine. Dr. Collins has held faculty positions for the past 21 years, first at Texas Tech University Health Sciences Center, where his posts included Assistant Professor of Internal Medicine and Assistant Dean for Patient Care Resources. He currently serves as Clinical Professor of Internal Medicine at Tufts University School of Medicine and is a Senior Fellow at the University College of

Citizenship and Public Service. Dr. Collins received a B.A. degree from the College of the Holy Cross and earned an M.D. degree from Tufts University School of Medicine.

Jean F. MacCormack, Chancellor Dartmouth campus, age 60

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

David J. MacKenzie, Interim Chancellor Lowell campus, age 60

David J. MacKenzie was appointed by President Wilson to the position of Interim Chancellor of Lowell campus as of July 8, 2006. He has been a part of the UMass system since 1999, where he was Vice Chancellor for Administration and Finance at the Boston Campus. He was interim Chancellor for the Boston Campus from January 2001 to July 2001. Mr. MacKenzie became Executive Director of the University of Massachusetts Building Authority in January 2004, a position he currently maintains. Mr. MacKenzie earned his B.A. degree from Wesleyan College, an M.A. from Stanford University and a J.D. from Northeastern University Law School.

Aaron Lazare, Chancellor Worcester campus, age 70

Aaron Lazare has been the Chancellor of the Worcester campus since 1989. Prior to his current role, Dr. Lazare held the position of Professor and Chair of Psychiatry at the Worcester campus. He received his A.B. from Oberlin College and his M.D. from the Case Western Reserve University School of Medicine.

Faculty and Staff

The University had approximately 4,554 faculty members in the fall of 2005, including approximately 3,293 full-time faculty. Of the full-time faculty (excluding Worcester faculty), approximately 60 percent were tenured, approximately 25 percent were on track for tenure and the remaining approximately 15 percent were not on tenure track. In addition, the University had approximately 5,884 professional and 5,306 classified staff members in the fall of 2005, of which approximately 89 percent and 84 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 17:1, 14:1, 16:1 and 15:1 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 54 fields, as well as Doctor of Education, Doctor of Science, Doctor of Engineering and Doctor of Medicine degrees. The academic resources of the University are also accessible to part-time students, to local, national and international businesses and to the general community through the continuing education programs.

Each campus of the University is accredited by the New England Association of Schools and Colleges, Inc. ("NEASC"), the major accrediting body for institutions of higher education in New England. In addition, the Center for Professional Education is accredited as a branch campus of the University's Amherst and Lowell campuses by

NEASC and the Massachusetts Board of Higher Education. 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 National Association of State Universities and Land Grant Colleges, 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, 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 2005 semester, Massachusetts residents accounted for approximately 86 percent and 58 percent of the University's total undergraduate and graduate fall enrollment, respectively.

The University's enrollment has been fairly level over the last five years. In the fall of 2005, total full-time equivalent enrollment at the University (including continuing education) was 47,915, representing an increase of approximately two percent over the five-year period.

Total Full-Time Equivalent Enrollment

	2001	2002	2003	2004	2005*
Undergraduate	35,773	35,531	35,763	35,588	38,287
Graduate	8,618	8,690	8,698	8,702	9,628
Continuing Education*	2,418	2,538	2,687	2,647	
Total	46,809	46,759	47,148	46,937	47,915

The following tables show opening fall head count enrollment for each of the five campuses since 2001.

Amherst Campus

	2001	2002	2003	2004**	2005*
In-state undergraduate	14,326	14,398	14,646	14,738	15,670
Out-of-state undergraduate	4,319	3,478	3,338	3,401	3,724
In-state graduate	2,260	2,250	2,373	2,300	2,270
Out-of-state graduate	3,051	3,206	3,219	3,380	3,429
Continuing Education*	860	797	736	827	
Total	24,816	24,129	24,312	24,646	25,093

*Boston Campus****

	2001	2002	2003	2004**	2005*
In-state undergraduate	8,710	8,220	7,976	7,397	7,797
Out-of-state undergraduate	1,066	950	749	630	1,161
In-state graduate	2,179	1,953	1,970	1,995	2,204
Out-of-state graduate	490	461	429	378	700
Continuing Education*	1,555	1,768	1,982	1,837	
Total	14,000	13,352	13,106	11,682	11,862

Dartmouth Campus

	2001	2002	2003	2004**	2005*
In-state undergraduate	5,536	6,027	6,231	6,181	7,114
Out-of-state undergraduate	392	425	377	354	405
In-state graduate	376	399	421	397	657
Out-of-state graduate	336	367	352	329	373
Continuing Education*	1,177	1,193	1,395	1,407	
Total	7,817	8,411	8,776	8,299	8,549

Lowell Campus

	2001	2002	2003	2004**	2005*
In-state undergraduate	5,430	5,468	5,683	5,665	7,407
Out-of-state undergraduate	833	740	678	651	902
In-state graduate	1,735	1,711	1,667	1,557	1,671
Out-of-state graduate	865	854	703	615	686
Continuing Education*	3,786	3,575	3,303	2,873	
Total	12,649	12,348	12,034	11,089	10,666

Worcester Campus

	2001	2002	2003	2004**	2005*
Medical School	411	421	425	419	412
Other	275	311	350	452	596
Total+	686	732	775	871	1,008

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

Total Headcount Enrollment

	2001	2002	2003	2004**	2005*
In-state undergraduate	34,002	34,113	34,536	33,981	37,988
Out-of-state undergraduate	6,610	5,593	5,142	5,036	6,192
In-state graduate	7,236	7,045	7,206	6,918	7,552
Out-of-state graduate	4,742	4,888	4,703	4,929	5,446
Continuing Education*	7,378	7,333	7,416	6,944	
Total	59,968	58,972	59,003	56,587	57,178

*The 2005 continuing education enrollment numbers have been included in the 2005 undergraduate and graduate enrollment totals.

**Duplicate headcounts in continuing education and state-supported programs have been removed from the 2004 totals.

***The enrollment decline at the Boston campus in fall 2004 was primarily due to increased admission standards. Beginning in fall 2002, the Boston campus raised the minimum Grade Point Average for both freshmen and transfer admission. The admitted student population is now stronger academically and also more competitive, which has reduced the freshmen and transfer yield at the Boston campus.

From fall 2004 to fall 2005, total new freshmen enrollees increased by 10 percent, while total new transfer enrollees remained stable for the system as a whole. The number of total new freshmen enrollees reflected a 4.9 percent increase in the size of the entering class at the Amherst campus, a 38.2 percent increase in new freshmen at the Boston campus, a 16.2 percent increase at the Dartmouth campus, and a 7.7 percent increase at the Lowell campus. The number of total new transfer enrollees reflected a 6.2 percent decrease at the Amherst campus, an 11.1

percent increase at the Boston campus, a 1.6 percent decrease at the Dartmouth campus and a 5.4 percent decrease at the Lowell campus.

The University saw an increase in freshmen applications in fall 2005 compared with fall 2004. The increase in total freshmen applications included a 12.7 percent increase at the Amherst campus, a 9.3 percent increase at the Boston campus, a 6.3 percent increase at the Dartmouth campus, and a 10.2 percent increase at the Lowell campus. Transfer applications included a 1.7 percent decrease at the Amherst campus, a 2.2 percent decrease at the Boston campus, a 6.3 percent increase at the Dartmouth campus, and a 4.4 percent decrease 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 2001-2005

	2001	2002	2003	2004+	2005
Applications Received	29,630	32,730	29,543	31,200	34,571
Number of Acceptances	20,829	19,720	21,920	22,835	25,904
Percent of Applicants Accepted	70%	60%	74%	73%	75%
Number of Matriculants	7,080	6,458	7,099	7,126	7,840
Percent Matriculated of Those Accepted	34%	33%	32%	31%	30%

Transfer Student Applicants, Acceptances and Matriculants, Fall 2001-2005

	2001	2002	2003	2004+	2005
Applications Received	8,022	8,283	8,072	8,313	8,183
Number of Acceptances	6,312	6,301	6,191	5,895	5,971
Percent of Applicants Accepted	79%	76%	77%	71%	73%
Number of Matriculants	3,893	3,782	3,706	3,588	3,601
Percent Matriculated of Those Accepted	62%	60%	60%	61%	60%

+The 2004 application and matriculant numbers have been revised based on updated information.

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 (%)

	2000	2001	2002	2003	2004	2005
Range of Campus Averages	69-84	69-84	70-83	70-84	71-82	71-84

Six-Year Graduation Rates (%)

Year of Graduation	2000	2001	2002	2003	2004	2005
Graduation Rate Six Years after Matriculation*	25-59	27-59	28-61	34-64	28-62	34-65

*The low-end averages of the University data are the result of 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	2003-04	2004-05	2005-06
Range of Campus Averages	1042-1137	1039-1137	1064-1143

Degrees Awarded

The University awards four levels of degrees, including 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

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Associate/ Certificate	168	175	229	184	192	148
Bachelor	7,492	7,522	7,535	7,651	7,773	8,206
Master/ CAGS*	2,456	2,422	2,274	2,424	2,578	2,731
Doctorate/Professional	454	454	461	442	536	528

*CAGS means Certificate of Advanced Graduate Studies

Tuition and Fees

The University strives to provide students with the opportunity to obtain a quality education. In this effort, between fiscal years 1995 and 2001, the average student charge (tuition and mandatory fees) for undergraduate students was actually reduced by approximately 3.4 percent. Steady increases in state appropriations during this period supported University efforts to stabilize tuition and fees relative to other institutions in New England. Accordingly, tuition and fees are not in the highest national or regional ranks. However, a series of reductions in state appropriations beginning in the fall of 2000 required that the University take actions to stabilize the finances of the University, including student fee increases approved by the University Trustees for fiscal years 2002, 2003 and 2004. More recently, the University has adopted a near-term policy of no greater than estimated inflation based increases for mandatory student charges (the combined total of tuition and mandatory fees). In February 2004, the University Trustees approved mandatory tuition and fee increases for fiscal year 2005. The mandatory student fee increases (with the exception of the new Ph.D./MD program rates for non-residents at the Worcester campus) were inflation based increases of no more than 2.8 percent (the consumer price index for the Northeast Urban Region as of October 2003) over the annualized fiscal year 2004 spring semester rates. As of December 2004, inflation was estimated at 3.5 percent as measured by the consumer price index for the Northeast Urban Region. 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' 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 averages 3.4 percent over current rates for resident undergraduate students. The University is hopeful that an "at or below inflation" approach to future student charge increases can continue to be maintained to provide reasonable stability and predictability for students, their families and institutional planners. 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 2003 through 2007.

AMHERST CAMPUS

Tuition & Mandatory Fees: FY 2003 – 2007

	Actual 2003*	Actual 2004**	Actual 2005***	Actual 2006****	Actual 2007*****
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)	$4,768	$6,518	$7,294	$7,564	$7,881
Undergraduate (non-resident)	5,398	7,648	7,924	8,460	9,380
Graduate (MA resident)	4,113	5,864	6,639	6,917	7,242
Graduate (non-resident)	5,018	7,268	7,544	8,069	8,969
TOTAL MANDATORY FEES & TUITION					
Undergraduate (MA resident)	$ 6,482	$ 8,232	$ 9,008	$ 9,278	$ 9,595
Undergraduate (non-resident)	15,335	17,585	17,861	18,397	19,317
Graduate (MA resident)	6,753	8,504	9,279	9,557	9,882
Graduate (non-resident)	14,955	17,205	17,481	18,006	18,906
DORMITORY RESIDENTS ONLY					
Average Room & Board	$5,473	$5,748	$6,189	$6,517	$6,989
MANDATORY FEES, TUITION, ROOM & BOARD					
Undergraduate (MA resident)	$11,955	$13,980	$15,197	$15,795	$16,584
Undergraduate (non-resident)	20,808	23,333	24,050	24,914	26,306
Graduate (MA resident)	12,226	14,252	15,468	16,074	16,871
Graduate (non-resident)	20,428	22,953	23,670	24,523	25,895

*Includes an increase in fees approved by the University Trustees on February 6, 2002.
**Includes an annual increase in fees approved by the University Trustees on March 12, 2003 and mid-year fee increases, effective for the spring semester of fiscal year 2004, approved by the University Trustees on August 6, 2003.
***Includes an increase in fees approved by the University Trustees on February 4, 2004.
****Includes an increase in fees approved by the University Trustees on February 16, 2005.
*****Includes an increase in fees approved by the University Trustees on February 15, 2006.

BOSTON CAMPUS

Tuition & Mandatory Fees: FY 2003 – 2007

	Actual 2003*	Actual 2004**	Actual 2005***	Actual 2006****	Actual 2007*****
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)	$3,508	$5,258	$6,310	$6,551	$ 6,832
Undergraduate (non-resident)	5,124	7,874	8,999	9,562	10,219
Graduate (MA resident)	3,520	5,270	6,322	6,589	7,238
Graduate (non-resident)	5,136	7,886	9,011	9,574	10,231
TOTAL MANDATORY FEES & TUITION					
Undergraduate (MA resident)	$ 5,222	$ 6,972	$ 8,023	$ 8,265	$ 8,546
Undergraduate (non-resident)	14,882	17,632	18,757	19,320	19,977
Graduate (MA resident)	6,110	7,860	8,912	9,179	9,828
Graduate (non-resident)	14,894	17,644	18,769	19,332	19,989

*Includes an increase in fees approved by the University Trustees on February 6, 2002.
**Includes an annual increase in fees approved by the University Trustees on March 12, 2003 and mid-year fee increases, effective for the spring semester of fiscal year 2004, approved by the University Trustees on August 6, 2003.
***Includes an increase in fees approved by the University Trustees on February 4, 2004.
****Includes an increase in fees approved by the University Trustees on February 16, 2005.
*****Includes an increase in fees approved by the University Trustees on February 15, 2006.

DARTMOUTH CAMPUS

Tuition & Mandatory Fees: FY 2003 – 2007

	Actual 2003*	Actual 2004**	Actual 2005***	Actual 2006****	Actual 2007*****
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)	$3,712	$5,461	$6,385	$6,619	$6,892
Undergraduate (non-resident)	5,530	8,280	9,203	9,539	9,710
Graduate (MA resident)	4,195	5,946	6,868	7,117	7,375
Graduate (non-resident)	5,530	8,280	9,203	9,539	9,710
TOTAL MANDATORY FEES & TUITION					
Undergraduate (MA resident)	$ 5,129	$ 6,878	$ 7,802	$ 8,036	$ 8,309
Undergraduate (non-resident)	13,629	16,379	17,302	17,638	17,809
Graduate (MA resident)	6,266	8,017	8,939	9,188	9,446
Graduate (non-resident)	13,629	16,379	17,302	17,638	17,809
DORMITORY RESIDENTS ONLY					
Average Room & Board	$6,526	$7,368	$7,740	$8,268	$8,893
MANDATORY FEES, TUITION, ROOM & BOARD					
Undergraduate (MA resident)	$11,655	$14,246	$15,542	$16,304	$17,202
Undergraduate (non-resident)	20,155	23,747	25,042	25,906	26,702
Graduate (MA resident)	12,792	15,385	16,679	17,456	18,339
Graduate (non-resident)	20,155	23,747	25,042	25,906	26,702

*Includes an increase in fees approved by the University Trustees on February 6, 2002.
**Includes an annual increase in fees approved by the University Trustees on March 12, 2003 and mid-year fee increases, effective for the spring semester of fiscal year 2004, approved by the University Trustees on August 6, 2003.
***Includes an increase in fees approved by the University Trustees on February 4, 2004.
****Includes an increase in fees approved by the University Trustees on February 16, 2005.
*****Includes an increase in fees approved by the University Trustees on February 15, 2006.

LOWELL CAMPUS

Tuition & Mandatory Fees: FY 2003 – 2007

	Actual 2003*	Actual 2004**	Actual 2005***	Actual 2006****	Actual 2007*****
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)+	2,183	2,183	2,183	1,637	1,637
Graduate (non-resident)+	8,567	8,567	8,567	6,425	6,425
CURRICULUM & OTHER MANDATORY FEES					
Undergraduate (MA resident)	$3,759	$5,510	$6,437	$ 6,712	$ 6,990
Undergraduate (non-resident)	6,084	8,834	9,857	10,499	11,147
Graduate (MA resident)++	4,193	4,900	5,811	6,070	6,332
Graduate (non-resident)++	6,084	7,318	8,297	8,810	9,328
TOTAL MANDATORY FEES & TUITION					
Undergraduate (MA resident)	$ 5,213	$ 6,964	$ 7,891	$ 8,166	$ 8,444
Undergraduate (non-resident)	14,651	17,401	18,424	19,066	19,714
Graduate (MA resident)	6,376	7,083	7,994	7,707	7,969
Graduate (non-resident)	14,651	15,885	16,864	15,235	15,753
DORMITORY RESIDENTS ONLY					
Average Room & Board	$5,464	$5,724	$6,011	$6,311	$6,520
MANDATORY FEES, TUITION, ROOM & BOARD					
Undergraduate (MA resident)	$10,677	$12,688	$13,902	$14,477	$14,964
Undergraduate (non-resident)	20,115	23,125	24,435	25,377	26,234
Graduate (MA resident)	11,840	12,807	14,005	14,018	14,489
Graduate (non-resident)	20,115	21,609	22,875	21,546	22,273

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*Includes an increase in fees approved by the University Trustees on February 6, 2002.
**Includes an annual increase in fees approved by the University Trustees on March 12, 2003 and mid-year fee increases, effective for the spring semester of fiscal year 2004, approved by the University Trustees on August 6, 2003.
***Includes an increase in fees approved by the University Trustees on February 4, 2004.
****Includes an increase in fees approved by the University Trustees on February 16, 2005.
*****Includes an increase in fees approved by the University Trustees on February 15, 2006.
+Fiscal year 2006 and 2007 graduate tuition charges at UMass Lowell are on a 9-credit load basis.
++Fiscal year 2004, 2005, 2006 and 2007 graduate fee charges at UMass Lowell are on a 9-credit load basis.

WORCESTER CAMPUS

Tuition & Mandatory Fees: FY 2003 – 2007

	Actual 2003*	Actual 2004**	Actual 2005***	Actual 2006****	Actual 2007*****
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	$3,000	$ 5,250	$ 5,653	$ 5,685	$ 5,710
Graduate School of Nursing	3,000	5,250	5,653	5,685	5,710
Graduate School of Biomedical Sciences	1,335	3,586	3,942	3,942	3,942
Ph.D./MD (non-resident) +	N/A	25,804	N/A	N/A	N/A
Ph.D./MD (MA resident) ++	N/A	N/A	20,626	20,508	20,508
Ph.D./MD Years 1-2 (non-resident) ++	N/A	N/A	35,626	35,508	35,508
Ph.D./MD Years 3 plus (non-resident) ++	N/A	N/A	25,770	25,652	25,652
TOTAL MANDATORY FEES & TUITION					
Medical School	$11,352	$13,602	$14,005	$14,037	$14,062
Graduate School of Nursing (MA resident)	5,640	7,890	8,293	8,325	8,350
Graduate School of Biomedical Sciences (MA resident)	3,975	6,226	6,582	6,582	6,582
Graduate School of Nursing (non-resident)	12,856	15,106	15,509	15,541	15,566
Graduate School of Biomedical Sciences (non-resident)	11,191	13,442	13,798	13,798	13,798
Ph.D./MD (non-resident)	N/A	35,660	N/A	N/A	N/A
Ph.D./MD (MA resident)	N/A	N/A	23,266	23,148	23,148
Ph.D./MD Years 1-2 (non-resident)	N/A	N/A	45,482	45,364	45,364
Ph.D./MD Years 3 plus (non-resident)	N/A	N/A	35,626	35,508	35,508

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*Includes an increase in fees approved by the University Trustees on February 6, 2002.
**Includes an annual increase in fees approved by the University Trustees on March 12, 2003 and mid-year fee increases, effective for the spring semester of fiscal year 2004, approved by the University Trustees on August 6, 2003.
***Includes an increase in fees approved by the University Trustees on February 4, 2004.
****Includes an increase in fees approved by the University Trustees on February 16, 2005.
*****Includes an increase in fees approved by the University Trustees on February 15, 2006.
+Fee established and approved for fiscal year 2004 by the University Trustees on November 6, 2002 (includes the above referenced mid-year fee increase approved by the University Trustees on August 6, 2003).
++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 $26,364,499 and Federal Supplemental Education Opportunity Grants of approximately $3,468,361 for the fiscal year ended June 30, 2005. Federal Pell Grants and Federal Supplemental Education Opportunity Grants have increased from approximately $19,669,996 and $2,225,514, respectively, for the fiscal year ended June 30, 2001. New loans processed by the University for eligible students under federal student loan programs and federally guaranteed loan programs totaled approximately $109,286,462 for the fiscal year ended June 30, 2005. Eligible University students also received approximately $4,359,201 through the Federal Work-Study Program for the fiscal year ended June 30, 2005. Eligible University students received approximately $61,766,000 in financial aid dollars from the University's institutional funds for the fiscal year ended June 30, 2005. It is estimated that eligible students will receive approximately $65,419,000 in institutional financial aid in fiscal year ended June 30, 2006.

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 2006, Commonwealth appropriations (net of tuition) provided approximately 25 percent of all operating and non-operating revenues of the University (not including University Related Organizations), tuition and fees accounted for approximately 19 percent of all operating and non-operating revenues, and other non-appropriated funds provided the remaining 56 percent.

The University's internal accounting is maintained on a budgetary basis. Additionally, the University prepares annual audited financial statements in accordance with generally accepted accounting principles on an accrual basis. The financial statements of the University as of June 30, 2006 and 2005 and for each of the fiscal years then ended, as included in Appendix C to this Official Statement, 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 must follow certain procedures for state capital spending as defined by the Commonwealth's Office of Administration and Finance. 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 ("DCAM") manages a five-year capital-spending limit, which is assigned by the Commonwealth's Secretary of Administration and Finance. The University works closely with DCAM to ensure that the priorities of the University are included in the five-year capital plan for state funding.

The University Trustees approved a five-year, approximately $2.14 billion capital plan for fiscal years 2007-2011, 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 moneys received from University operations, bonds issued by the Authority, bonds issued by the Building Authority, Commonwealth appropriations, and private fund raising.

The major projects in the 2007-2011 capital plan and their estimated total project cost include (a) at the Amherst campus, deferred maintenance on the central heating plant for approximately $118,700,000, the construction of a recreation center for approximately $52,000,000, phase 1 of the construction of an integrated science building to provide modern teaching laboratory facilities for chemistry and life sciences for approximately $92,700,000, phase II of the construction of such integrated science building for approximately $72,000,000, the construction of an art building to provide essential replacement space for a number of art programs currently housed in obsolete space for approximately $23,000,000, repairs to DuBois Library interior for approximately $13,000,000, renovations to Berkshire Dining Commons for approximately $10,000,000, housing repairs and renovations for approximately $22,500,000, renovations to the nursing building for approximately $16,300,000, an energy conservation project for approximately $44,842,200, Life Safety/Code Compliance for approximately $11,000,000, the construction of student housing for approximately $92,900,000, the construction of a new parking structure for approximately $18,000,000, renovations to the Goodell building for approximately $16,000,000, steamline repairs for approximately $10,000,000, farm renovations for approximately $10,000,000, the construction of a laboratory building and new greenhouses for the College of Natural Resources and the Environment for approximately $65,000,000, renovations to the Morrill Science Building phase II for approximately $24,000,000 and phase III for approximately $27,000,000, renovations to Boyden Gym for approximately $20,000,000, Graduate Research Center renovations for approximately $22,000,000, a classroom addition to the Isenberg School of Management for approximately $20,000,000, replacement to the Bartlett Façade Phase I for approximately $15,600,000, new construction of a new auditorium for approximately $11,000,000, new construction of a police facility for approximately $10,000,000, renovation of ISB Backfill for approximately $18,000,000, Housing Fire Protection-Sprinklers Compliance for approximately $30,000,000, repairs to the Bartlett Façade Phase II for approximately $15,000,000, roadway repairs and improvements for approximately $10,000,000, Hampden Renov./Code Compliance for approximately $10,000,000, renovation to the Old Chapel for approximately $15,000,000, telephone system replacement for approximately $10,000,000, renovation of Housing/Auxiliary Facilities, and deferred maintenance and modernization for approximately $20,000,000; (b) at the Boston campus, preservation of the pump station on a parcel of land known as the calf pasture for approximately $22,200,000, the construction of an academic classroom building for approximately $42,000,000, sprinklers and fire protection improvements for approximately $13,700,000, upgrades and replacements to information technology and instructional and scientific equipment for approximately $26,500,000, deferred maintenance repairs, interim substructure stabilization and support for approximately $25,500,000, building envelope deferred maintenance for approximately $88,300,000, short-term academic and research renovations for approximately $16,698,000, new construction of a new science and technology building for approximately $42,000,000, and HVAC project campus wide for approximately $19,700,000; (c) at the Dartmouth campus, the construction of an addition to the campus center for approximately $15,750,000, classroom and laboratory upgrades and learning space improvements for approximately $12,400,000, replacement of Cedar Dell Student Housing for approximately $75,848,000, research building extension for approximately $17,000,000, the construction of a visitor center and retrofit of vacated spaces for approximately $15,000,000, library renovations for approximately $10,500,000, an energy/water conservation project for approximately $14,000,000, repairing the four oldest dormitories for approximately $75,000,000, infrastructure repairs (including, Tripp Pool repairs and SMAST Pier replacement) for approximately $33,749,000, new construction of a central facilities building and retrofit of vacated spaces for approximately $11,000,000, new construction of a Biomanufacturing building for approximately $10,000,000, an ATMC acquisition for approximately $13,860,000, the renovation of the campus auditorium for approximately $10,741,500, Group II/Dion Engineering Phase I and II for approximately $21,735,000 and 18,270,000, respectively, and the construction/rehabilitation of a multipurpose field house for approximately $19,688,000; (d) at the Lowell campus, academic, library and administrative technology equipment for approximately $30,000,000, the construction of a new parking garage (UML North) for approximately $23,000,000, the construction of an integrated NANOTech/BiTech laboratory for approximately $80,000,000, Mahoney Hall renovations for approximately $12,900,000, laboratory upgrades for approximately $20,000,000, building rehabilitation of Wannalancit Mills for approximately $15,500,000, and renovations to modernize the north quadrangle for approximately $21,900,000; and (e) at the Worcester campus, network infrastructure for approximately $10,000,000, the power plant expansion for approximately $30,500,000, new construction of the Advanced Education and Clinical Practice Center for approximately $90,000,000, purchases of departmental equipment for approximately $10,000,000, deferred maintenance list – priority 3 for approximately $28,000,000, new construction of MBL – Mattapan R&D and office building for approximately $50,000,000, new construction of MBL – Mattapan new vaccine production & warehouse for approximately $35,000,000, HVAC upgrades and replacements for approximately $30,000,000 and a new parking garage for approximately $13,000,000.

In 1996, the University initiated an active program to address deferred maintenance needs at its campuses. As a result, the University has expended approximately $1.328 billion since fiscal year 2000 to repair and renovate facilities from a combination of University sources, including bonds issued by the Authority and bonds issued by the Building Authority, and direct Commonwealth support. Addressing deferred maintenance remains a priority within the University's capital plan. The University's 2007-2011 capital plan includes approximately $435,325,000 of deferred maintenance projects.

Budget Process

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

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

General Operations

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

Sales and Services (Designated Funds)

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

Restricted Funds

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

Management of Appropriated Funds

All Commonwealth appropriated funds are managed through the Massachusetts Management Accounting and Reporting System ("MMARS"). MMARS is a complete financial management system specifically designed to support the financial functions performed by the Commonwealth for all appropriations. The State Comptroller exercises oversight over MMARS. Approximately 25 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 year 2004, fiscal year 2005, and fiscal year 2006, the Amherst campus retained approximately $26,700,000, $28,100,000, and $27,800,000, respectively, of tuition.

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

	2002	2003	2004**	2005**	2006**
Gross Commonwealth Appropriations	$469,477	$443,375	$365,086	$413,779	$450,324
Plus: Fringe Benefits*	90,904	88,365	85,348	114,173	123,949
Less: Tuition Remitted*	(95,341)	(84,303)	(52,280)	(49,139)	(47,524)
Net Commonwealth Appropriations	$465,040	$447,437	$398,154	$478,813	$526,749

*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.

**The Massachusetts Legislature beginning in the fiscal year 2004 State Budget allowed the Amherst campus to retain tuition for non-resident students. The state appropriation was reduced by $28,005,556 to compensate for the program.

In fiscal year 2006, the net Commonwealth appropriation increased by approximately $47,900,000 over the fiscal year 2005 net Commonwealth appropriation. This increase is attributed to the Commonwealth's funding of collective bargaining agreements, increased Commonwealth fringe benefit support as well as an increase in general operations support. For example, the Commonwealth's budget for fiscal year 2006 included an increase to the University's maintenance appropriation of approximately 4.1% or $16,300,000 from fiscal year 2005. In addition, in September of 2005, the Legislature approved a supplemental appropriation bill of $30,266,000 to fund retroactively a portion of the University's collective bargaining contracts. In June of 2006 two bills were signed into law that included a number of important provisions for the University. Chapter 122 of the Acts of 2006 was a supplemental appropriations bill and Chapter 123 of the Acts of 2006 was a bill designed to stimulate the state's economy and create jobs across the Commonwealth. In total, the two laws provided more than $80,000,000 in new direct funding for capital improvements and operations and an additional $44,000,000 in new capital authorizations for critical University facilities. The supplemental appropriations act also continued the funding of the endowment incentive program at $7,000,000 for the University. In July of 2006, the Legislature also approved supplemental appropriation bills for fiscal year 2006 that included additional funding for the retroactive portion of the University's collective bargaining contracts totaling $26,642,000. The Commonwealth's budget for fiscal year 2007 included an increase to the University's maintenance appropriation in fiscal year 2007 of 8.5% or $34,983,000 from fiscal year 2006's initial budget appropriation. The final funding piece of the collective bargaining agreements covering the fiscal year 2002 to 2004 contract period were initially funded as were the majority of the funding required for the fiscal year 2005 to 2007 collective bargaining contracts. However, on November 10, 2006, the Governor declared that state revenues were projected to be insufficient to meet fiscal year 2007 budgeted expenses for the state and implemented a series of reductions to a number of state agencies including the University. The reductions imposed on the University include a $5,000,000 cut to the maintenance appropriation of the University and a $14,756,000 cut to the funding for a fiscal year 2002 costs of collectively bargaining contracts that had been previously appropriated and paid to University employees. The total cut to University accounts is more than $23,000,000. At this time, the Legislature has not yet responded to the Governor's actions and is unlikely to take up the matter until after the new Governor and Legislature are sworn in January of 2007. The University is hopeful that these actions will be reversed; however, management is taking appropriate steps to control spending to align with the new funding levels.

In fiscal year 2005, the net Commonwealth appropriation increased by approximately $80,700,000 over the fiscal year 2004 net Commonwealth appropriation. This increase is the result of the Commonwealth's funding of the University's previously unfunded collective bargaining agreements and increased Commonwealth fringe benefits support. This increase comes after a number of years of cuts in Commonwealth appropriations. For example, continued deterioration in the Commonwealth's economic condition resulted in an initial reduction of the University's Commonwealth appropriation of approximately $80,500,000 from fiscal year 2003 to the beginning of fiscal year 2004. The total reduction in the University's maintenance appropriation was approximately $127,800,000, or a decrease of 26%, from fiscal year 2001 to the beginning of fiscal year 2004. Later in fiscal year 2004, the Commonwealth passed a supplemental appropriations bill, which included approximately $10,000,000 in Commonwealth funds for the general operations of the University as well as approximately $26,000,000 to fund one-half of the fiscal year costs of the previously unfunded collective bargaining agreements. This action positively impacted the year-to-year change in the University's Commonwealth appropriation.

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 75 percent of the University's operating and non-operating revenues for fiscal year 2006 were non-appropriated.

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

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

Financial Reporting Model

Effective with the fiscal year ending June 30, 2002, the University implemented the financial reporting model prescribed by the Governmental Accounting Standards Board (the "GASB") Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities,* an Amendment of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* as well as Statement No. 37, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments: Omnibus,* and Statement No. 38, *Certain Financial Statement Note Disclosures* (collectively referred to as the "GASB Model"). The GASB Model has replaced the external financial statements historically presented by the University.

The GASB Model requires that financial statements be reported on a consolidated basis and establishes standards for external financial reporting by public colleges and universities. The statements presented using the GASB Model are the statement of net assets, statement of revenues, expenses and changes in net assets and the statement of cash flows. The statement of net assets is presented using a classified format, separating assets and liabilities into their current and long-term portions. The University's fund balances have been re-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 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.

The University's capital assets are presented net of accumulated depreciation in the statement of net assets. Previously, the historical costs of capital assets were not systematically reduced to reflect use of these assets over time. As part of the adoption of the GASB Model, accumulated depreciation for prior periods is reflected as a restatement to net assets, and current year's depreciation expense is shown as an operating expense on the combined statement of revenues, expenses and changes in net assets. The University's combined statement of changes in fund balances and combined statement of current funds revenues, expenditures, and other changes as presented in previous years have been condensed into one new statement of revenues, expenses and changes in net assets. The GASB Model requires that revenues be reported net of discounts and allowances. As a result, certain amounts previously reported as 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 financial aid expense and included in supplies and services. Tuition and fees and tuition remitted to the Commonwealth have been classified as operating revenue. State appropriations, investment revenue, gifts and interest on indebtedness have been classified as non-operating activity in the statement of revenues, expenses and changes in net assets. The statement of cash flows presents cash flow information about operating, financing and investing activities. In addition, a discussion and analysis of the University's financial condition and financial results prepared by management has been added, as Required Supplementary Information preceding the financial statements, and several modifications to footnote disclosures have been made.

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

Summary of Operations

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

	2002 University	2003 University	2004 University	2005 University	2006 University
ASSETS					
Current Assets	$366,765	$359,428	$464,582	$526,739	$528,295
Noncurrent Assets					
Investment in Plant Net of Accumulated Depreciation	1,032,092	1,109,079	1,163,700	1,330,410	1,499,607
All Other Noncurrent Assets	579,628	602,133	929,967	891,988	877,185
Total Assets	**$1,978,485**	**$2,070,640**	**$2,558,249**	**$2,749,137**	**$2,905,087**
LIABILITIES					
Current Liabilities	$315,848	$320,040	$348,643	$383,772	$507,229
Noncurrent Liabilities	706,419	695,902	1,040,976	1,073,836	1,048,080
Total Liabilities	**$1,022,267**	**$1,015,942**	**$1,389,619**	**$1,457,608**	**$1,555,309**
NET ASSETS					
Invested in Capital Assets Net of Related Debt	$653,755	$685,453	$713,903	$739,312	$804,053
Restricted					
Nonexpendable	14,306	14,390	14,433	15,559	16,136
Expendable	73,872	101,738	124,272	160,116	146,903
Unrestricted	214,285	253,117	316,022	376,542	382,686
Total Net Assets	**$956,218**	**$1,054,698**	**$1,168,630**	**$1,291,529**	**$1,349,778**

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

REVENUES	2002 University	2003 University	2004 University	2005 University	2006 University
Operating Revenues					
Tuition and Fees (net of scholarship allowances of $73,467 at June 30, 2006, $66,887 at June 30, 2005, $63,185 at June 30, 2004, $52,271 at June 30, 2003 and $39,094 at June 30, 2002)	$282,142	$288,690	$361,762	$388,385	$406,705
Federal Grants and Contracts	223,767	256,579	277,166	289,527	305,235
State Grants and Contracts	58,189	55,294	53,788	59,142	66,045
Local Grants and Contracts	2,918	3,240	3,123	3,266	3,694
Private Grants and Contracts	61,421	61,895	67,673	72,249	78,204
Sales & Service, Educational	11,133	14,454	15,978	17,284	17,780
Auxiliary Enterprises	124,149	153,263	163,894	172,745	195,352
Other Operating Revenues					
Sales & Service, Independent Operations	32,457	51,595	61,245	66,346	78,899
Sales & Service, Public Service Activities	97,381	143,115	249,950	399,958	333,997
Other	31,114	35,038	35,362	41,125	44,142
Total Operating Revenues	**$924,671**	**$1,063,163**	**$1,289,941**	**$1,510,027**	**$1,530,053**

Source: Annual Audited Financial Report for Fiscal Years 2002-2006. (Certain prior year amounts have been reclassified to conform with the current year presentation.)

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

EXPENSES	**2002**	**2003**	**2004**	**2005**	**2006**
Operating Expenses	**University**	**University**	**University**	**University**	**University**
Educational and General					
Instruction	$391,988	$376,264	$401,307	$452,409	$498,951
Research	245,027	268,700	276,595	301,422	316,606
Public Service	66,978	66,284	59,581	63,327	74,146
Academic Support	97,613	95,263	86,976	103,803	111,925
Student Services	74,061	70,285	70,848	75,724	79,174
Institutional Support	100,325	116,785	116,043	131,470	151,559
Operation and Maintenance of Plant	110,282	101,908	121,698	134,246	159,024
Depreciation and Amortization	82,142	103,981	101,465	118,649	121,567
Scholarships and Fellowships	19,346	24,198	26,743	29,832	30,945
Auxiliary Enterprises	124,059	131,499	126,602	151,113	149,963
Other Expenditures					
Independent Operations	20,385	26,777	25,757	37,329	46,546
Public Service Activities	89,450	115,981	207,967	327,416	319,542
Total Operating Expenses	**$1,421,656**	**$1,497,925**	**$1,621,582**	**$1,926,740**	**$2,059,948**
Operating Loss	**($496,985)**	**($434,762)**	**($331,641)**	**($416,713)**	**($529,895)**
NONOPERATING REVENUES/(EXPENSES)					
Federal Appropriations	$5,900	$5,139	$6,849	$7,016	$7,044
State Appropriations	465,040	447,437	398,154	478,813	526,749
Gifts	11,130	13,359	16,731	25,289	25,646
Investment Income	17,703	20,660	26,806	35,072	42,981
Endowment Income	743	1,202	1,047	1,661	1,438
Interest on Indebtedness	(26,116)	(27,145)	(30,230)	(37,077)	(39,331)
Other Nonoperating Income	16,597	5,315	13,373	10,721	8,967
Net Nonoperating Revenues	**$490,997**	**$465,967**	**$432,730**	**521,495**	**573,494**
Income/(Loss) Before Other Revenues, Expenses, Gains and Losses	**($5,988)**	**$31,205**	**$101,089**	**$104,782**	**$43,599**
Capital Appropriations	$63,633	$30,491	$19,135	$27,417	$27,147
Capital Grants and Contracts	93	30,800			
Additions to Permanent Endowments					
University Related Organization Transactions	10,385	10,391	676		593
Disposal of Plant Facilities	(17,009)	(10,733)	(14,099)	(11,990)	(11,276)
Gain from Disposal of Previously Discontinued Operations	10,561				
Other Additions/Deductions	(543)	6,326	7,131	2,690	(1,814)
Total Other Revenues, Expenses, Gains, and Losses	**$67,120**	**$67,275**	**$12,843**	**$18,117**	**$14,650**
Total Increase in Net Assets	**$61,132**	**$98,480**	**$113,932**	**$122,899**	**$58,249**
NET ASSETS					
Net Assets at Beginning of Year, as reported	$1,865,505	$956,218	$1,054,698	$1,168,630	$1,291,529
Cumulative effect of change in accounting principle	(970,419)				
Net Assets at Beginning of Year, restated	$895,086				
Net Assets at End of Year	**$956,218**	**$1,054,698**	**$1,168,630**	**$1,291,529**	**$1,349,778**

Source: Annual Audited Financial Report for Fiscal Years 2002-2006. (Certain prior year amounts have been reclassified to conform with the current year presentation.)

Summary of Financial Results, Fiscal Years 2004 through 2006

Fiscal Year 2006

Financial Highlights

The University's net assets (not including University Related Organizations) increased approximately $58,250,000 from $1.29 billion in fiscal year 2005 to approximately $1.35 billion in fiscal year 2006. The major components of these increases relate to increases in student fee revenues across the University campuses and physical plant improvements.

The University expended approximately $159,000,000 on plant operations and maintenance activities during fiscal year 2006.

Summary of Assets and Liabilities

At June 30, 2006, the University's total assets (not including University Related Organizations) were approximately $2.9 billion, an increase of approximately $156,000,000 over the approximately $2.7 billion in assets recorded for fiscal year 2005. The University's largest asset continues to be its net investment in its physical plant of approximately $1.50 billion at June 30, 2006 (approximately $1.33 billion in fiscal year 2005). 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 $1.56 billion at June 30, 2006, an increase of approximately $97,700,000 over fiscal year 2005. Long-term debt largely consists of bonds payable and capitalized lease obligations amounting to approximately $1.01 billion at June 30, 2006. This represents a decrease of approximately $15,100,000 over long-term debt obligations of approximately $1.02 billion in fiscal year 2005. This decrease reflects the pay down in debt through debt service payments.

The University's current assets of approximately $528,300,000 were sufficient to cover current liabilities of approximately $507,200,000, as the current ratio was 1.04 dollars in assets to every one-dollar in liabilities. In fiscal year 2005 the current ratio was 1.37 (approximately $526,700,000 in current assets and $383,800,000 in current liabilities).

The University's unrestricted and restricted expendable net assets totaled approximately $529,600,000, which represents approximately 25.7 percent of total operating expenditures of approximately $2.06 billion during fiscal year 2006.

In fiscal year 2006, the University's unrestricted net assets (referred to as Expendable Fund Balance under the Former Financial Reporting Model) totaled approximately $382,700,000. 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 2006 were approximately $1.53 billion. This is an increase of approximately $20,000,000 over fiscal year 2005 operating revenues of $1.51 billion. The most significant sources of revenue for the University are tuition and fees of approximately $406,700,000, grants and contracts of approximately $453,200,000, and auxiliary services of approximately $195,400,000. Tuition and fees, grants and contracts, and auxiliary services represent 27 percent, 30 percent and 13 percent, respectively, of total operating revenues.

In fiscal year 2006, University operating expenditures, including depreciation and amortization of approximately $121,600,000, totaled approximately $2.06 billion. Of this total, approximately $1.0 billion or 49 percent was used to support the academic core activities of the University, including approximately $316,600,000 in research.

State Appropriations

State appropriations represent approximately 25 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 2006, the net state appropriation increased $47,900,000 over fiscal year 2005 amounts. This increase is attributed to the state funding of collective bargaining agreements, increased state fringe benefit support as well as an increase for general operations. Beginning in late fiscal year 2004, state appropriations to the University increased after three years of cuts.

Fiscal Year 2005

Financial Highlights

In fiscal year 2005, the University's operating cash and cash equivalents (not including University Related Organizations) increased by $19,000,000 from approximately $37,900,000 in fiscal year 2004 to approximately $56,900,000 in fiscal year 2005.

The University's net assets (not including University Related Organizations) increased approximately $122,900,000 from $1.17 billion in fiscal year 2004 to approximately $1.29 billion in fiscal year 2005. The major components of the increase are increases in public service activities at the Worcester campus; increases in student fees at all campuses; increases in grant and contract activity; and physical plant improvements.

The University expended approximately $134,200,000 on plant operations and maintenance activities during fiscal year 2005.

Summary of Assets and Liabilities

At June 30, 2005, the University's total assets (not including University Related Organizations) were approximately $2.7 billion, an increase of approximately $190,900,000 over the approximately $2.56 billion in assets recorded for fiscal year 2004. The University's largest asset is its net investment in its physical plant of approximately $1.33 billion at June 30, 2005 (approximately $1.16 billion in fiscal year 2004). 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 $1.46 billion at June 30, 2005, an increase of approximately $68,000,000 over fiscal year 2004. Long-term debt largely consists of bonds payable and capitalized lease obligations amounting to approximately $1.02 billion at June 30, 2005. This represents an increase of approximately $15,100,000 over long-term debt obligations of approximately $1.01 billion in fiscal year 2004. This increase reflects new master lease debt on the Amherst campus.

The University's current assets of approximately $526,700,000 were sufficient to cover current liabilities of approximately $383,800,000, as the current ratio was 1.37 dollars in assets to every one-dollar in liabilities. In fiscal year 2004 the current ratio was 1.33 (approximately $464,600,000 in current assets and $348,600,000 in current liabilities).

The University's unrestricted and restricted expendable net assets totaled approximately $536,700,000, which represents approximately 27.9 percent of total operating expenditures of approximately $1.93 billion during fiscal year 2005.

In fiscal year 2005, the University's unrestricted net assets (referred to as Expendable Fund Balance under the Former Financial Reporting Model) totaled approximately $376,500,000. 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 2005 were approximately $1.51 billion. This is an increase of approximately $220,100,000 over fiscal year 2004 operating revenues of $1.29 billion. The most significant sources of revenue for the University are tuition and fees of approximately $388,400,000, grants and contracts of approximately $424,200,000, and auxiliary services of approximately $172,700,000. Tuition and fees, grants and contracts, and auxiliary services represent 26 percent, 28 percent and 11 percent, respectively, of total operating revenues.

In fiscal year 2005, University operating expenditures, including depreciation and amortization of approximately $118,600,000, totaled approximately $1.93 billion. Of this total, approximately $921,000,000 or 48 percent was used to support the academic core activities of the University, including approximately $301,400,000 in research.

State Appropriations

State appropriations represent approximately 24 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 2005, the net state appropriation increased $80,700,000 over fiscal year 2004 amounts. This increase is attributed to the state funding of previously unfunded collective bargaining agreements and increased state fringe benefit support. The increase came after a number of years of state appropriation cuts.

Fiscal Year 2004

Financial Highlights

In fiscal year 2004, the University's operating cash and cash equivalents (not including University Related Organizations) increased by $34,300,000 from approximately $3,600,000 in fiscal year 2003 to approximately $37,900,000 in fiscal year 2004.

The University's net assets (not including University Related Organizations) increased approximately $114,000,000 from $1.05 billion in fiscal year 2003 to approximately $1.17 billion in fiscal year 2004. The major components of the increase were: increases in student fee rates across all campuses; continued cost cutting in response to ongoing uncertainty with the state budget; and increases in public service activities at the Worcester campus.

The University expended approximately $121,700,000 on plant operations and maintenance activities during fiscal year 2004.

Summary of Assets and Liabilities

At June 30, 2004, the University's total assets (not including University Related Organizations) were approximately $2.56 billion, an increase of approximately $488,000,000 over the approximately $2.07 billion in assets recorded for fiscal year 2003. The University's largest asset was its net investment in its physical plant of approximately $1.16 billion at June 30, 2004 (approximately $1.11 billion in fiscal year 2003). Other significant University assets included current and noncurrent investments and cash and securities held by the University Trustees. Much of the increase in assets could be attributed to increases in accounts receivable and cash and securities held by the University Trustees from new bonds.

University liabilities (not including University Related Organizations) totaled approximately $1.39 billion at June 30, 2004, an increase of approximately $373,700,000 over fiscal year 2003. Long-term debt largely consisted of bonds payable and capitalized lease obligations amounting to approximately $1.01 billion at June 30, 2004. This represented an increase of approximately $362,500,000 over long-term debt obligations of approximately $646,600,000 in fiscal year 2003. This increase reflected the borrowing by the Building Authority during fiscal year 2004.

The University's current assets of approximately $464,600,000 were sufficient to cover current liabilities of approximately $348,600,000, as the current ratio was 1.33 dollars in assets to every one-dollar in liabilities. In fiscal year 2003 the current ratio was 1.12 (approximately $359,400,000 in current assets and $320,000,000 in current liabilities).

The University's unrestricted and restricted expendable net assets totaled approximately $440,300,000, which represented approximately 27.1 percent of total operating expenditures of approximately $1.62 billion during fiscal year 2004.

In fiscal year 2004, the University's unrestricted net assets (referred to as Expendable Fund Balance under the Former Financial Reporting Model) totaled approximately $316,000,000. 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 2004 were approximately $1.29 billion. This was an increase of approximately $226,800,000 over fiscal year 2003 operating revenues of $1.06 billion. The most significant sources of revenue for the University were tuition and fees of approximately $361,800,000, grants and contracts of approximately $401,750,000 and auxiliary services of approximately $163,900,000. Tuition and fees, grants and contracts, and auxiliary services represented 28 percent, 31 percent and 13 percent, respectively, of the total operating revenues.

In fiscal year 2004, University operating expenditures, including depreciation and amortization of approximately $101,500,000, totaled approximately $1.62 billion. Of this total, approximately $895,300,000 or 55 percent was used to support the academic core activities of the University, including approximately $276,600,000 in research.

State Appropriations

State appropriations represented approximately 24 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, a significant portion of the state appropriation supports payroll and benefits of University employees.

Continued deterioration in the state's economic condition resulted in an additional reduction in the state maintenance appropriation to the University of approximately $80,500,000 from fiscal year 2003 to the beginning of fiscal year 2004. The total reduction in the state maintenance appropriation from fiscal year 2001 therefore was over $127,800,000 or (26 percent). Later in fiscal year 2004, the Commonwealth passed a supplemental appropriations bill which included approximately $10,000,000 in state funds for the general operations of the University, as well as approximately $26,000,000 to fund one-half of the fiscal year costs of the previously unfunded collective bargaining agreements. This action reduced the year-to-year change in state appropriation.

Endowment and Fundraising

The combined University and Foundation endowment has increased to approximately $261,000,000 at June 30, 2006, from approximately $70,000,000 at June 30, 1995. The University raised approximately $85,204,611 in cash, pledges, gifts-in-kind, and private research grants in fiscal year 2006. The number of endowed chairs has grown from four in 1995 to 55 in 2006, enhancing the University's academic reputation.

At June 30, 2006, the Foundation held approximately $239,000,000 of the total endowments reported below. The Foundation's total investment return for fiscal year 2006, including realized and unrealized activity was a net gain of approximately $21,500,000. 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 four percent for fiscal year 2006.

The University realized significant increases in endowment assets over the last five years. 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*

2002	2003	2004	2005	2006
$163,318	$171,944	$197,505	$226,410	$260,961

*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.

University of Massachusetts Building Authority

As of June 30, 2006, the Building Authority had outstanding bonds of approximately $648,200,000 for which the University is contractually obligated to provide for the payment of debt service or act as the Building Authority's agent to collect rates, rents, fees and other charges. Approximately $638,910,000 principal amount of the Building Authority's bonds are payable from, in addition to other moneys, all funds of the University permitted by law to be applied thereto. With respect to these bonds, the University has contracted with the Building Authority annually to set aside moneys from its unrestricted net assets to cover debt service and other expenses not otherwise paid.

Certain of the revenues reported on the University's audited financial statements are pledged to secure its contractual obligations to the Building Authority. Such revenues include: (i) mandatory fees on graduate and undergraduate students (with certain exceptions) at the Amherst campus of the University, which amounted to approximately $2,400,000 in the 12-months ended June 30, 2006; (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 $496,000 in the 12-months ended June 30, 2006; (iii) parking fees assessed for users of the Worcester parking facilities financed by the Building Authority, which amounted to approximately $3,700,000 in the 12-months ended June 30, 2006; 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 $37,200,000 for the 12-months ended June 30, 2006.

On August 7, 2003, the Building Authority issued its $137,970,000 Project Revenue Bonds, Senior Series 2003-1 Bonds. The projects to be financed by these bonds are expected to consist 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.

On May 25, 2004, the Building Authority issued its $183,965,000 Project and Refunding Revenue Bonds, Senior Series 2004-1 (the "2004-1 Bonds"), $96,025,000 Facilities Revenue Bonds, Senior Series 2004-A (the

"2004-A Bonds"), and $25,875,000 Taxable Refunding Revenue Bonds, Senior Series 2004-2 (the "Taxable 2004-2 Bonds"). The projects to be financed by the 2004-1 Bonds are expected to consist 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 will be used to finance the construction of new residence halls at the Dartmouth campus.

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

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

On April 20, 2006, the Building Authority issued its $243,830,000 Project and Refunding Revenue Bonds Senior Series 2006-1 (the "2006-1 Bonds"), and its $21,240,000 Taxable Refunding Revenue Bonds Senior Series 2006-2 (the "2006-2 Bonds"). The Series 2006-1 Bonds were issued to refund certain outstanding bonds of the Building Authority and to finance the construction of a science and technology research room, assessment of the present network infrastructure and the repair, renovation and equipping of various facilities all at the Lowell campus of the University, and other projects which meet certain conditions set forth in the Series Resolution (collectively, the "2006-1 Projects"). The Series 2006-2 Bonds were issued to refund certain outstanding bonds of the Building Authority.

Massachusetts Health and Educational Facilities Authority

University of Massachusetts Series C

In June 2002, the Authority 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. The Commonwealth's Division of Capital Asset Management and Maintenance managed the project and the Commonwealth provided funding for the project in addition to the Series C Bonds. The campus center opened in April 2004. The Series C Bonds are a general obligation of the University payable from all funds of the University permitted to be applied thereto. The University's unrestricted net assets, previously referred to as the expendable fund balance, secure the obligations of the University with respect to the Series C Bonds. The University is required to certify annually that there are sufficient funds in the unrestricted net assets to cover the debt service on the Series C Bonds.

University of Massachusetts Series B

In June 2001, the Authority 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 was opened in September 2002. The Commonwealth's Division of Capital Asset Management 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.

The Series D Bonds are being issued in the principal amount and are payable from the sources described in the forepart of this Official Statement for the purpose of partially refunding the above-described Series B Bonds.

University of Massachusetts Series A

In March 2000, the Authority issued its $40,000,000 Variable Rate Demand Revenue Bonds, University of Massachusetts Issue, Series A (the "Series A Bonds") 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 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 pool. The 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 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 Series A Bonds.

WCCC Series D

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

WCCC Series C

In April 2002, the Authority 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. 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 C Bonds. The University's rental payments to WCCC are payable from any funds legally available for application thereto other than moneys appropriated by the Massachusetts legislature.

The Series F Bonds are being issued in part, as more fully described in the forepart of this Official Statement, for the purpose of refunding the above-described Series C Bonds.

WCCC Series B

In June 2001, the Authority issued its $52,020,000 Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series B (the "WCCC Series B Bonds"). Concurrently with the issuance of the WCCC Series B Bonds, the Foundation transferred ownership of its medical research facility ("Biotech II") to WCCC. In exchange for Biotech II, WCCC assumed from the Foundation the remaining debt of $17.8 million, net (the "Foundation Bonds"), and acquired the related debt service funds associated with Biotech II. WCCC deposited approximately $17 million of the proceeds of the WCCC Series B Bonds in an irrevocable trust fund, which was used to provide for the payment of interest and principal on the Foundation Bonds through their redemption date of July 1, 2002. The remaining approximately $35 million of the WCCC Series B Bonds financed the construction of a parking garage and the acquisition and installation of equipment at the Worcester campus. The University is obligated under certain financing agreements with the Authority 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.

The Series E Bonds are being issued in part, as more fully described in the forepart of this Official Statement, for the purpose of partially refunding the above-described Series B Bonds.

Defeasance of WCCC Series A

In March 2000, the Authority 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 the Authority and J.P. Morgan Trust Company, National Association (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.

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

As of June 30, 2006, the outstanding principal amount of Authority and Building Authority debt secured by the University's unrestricted net assets was approximately $871,885,000. The chart below details the unrestricted net assets (not including University Related Organizations) in fiscal years 2002-2006.

Fiscal Year	**2002**	**2003**	**2004**	**2005**	**2006**
Unrestricted Net Assets	$214,285,000	$253,117,000	$316,022,000	$376,542,000	$382,686,000

Additional Indebtedness

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

Capitalized Leases

The University is also obligated under certain capital lease agreements, primarily relating to telecommunications, software and co-generation systems, for future minimum capital lease payments having a present value of approximately $66,600,000 at June 30, 2006.

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 Building Authority located on a campus of the University, such as the Mullins Center, dining commons, and most dormitories, are insured by the Building Authority. In addition, certain properties owned by other University Related Organizations and leased to the University are insured by the related organization.

The University and its employees are protected against tort claims through sovereign immunity under Chapter 258 of the Massachusetts General Laws. The University maintains certain liability insurance policies, including Commercial General Liability, leased Automotive Liability, Directors and Officers and Comprehensive Crime policies. Employees of the University are covered for Worker's Compensation protection under Chapter 152 of the Massachusetts General Laws.

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 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, with an expected completion at the end of calendar year 2006. These systems will 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 year 2006, 2007 and 2008 will be upgrading the Human Resource and Student Administration applications 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 2004, the University also invested in new systems to support its UMassOnline e-learning initiative and, as a result, implemented a new WebCT-based learning management system. The University completed its migration to this new system at the end of August 2006 resulting in and now students and faculty benefiting from increased functionality, improved performance and a consistent look and feel for the University's growing customer base (over 22,000 course enrollments in academic year 2006).

During fiscal year 2006, the University has continued to invest in existing infrastructure to address growth and obsolescence. These areas include additional investments in its existing storage solutions, retirement of aged servers and services, and upgrades to key systems.

The University continues to invest in its statewide inter-campus network, known as the Massachusetts Information Turnpike Initiative ("MITI"). This effort, initially funded through the Commonwealth, provides a high-speed fiber optic network that significantly enhances the University's telecommunications capacity, assists in promoting inter-campus information linkages, assists in the development and widespread deployment of public information services, and stimulates collaborative research and development efforts among University, industry, and governmental laboratory researchers across the Commonwealth. The University intends to continue to invest in this asset to increase its capacity.

During fiscal year 2004, the Legislature passed comprehensive statewide science and emerging technology legislation that among other things established the Massachusetts Technology Transfer Center ("MTTC") at the University. The purpose of the center is to promote the transfer of technology from Massachusetts public and private universities to Massachusetts industries. The University consulted with state officials, business leaders, private universities, venture capitalists, and others in designing this new center. The MTTC is developing improved mechanisms to connect the technology assets of the state's universities with the needs of the state's technology-based industries (e.g., medical devices, marine technologies, plastics, and other materials).

Litigation

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

Employee Relations

The University employs approximately 15,744 full and part-time faculty, professional and clerical support staff, of which approximately 8,500 are covered by collective bargaining units. Of those covered, approximately 2,500 are faculty, approximately 2,140 are professional staff, approximately 3,717 are clerical and maintenance support staff, and approximately 146 are police officers. In total, the University has 33 collective bargaining units (including three graduate employee units). The majority of the University's collective bargaining contracts expire on June 30, 2007. Negotiations will get underway for successor agreements to most of these contracts in the early part of calendar year 2007. New agreements, when negotiated, are expected to cover the period from July 1, 2007 through June 30, 2010. Employees covered by University collective bargaining units cannot strike. The Commonwealth appropriates supplemental funds to support collective bargaining wage increases and other economic benefits for state funded employees. During fiscal year 2002, approximately 360 Amherst campus undergraduate resident assistants received the right from the Massachusetts Labor Relations Commission ("MLRC") to negotiate for terms and conditions of their employment, and the resident assistants voted to have the United Auto Workers ("UAW") as their bargaining agent. The current contract between the University and UAW expires June 30, 2008.

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

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

UNIVERSITY OF MASSACHUSETTS

By: /s/ Stephen W. Lenhardt, Sr.
Vice President for Management and
Fiscal Affairs and Treasurer

Dated: December 14, 2006

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APPENDIX B

December 14, 2006

Massachusetts Health and Educational
Facilities Authority
99 Summer Street – Suite 1000
Boston, Massachusetts 02110

Members of the Authority:

In connection with the issuance by the Massachusetts Health and Educational Facilities Authority (the "Authority") of its Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series E (2007) (the "Series E Bonds"), and its Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series F (2007) (the "Series F Bonds"), (collectively, "the Bonds"), we are pleased to submit the following information with respect to the Worcester City Campus Corporation ("WCCC"), the Projects 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") Worcester campus in all its locations. In particular, WCCC operates to support certain real estate operations of the University, 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 University operations. WCCC also supports health care institutions in the Worcester area connected to the operation of the University, including UMass Memorial Health Care, Inc.

WCCC is included and categorized as a component unit of the University in the financial statements of the University at June 30, 2006 and 2005, and for each of the fiscal years then ended. Prior to the fiscal year ended June 30, 2002, WCCC was categorized separately from the University and was reported in the financial statements as a University Related Organization as that term is defined by accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. 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 November 8, 2006, which references the report of other auditors.

WCCC's subsidiary, Worcester Foundation for Biomedical Research, Inc. ("WFBR"), is a Massachusetts not-for-profit corporation that is exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code. WFBR's purpose is to solicit, receive and administer and make gifts and donations to the University of Massachusetts Medical School ("UMMS") 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 WFBR's qualification as an organization described in Section 501(c)(3) of the Internal Revenue Code.

WCCC does 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 Trustees.

Board of Trustees

WCCC is governed by a Board of Trustees consisting of nine members, each elected November 16, 2005 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 Trustees.

Member and Position

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

James R. Julian
University of Massachusetts
Executive Vice President

James J. Karam
First Bristol Corporation
President & Chief Executive Officer

Stephen W. Lenhardt
University of Massachusetts
Vice President for Management and Fiscal Affairs and Treasurer

David MacKenzie
University of Massachusetts, Lowell Campus
Interim Chancellor
University of Massachusetts Building Authority
Executive Director

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

Robert K. Sheridan*
Savings Bank Life Insurance
President & Chief Executive Officer

Richard J. Stanton
University of Massachusetts, Worcester Campus
Deputy Chancellor for Finance & Administration

Karl E. White*
Fletcher Asset Management
Chief Investment Officer

* WCCC Trustee is also a Trustee of the University.

Officers

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

Richard J. Stanton President	Stephen W. Lenhardt, Sr. Treasurer	Thomas D. Manning Clerk

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

Properties

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

Auburn

The Auburn facility was donated to WCCC in fiscal year 1999 and consists of an approximately 21,000-square foot office building in the Mid-State Office Park in Auburn, Massachusetts. There is direct access to the Massachusetts Turnpike as well as Interstate 290 from the facility, thereby connecting the site to the UMMS and major population centers. The office space is used for the support of UMMS programs involved in disability claims analysis and program development.

Biotech I

The Biotech I building 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.

Biotech II

In June 2001, The University of Massachusetts Foundation, Inc. (the "Foundation") transferred ownership of 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

The Aaron Lazare Medical Research Building (the "Research Building") officially opened on October 19, 2001. The Research Building is located on a 3.5-acre site on the University's Worcester campus and consists of 10 floors and approximately 362,000 gross square feet. See "Indebtedness – WCCC Series D and Defeasance of WCCC Series A" below.

Shrewsbury

The 75-acre site located in Shrewsbury, Massachusetts has a variety of structures (totaling approximately 135,000 square feet) that are used for wet and dry laboratory research and ambulatory office space. The location is anchored by the Hoagland/Pincus Building which is the home of the Continuing Medical Education Program for the University's Worcester campus. The Shrewsbury property was acquired as a result of the merger with WFBR in fiscal year 1998.

100 Century Drive

The 100 Century Drive office building is located in Worcester and consists of three-stories and approximately 81,500 square-feet, and is situated on a 7.5-acre site with on-site parking for more than 425 cars. WCCC purchased 100 Century Drive with cash in January 2002, at a cost of approximately $6,800,000. The building is used for office space for the University's Worcester campus.

JP-Biolabs

The construction of a pharmaceutical research and production facility is substantially complete. The facility is located on the site of the former Boston State Hospital in the Mattapan section of Boston. In January 2002, WCCC entered into a ground lease with Franklin Place Associates ("FPA"), the previous owner of the land on which the JP-Biolabs Facility was built. 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 C" below.

In May 2006, the University of Massachusetts entered into a Service Agreement with WCCC to reimburse construction service costs connected with the ongoing construction of JP-Biolabs. Under the terms of the agreement University of Massachusetts will reimburse WCCC for construction services, defined as any costs in the process of building, outfitting and certifying the facility until it is completed and in operation as a pharmaceutical filling facility. As of June 30, 2006, UMMS has made payments totaling $28.9M to WCCC, which are recorded as contributions for capital expenditures in the statement of activities.

The University uses the JP-Biolabs Facility as part of its Massachusetts Biologics Laboratory (the "MBL"). The MBL is a facility licensed by the United States Food and Drug Administration (the "FDA") for the development and manufacture of human vaccines, plasma products and monoclonal antibodies. Currently, the MBL operates in three buildings at the Jamaica Plain location of the University's Worcester campus and is the only publicly owned and operated, FDA licensed biologics manufacturing facility in the country. The MBL specializes in the development and manufacture of life saving products for use in limited or special populations. Recent examples include the immune globulins effective against Cytomegalovirus in organ transplant recipients, Respiratory Syncytial Virus in high-risk infants, and Varicella-Zoster Virus in children with leukemia. In 1997, the Massachusetts Legislature transferred oversight of the MBL from the Department of Public Health to the University.

The JP-Biolabs Facility in Mattapan 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 the new manufacturing facility for the MBL were to provide space for new product development, comply with FDA regulations, and improve operating efficiency of MBL's manufacturing capabilities.

South Road Parking Garage

The South Road Parking Garage officially 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.

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. The following University offices/projects are currently housed at CSF: University Information Technology Services; Project e*mpac; the ISIS Project; Graduate School of Nursing; UMassOnline; Office of Technology Management; the Donahue Institute; and Central Administrative Services, which comprises the University Treasurer's Office, the University Auditing Office, Human Resources, the University Procurement Office and the University Controller's Office.The Worcester City Campus Corporation has recently entered into a purchase and sales agreement to acquire the property at 333 South Street, Shrewsbury, that is the present location of the CSF, from the Maxtor Realty Corporation and Seagate Technology, LLC. The purchase price of $27.5 million consists of approximately 83 acres of property and two buildings containing approximately 670,000 gross square feet of space. This acquisition will allow 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 Health Care. This property will also provide substantial capital cost avoidance as the acquisition cost of ~$45 per square foot compares favorably with new building costs of $150 - $300 per square foot for office or laboratory construction. Another major potential, as occupancy stabilizes, will be to reduce current occupancy costs within this complex to the University and Medical School.

Leases

The University has operating lease agreements with WCCC for use of space at six of the properties (Biotech II, South Road Parking Garage, Lazare Research Building, 100 Century Drive, JP-Biolabs and Shrewsbury). 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, 2006 was approximately $23,000,000 which represents approximately 93.5 percent of the total rental income of WCCC in fiscal year 2006 of $24,600,000.

The future minimum lease payments as of June 30, 2006 for the six properties with operating lease agreements are as follows:

Property	2007	2008	2009	2010	2011	Thereafter
Shrewsbury	$1,900,000	$1,900,000	$ -	$ -	$ -	$ -
100 Century Drive	641,000	660,000	680,000	700,000	721,000	4,805,000
JP-Biolabs	4,696,000	4,692,000	4,691,000	4,689,000	4,688,000	97,599,000
Lazare Res. Blg.	9,387,000	9,387,000	9,387,000	9,387,000	9,387,000	172,086,000
South Road Parking Garage	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000	64,040,000
Biotech II	1,820,000	1,820,000	1,820,000	152,000	-	-
Total	$22,044,000	$22,059,000	$20,178,000	$18,528,000	$18,396,000	$338,530,000

Indebtedness

WCCC Series D

In April 2005, the Authority issued its $99,325,000 Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series D (the "WCCC D Bonds") for the purpose of refunding the outstanding amount of the WCCC A Bonds (defined below). The University is obligated under certain financing agreements with the Authority to make payments from any funds of the University permitted to be applied thereto of amounts due on the WCCC D Bonds and 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 interest, upon the occurrence of an event of default under such trust agreement. However, the University's obligation under the aforesaid financing agreements to make payments on account of the WCCC Series D Bonds is not subject to acceleration. The University's unrestricted net assets, previously referred to as the expendable fund balance, secure the obligations of the University with respect to the WCCC 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 D Bonds. See "Defeasance of WCCC Series A" below for additional information.

WCCC Series C

In April 2002, the Authority issued its $70,000,000 Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series C (the "WCCC 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. In April 2002, WCCC entered into a sublease with the University (the "JP-Biolabs Sublease") that requires the University to make semi-annual rental payments sufficient to pay, among other things, debt service on the WCCC C Bonds. The University's rental payments to WCCC are payable from any funds legally available for application thereto other than moneys appropriated by the Massachusetts Legislature.

The WCCC Series F Bonds are being issued in part, as more fully described in the forepart of this Official Statement for the purpose of refunding the above-described WCCC Series C Bonds.

WCCC Series B

In June 2001, the Authority issued its $52,020,000 Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series B (the "WCCC B Bonds"). WCCC's obligation under the applicable loan agreement is a general obligation of WCCC. Approximately $17,000,000 of the proceeds of the WCCC B Bonds were deposited in an irrevocable trust fund to provide for the payment of interest and principal on the Foundation Bonds associated with Biotech II. The University currently occupies Biotech II subject to terms that require the University to make rental payments sufficient to pay debt service on the applicable WCCC B Bonds and the annual operating costs of Biotech II. Approximately $17,200,000 of the proceeds of the WCCC B Bonds were used to acquire and install certain research and telecommunications equipment for the Worcester campus. The equipment is being leased to the University subject to terms that require the University to make rental payments in amounts sufficient to pay debt service on the applicable WCCC B Bonds. Approximately $17,800,000 of the proceeds of the WCCC B Bonds were used to construct a new, approximately 1,600-space parking garage for the Worcester campus. The parking garage is leased to the University subject to terms that require the University to make rental payments in amounts sufficient to pay debt service on the applicable WCCC B Bonds and the annual operating costs of the project including maintenance and insurance. For additional information on the University's obligations related to the WCCC B Bonds, see Appendix A under the heading "Indebtedness of the University – WCCC Series B".

The WCCC Series E Bonds are being issued in part, as more fully described in the forepart of this Official Statement for the purpose of partially refunding the above-described WCCC Series B Bonds.

Defeasance of WCCC Series A

In March 2000, the Authority issued its $100,000,000 Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series A (the "WCCC A Bonds"). The proceeds of the WCCC A Bonds were used to fund the site development, construction and the acquisition and installation of furnishings and equipment of the approximately 362,000 gross square foot Research Building. WCCC is leasing the site for a term of thirty years for the sum of one dollar per year subject to the terms of a lease agreement between the Commonwealth acting by and through its Division of Capital Asset Management as landlord, in consultation with and on behalf of the University, and WCCC (the “Land Lease”). The Land Lease also provides that WCCC is responsible for any taxes, utility, insurance and all other costs associated with the leased land. In fiscal year 2002, WCCC entered into an agreement to lease the Research Building to the University (the “Project Lease”). The Project Lease requires the University to make rental payments sufficient to meet WCCC’s obligations under the applicable loan agreement and to provide for WCCC’s operating costs for the Research Facility, including insurance and utilities. The WCCC A Bonds were advance refunded and legally defeased with the issuance of the above-described WCCC D Bonds. Pursuant to and as specified in the Refunding Trust Agreement, dated as of March 8, 2005, by and between the Authority and J.P. Morgan Trust Company, National Association (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 A Refunded Bonds on and until their respective maturity or redemption dates. For additional information on the University’s obligations related to the WCCC A Bonds, see Appendix A under the heading “Indebtedness of the University – Defeasance of WCCC Series A”.

In addition to the proceeds of the WCCC A Bonds, WCCC utilized certain other funds for the Research Building and its supporting activities, including a $32,500,000 contribution from UMass Memorial Health Care, Inc. (“UMass Memorial”) a not-for-profit corporation formed in 1998 when the University divested its clinical services, including its hospital.

The Refunding and New Projects

A portion of the proceeds from the sale of the Bonds will be used, together with other available funds, to partially refund the outstanding amount of the above-described WCCC Series B Bonds and to refund the outstanding amount of the above-described WCCC Series C Bonds and to pay the cost of issuing the Bonds. A portion of the proceeds of the Bonds will be used to construct a seven story, approximately 235,000-gross square foot building (the Advanced Education and Clinical Practice Center) at the Worcester campus. Project construction completion and occupancy of the building is expected to be in 2008. A portion of the proceeds of the Bonds will be used to construct a four story, approximately 180,000-gross square foot building (the Mattapan Building II project) containing wet research and development laboratories, vivarium and administrative and programmatic office space on land currently owned by WCCC on the former Boston State Hospital property in Mattapan. The project will also include a structured parking facility for the Mattapan campus. A more detailed description of the use of proceeds of the Bonds and other moneys and receipts, including approximate amounts and purposes, is included in the forepart of this Official Statement under “ESTIMATED SOURCES AND USES OF FUNDS” and “THE PLAN OF REFUNDING.”

Insurance

WCCC maintains general liability, umbrella coverage and property insurance for its Auburn, Biotech I, Biotech II, Research Building, South Road Parking Garage, Shrewsbury and 100 Century Drive properties. WCCC also maintains a general liability, property insurance and products liability coverage for the JP-Biolabs Facility in Mattapan. WCCC is required under the JP-Biolabs Sublease to maintain commercial general liability insurance, with the University named as an additional insured, insuring WCCC against claims and demands for personal injury or damage to property which may be claimed to have occurred upon or about the project.

Commitments

WCCC is the designated agent for UMMS and UMass Memorial for managing a facility renovation project providing for the replacement of the granite façade at the University Campus of UMMS and UMMHC located in Worcester. Anticipated project costs of $55,000,000 will be reimbursed to WCCC through a combination of support from UMMS and UMMHC.

At June 30, 2006, total project costs incurred were $63,900,000, of which $25,700,000 and $38,200,000 were billed to UMMHC and UMMS, respectively. Of these amounts, $25,700,000 and $37,300,000 were reimbursed accordingly by the two entities and WCCC has recorded receivable balance of $900,000 from UMMS.

Respectfully submitted,

Worcester City Campus Corporation

By: /s/ Richard Stanton
President

APPENDIX C

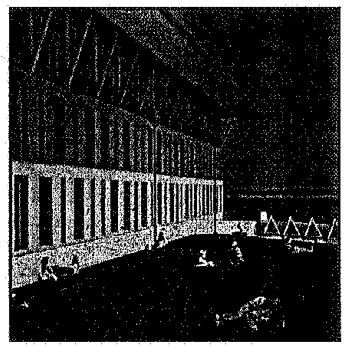
UNIVERSITY OF MASSACHUSETTS

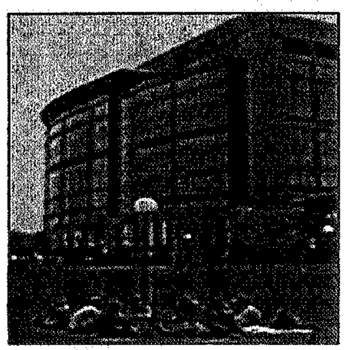
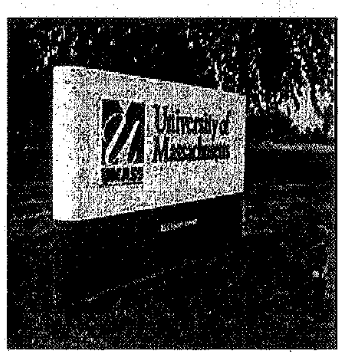
Amherst • Boston • Dartmouth • Lowell • Worcester

UMASS.

Annual Financial Report

June 30, 2006

University Administration

As of September 28, 2006

Officers of the University:

Jack M. Wilson, President
John V. Lombardi, Chancellor, UMass Amherst
Michael F. Collins, Chancellor, UMass Boston
Jean F. MacCormack, Chancellor, UMass Dartmouth
David J. MacKenzie, Interim Chancellor, UMass Lowell
Aaron Lazare, M.D., Chancellor, UMass Worcester
James R. Julian, Executive Vice President
Marcellette Williams, Senior Vice President for Academic Affairs and International Relations
Thomas Chmura, Vice President for Economic Development
David J. Gray, Vice President for Information Services and Chief Information Officer
and CEO of UMass Online
Stephen W. Lenhardt, Vice President for Management & Fiscal Affairs and
University Treasurer
J. Keith Motley, Ph.D., Vice President for Business and Public Affairs
Lawrence T. Bench, Interim General Counsel
Barbara F. DeVico, Secretary to the Board of Trustees

University of Massachusetts
UMASS Amherst • Boston • Dartmouth • Lowell • Worcester • UMassOnline

Office of the President

November 8, 2006

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, 2006. 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, 2006 including comparative information as of June 30, 2005.

The University's net assets increased $58.2 million from $1.29 billion in fiscal year 2005 to $1.35 billion in fiscal year 2006. 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, current ratio, debt service to operations, and endowment per student. During 2006, the University met or exceeded its targets for all five indicators. Overall, the University made important progress in fiscal 2006 toward the achievement of its long-term financial objectives of growth and stability.

Respectfully submitted,

Stephen W. Lenhardt
Vice President, Management
and Fiscal Affairs & Treasurer

Christine M. Wilda
University Controller

University of Massachusetts
2006 Annual Financial Report
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PRICEWATERHOUSECOOPERS

Report of Independent Auditors

To the Board of Trustees of the
University of Massachusetts:

In our opinion, based on our audits and the report of other auditors, the accompanying statements of net assets and the related 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, 2006 and 2005, and its revenues, expenses and changes in 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 (a blended component unit included in the column titled University) or the University of Massachusetts Dartmouth Foundation, Inc. (a discretely-presented component unit included in the column titled University Related Organizations), which statements reflect total net assets of \$130.4 million of the University and \$23.86 million of the University Related Organizations, and \$117.0 million of the University and \$20.3 million of the University Related Organizations as of June 30, 2006 and 2005, respectively, and total revenue of \$67.0 million of the University and \$5.4 million of the University Related Organizations and \$76.6 million of the University and \$5.4 million of the University Related Organizations for the years ended June 30, 2006 and 2005, respectively. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for these components of the University, is based solely on the report of the other auditors. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which 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's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

PricewaterhouseCoopers LLP

November 8, 2006

University of Massachusetts
Management's Discussion and Analysis
June 30, 2006

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, 2006 with comparative information as of June 30, 2005, and June 30, 2004. 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 2005, the University enrolled approximately 47,915 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, and 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 purposes 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 the Worcester Foundation for Biomedical Research, Inc. (WFBR) as a subsidiary. 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 $58.3 million from $1.29 billion in fiscal year 2005 to $1.35 billion in fiscal year 2006. The major components of these increases relate to increases in student fee revenues across the University campuses and physical plant improvements.

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 is 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 corporations. 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 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 plant, net of 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 and expenses incurred during the year. Activities are reported as either operating or nonoperating. 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 financial reporting model classifies state appropriations and gifts as nonoperating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, 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, 2006, 2005 and 2004
(in thousands of dollars)

	University June 30, 2006	University June 30, 2005	Change	University June 30, 2004	Change
ASSETS					
Current Assets	$528,295	$526,739	$1,556	$464,582	$62,157
Noncurrent Assets					
Investment In Plant Net of Accumulated Depreciation	1,499,607	1,330,410	169,197	1,163,700	166,710
All other noncurrent assets	877,185	891,988	(14,803)	929,967	(37,979)
Total Assets	**$2,905,087**	**$2,749,137**	**$155,950**	**$2,558,249**	**$190,888**
LIABILITIES					
Current Liabilities	$507,229	$383,772	123,457	$348,643	$35,129
Noncurrent Liabilities	1,048,080	1,073,836	(25,756)	1,040,976	32,860
Total Liabilities	**$1,555,309**	**$1,457,608**	**$97,701**	**$1,389,619**	**$67,989**
NET ASSETS					
Invested in Capital Assets Net of Related Debt	$804,053	$739,312	$64,741	$713,903	$25,409
Restricted					
Nonexpendable	16,136	15,559	577	14,433	1,126
Expendable	146,903	160,116	(13,213)	124,272	35,844
Unrestricted	382,686	376,542	6,144	316,022	60,520
Total Net Assets	**$1,349,778**	**$1,291,529**	**$58,249**	**$1,168,630**	**$122,899**

Condensed Statement of Net Assets for Related Organizations As of June 30, 2006, 2005 and 2004 (in thousands of dollars)	University Related Organizations June 30, 2006	University Related Organizations June 30, 2005	Change	University Related Organizations June 30, 2004	Change
ASSETS					
Current Assets	$4,594	$5,716	($1,122)	$6,595	($879)
Noncurrent Assets					
Investment In Plant Net of Accumulated Depreciation	1,003	1,006	(3)	1,019	(13)
All other noncurrent assets	249,525	218,860	30,665	189,284	29,576
Total Assets	**$255,122**	**$225,582**	**$29,540**	**$196,898**	**$28,684**
LIABILITIES					
Current Liabilities	$6,136	$7,299	($1,163)	$2,017	$5,282
Noncurrent Liabilities	2,914	2,588	326	3,282	(694)
Total Liabilities	**$9,050**	**$9,887**	**($837)**	**$5,299**	**$4,588**
NET ASSETS					
Invested In Capital Assets Net of Related Debt	$1,003	$597	$406	$230	$367
Restricted					
Nonexpendable	178,692	161,178	17,514	144,790	16,388
Expendable	61,091	49,334	11,757	44,388	4,946
Unrestricted	5,286	4,586	700	2,191	2,395
Total Net Assets	**$246,072**	**$215,695**	**$30,377**	**$191,599**	**$24,096**

At June 30, 2006, total University assets were $2.90 billion, an increase of $156.0 million over the $2.75 billion in assets recorded for fiscal year 2005. Much of the increase can be attributed to increases in investment in plant assets, accounts receivable from UMass Memorial and non-current investments. The University's largest asset continues to be its net investment in its physical plant of $1.5 billion at June 30, 2006 ($1.3 billion in fiscal year 2005).

At June 30, 2005, total University assets were $2.75 billion, an increase of $190.8 million over the $2.56 billion in assets recorded for fiscal year 2004. Much of the increase can be attributed to increases in investments, cash held by the state treasurer and investment in plant assets. The University's largest asset was its net investment in its physical plant of $1.33 billion at June 30, 2005 ($1.16 billion in fiscal year 2004).

University liabilities totaled $1.56 billion at June 30, 2006, an increase of $97.7 million over fiscal year 2005 ($1.46 billion). Long-term debt largely consists of bonds payable and capitalized lease obligations amounting to $1.01 billion at June 30, 2006. This represents a decrease of approximately $15.1 million over long-term debt obligations of $1.02 billion in fiscal year 2005. This decrease reflects the pay down of debt through debt service payments. Other liabilities increased $87.1 million due primarily to an outstanding liability to the Commonwealth of Massachusetts of $80.0 million from the Commonwealth Medicine program at the Worcester campus.

University liabilities totaled $1.46 billion at June 30, 2005, an increase of $67.9 million over fiscal year 2004 ($1.39 billion). Long-term debt largely consists of bonds payable and capitalized lease obligations amounting to $1.02 billion at June 30, 2005. This represents an increase of $15.1 million over long-term debt obligations of $1.01 billion in fiscal year 2004. This increase reflects new master lease debt on the Amherst campus.

The University's current assets as of June 30, 2006 of $528.3 million were sufficient to cover current liabilities of $507.2 million, as the current ratio was 1.04 dollars in assets to every one-dollar in liabilities. At June 30, 2005, the current ratio was 1.37 ($526.7 million in assets for $383.8 million in liabilities). At June 30, 2004, the current ratio was 1.33 ($464.6 million in assets for $348.6 million in liabilities). The decrease in the current ratio from 2005 to 2006 is mostly attributable to increased construction activity during 2006 resulting in additional accounts payable at year end and the timing of a payment to the Commonwealth of Massachusetts for fringe benefit costs at the Worcester campus.

The unrestricted and restricted expendable net assets totaled $529.6 million in fiscal year 2006, which represents 25.7% of total operating expenditures of $2.06 billion. In fiscal year 2005, expendable net assets of $536.7 million to $1.93 billion of total operating expenditures resulted in a ratio of 27.9%. In fiscal year 2004, expendable net assets of $440.3 million to operating expenditures of $1.62 billion made the expendable net assets to spending ratio 27.2%.

University of Massachusetts
Condensed Statement of Revenues, Expenses, and Changes in Net Assets
For The Year Ended June 30, 2006, 2005 and 2004
(in thousands of dollars)

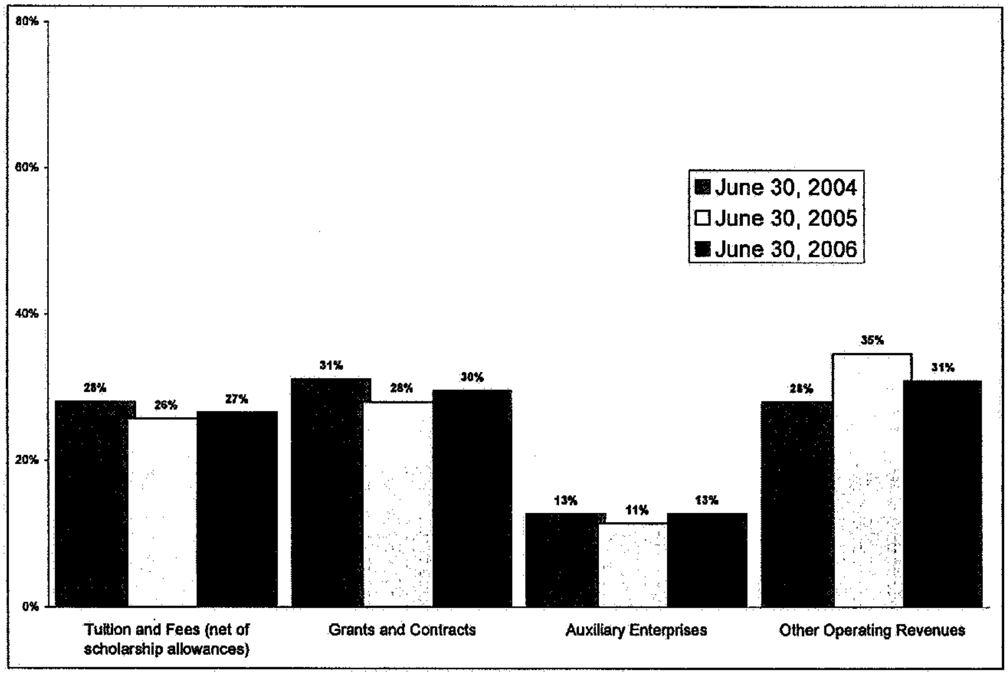
	University June 30, 2006	University June 30, 2005	Change	University June 30, 2004	Change
Operating Revenues					
Tuition and Fees (net of scholarship allowances of $73,467 at June 30, 2006, $66,887 at June 30, 2005 and $63,185 at June 30,2004)	$406,705	$388,385	$18,320	$361,762	$26,623
Grants and Contracts	453,178	424,184	28,994	401,750	22,434
Auxiliary Enterprises	195,352	172,745	22,607	163,894	8,851
Other Operating Revenues	474,818	524,713	(49,895)	362,535	162,178
Total Operating Revenues	1,530,053	1,510,027	20,026	1,289,941	220,086
Operating Expenses	2,059,948	1,926,740	133,208	1,621,582	305,158
Operating Loss	(529,895)	(416,713)	(113,182)	(331,641)	(85,072)
Nonoperating Revenues					
Federal Appropriations	7,044	7,016	28	6,849	167
State Appropriations	526,749	478,813	47,936	398,154	80,659
Other Nonoperating Income	39,701	35,666	4,035	27,727	7,939
Net Nonoperating Revenues	573,494	521,495	51,999	432,730	88,765
Income Before Other Revenues, Expenses, Gains or Losses	43,599	104,782	(61,183)	101,089	3,693
Capital Appropriations	27,147	27,417	(270)	19,135	8,282
University Related Organization Transactions	593	-	593	676	(676)
Disposal of Plant Facilities	(11,276)	(11,990)	714	(14,099)	2,109
Other	27,127	2,690	24,437	7,131	(4,441)
Total Other Revenues, Expenses, Gains, and Losses	43,591	18,117	25,474	12,843	5,274
Total Increase in Net Assets	87,190	122,899	(35,709)	113,932	8,967
Net Assets					
Net Assets at Beginning of Year	1,291,529	1,168,630	122,899	1,054,698	113,932
Net Assets at End of Year	$1,378,719	$1,291,529	$87,190	$1,168,630	$122,899

Condensed Statement of Revenues, Expenses, and Changes in Net Assets for University Related Organizations
For The Year Ended June 30, 2006, 2005 and 2004
(in thousands of dollars)

	University Related Organizations June 30, 2006	University Related Organizations June 30, 2005	Change	University Related Organizations June 30, 2004	Change
Operating Expenses	$16,939	$13,691	$3,248	$11,321	$2,370
Operating Loss	(16,939)	(13,691)	(3,248)	(11,321)	(2,370)
Nonoperating Revenues					
Other Nonoperating Income	28,844	21,830	7,014	18,787	3,043
Net Nonoperating Revenues	28,844	21,830	7,014	18,787	3,043
Income Before Other Revenues, Expenses, Gains or Losses	11,905	8,139	3,766	7,466	673
Additions to Permanent Endowments	14,401	16,312	(1,911)	13,113	3,199
University Related Organization Transactions	(593)	-	(593)	(676)	676
Gain from Disposal of Previously Discontinued Operations	-	-	-	(206)	206
Other	4,664	(355)	5,019	4	(359)
Total Other Revenues, Expenses, Gains, and Losses	18,472	15,957	2,515	12,235	3,722
Total Increase in Net Assets	30,377	24,096	6,281	19,701	4,395
Net Assets					
Net Assets at Beginning of Year	215,695	191,599	24,096	171,898	19,701
Net Assets at End of Year	$246,072	$215,695	$30,377	$191,599	$24,096

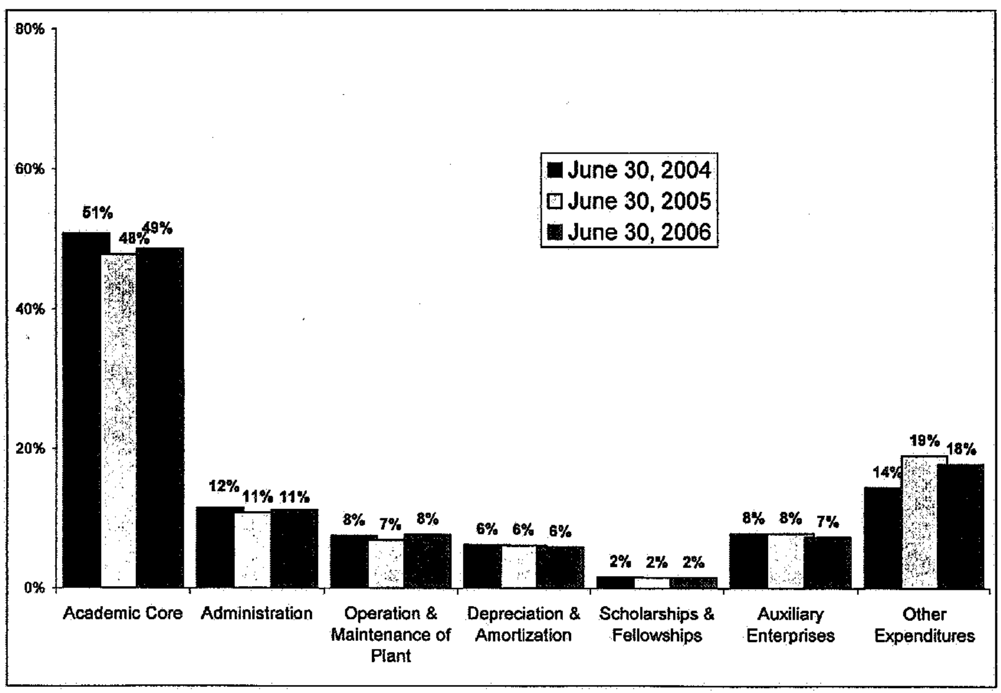
Total operating revenues for fiscal year 2006 were $1.53 billion. This is an increase of $20.0 million over fiscal year 2005 operating revenues of $1.51 billion. The most significant sources of revenue for the University are tuition and fees, grants and contracts, auxiliary services and public service activities at the Worcester Medical School campus. The following chart displays operating revenues by source for the University in fiscal years 2006, 2005 and 2004. Total operating revenues for fiscal year 2005 were $1.51 billion, $280.0 million over fiscal year 2004 operating revenues of $1.29 million.

Sources of Operating Revenues in Relation to Total Revenues, Fiscal Year 2004 to Fiscal Year 2006



In fiscal year 2006, operating expenditures, including depreciation and amortization of $121.6 million, totaled $2.06 billion. Of this total, $1.0 billion or 49% was used to support the academic core activities of the University, including $316.6 million in research. The chart below displays fiscal year 2006, 2005 and 2004 operating spending.

Operating Expenses in Relation to Total Expenses, Fiscal Year 2004 to Fiscal Year 2006



Public Service Activities

Public service activities consist primarily of sales and services to third parties that are provided by the UMass Medical School campus under its Commonwealth Medicine programs which provide public health consulting services to state and local agencies. In addition, educational services provided to UMass Memorial are included in public service activities. Included in revenues are Commonwealth Medicine revenues of $234.3 million and $213.8 million for the years ended June 30, 2006 and 2005, respectively. Included in expenditures are Commonwealth Medicine expenditures of $266.6 million and $176.2 million for the years ended June 30, 2006 and 2005, respectively. Educational services revenues included in public service revenues were $133.0 million and $214.1 million for the years ended June 30, 2006, and 2005, respectively. Public service activity expenditures also include payments to the Commonwealth of Massachusetts of $110.0 million and $151.3 million for the years ended June 30, 2006 and 2005, respectively, under its agreements with the Executive Office of Health and Human Services.

Public Service activities generated a deficit of 6.3% in fiscal year 2006 with the two primary factors being 1) expenditures related to ramp up of new programs in Commonwealth Medicine which are still in the start up phase and not expected to make a positive contribution to margin until later years; and 2) a larger investment in general and administrative infrastructure in fiscal year 2006.

State Appropriations

State appropriations represent approximately 25% 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 2006, the net state appropriation increased $47.9 million over fiscal year 2005 amounts. This increase is attributed to the state funding of collective bargaining agreements, increased state fringe benefit support as well as an increase for general operations. Beginning in late fiscal year 2004, state appropriations to the University increased after three years of cuts. Increased appropriations in fiscal years 2004, 2005 and 2006 funded previously unfunded collective bargaining agreements, new collective bargaining agreements and provided increased dollars in support of the general operations of the University.

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. During fiscal year 2004, the Amherst campus was able 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 following details the Commonwealth operating appropriations received by the University for fiscal years ending June 30, 2006, 2005 and 2004 (in thousands):

	June 30, 2006	June 30, 2005	June 30, 2004
Gross Commonwealth Appropriations	450,324	413,779	365,086
Plus: Fringe Benefits*	123,949	114,173	85,348
	574,273	527,952	450,434
Less: Tuition Remitted	(47,524)	(49,139)	(52,280)
Net Commonwealth Support	***526,749***	***478,813***	***398,154***

*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.

Grant and Contract Revenue

The University's Amherst Campus and Medical School campus in Worcester have been the primary catalyst in the University's research funding growth in recent years. However, each of the other campuses has also experienced growth in sponsored research activity in recent years. The following table details the University's grant and contract revenues (in millions) for the fiscal years ended June 30, 2006, 2005 and 2004:

	June 30, 2006	June 30, 2005	June 30, 2004
Federal Grants and Contracts	305,235	289,527	277,166
State Grants and Contracts	66,045	59,142	53,788
Local Grants and Contracts	3,694	3,266	3,123
Pivate Grants and Contracts	78,204	72,249	67,673
Total Grants and Contracts	***453,178***	***424,184***	***401,750***

Discretely Presented Component Units

University of Massachusetts Foundation, Inc.

The combined University and Foundation endowment has increased to approximately $261.0 million at June 30, 2006 up from $226.4 million at June 30, 2005 and $197.5 million at June 30, 2004.

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. The Foundation's total investment return for fiscal year 2006, including realized and unrealized activity was a net gain of approximately $20.3 million. 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 4.0% for fiscal year 2006 and 2005.

University of Massachusetts Dartmouth Foundation, Inc.

Total marketable securities for the Dartmouth Foundation were $18.7 million in fiscal year 2006 up from $16.3 million in fiscal year 2005 and $13.7 million at June 30, 2004. The increase was primarily due to new gifts. The Dartmouth Foundation total investment returns for fiscal year 2006, including realized and unrealized investment activity, was a net gain of approximately $1.77 million.

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.

As previously noted, state appropriation reductions beginning in the fall of 2001 resulted in program cuts, layoffs, reductions in staff and student charge increases reversing earlier trends of flat annual student charge increases between 1996 and 2001. With stabilizing and increasing state appropriations beginning in fiscal year 2004, the University approved student charge rates that reflect a policy aimed at limiting increases in total mandatory student charges (tuition and mandatory fees) to no more than inflation.

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 2005 semester, Massachusetts residents accounted for approximately 86% and 58% of the University's total undergraduate and graduate fall enrollment, respectively. Total enrollment in the fall of 2005 was 47,915 FTE (57,178 headcount students). In the fall of 2004 semester, Massachusetts residents accounted for approximately 87% and 58% of the University's total undergraduate and graduate enrollment, respectively.

Enrollments at the University have shown modest increases overall since 1997 (44,842 FTE). The enrollment changes are consistent with the University's efforts to manage housing and class enrollment. In 2006, freshman applications were up at the Amherst campus 13%, up at Boston 9%, up at Dartmouth 6% and flat at the Lowell campus. Transfer applications were up at the Dartmouth campus 6% and at the Lowell campus 2%, while the Amherst and Boston campuses had declines in transfer applications of 2%.

The average Scholastic Aptitude Test ("SAT") scores for entering University freshmen ranged from 1064 to 1143 at the University's campuses in the fall of 2005. The 2005 national average SAT composite score was 1028.

Degrees Awarded

The University awards four levels of degrees, including associate, bachelors, masters and doctoral/professional degrees. A total of 11,613 degrees were awarded in 2004-2005: 111 associate degrees, 8,269 bachelor degrees, 2,705 master degrees, and 424 doctoral degrees and 104 MD's.

Bonds Payable

As of June 30, 2006, the University had outstanding bonds of approximately $941.9 million representing approximately $648.2 million of University of Massachusetts Building Authority bonds (the "Building Authority Bonds"), and approximately $85.0 million of University of Massachusetts bonds financed through the Massachusetts Health and Educational Facilities Authority (the "UMass HEFA Bonds"). Bonds payable is the University's largest liability at June 30, 2006 and 2005. Projects initially financed by the Building Authority Bonds consist primarily of dormitories, apartments, dining commons, athletic and multi purpose facilities and parking garages at the University campuses. 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).

At June 30, 2006, WCCC had outstanding bonds of approximately $208.7 million representing University of Massachusetts Worcester City Campus Corporation MHEFA bonds (the "WCCC Bonds"). 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 $98.0 million and $102.2 million at June 30, 2006 and 2005, respectively. The outstanding amount of the refunded bonds totaled approximately $93.1 million and $94.9 million at June 30, 2006 and 2005, 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, 2006 and 2005 is $99.3 million, respectively. The WCCC A Bonds were issued by WCCC, in March 2000, for $100.0 million. The proceeds from this issuance were used to fund the construction of the Lazare Research Building on the Worcester Medical School campus of the University. The WCCC A Bonds and the irrevocable trust have been derecognized by WCCC.

Aggregate principal payments on the WCCC B Bonds, WCCC C Bonds and WCCC D Bonds for the years ended June 30 are; 2007 - $3.4 million, 2008 - $4.9 million, 2009 - $5.0 million, 2010 - $5.3 million, 2011 - $5.5 million, thereafter $190.3 million. At June 30, 2006 and 2005, the fair value of the WCCC B Bonds, WCCC C Bonds and WCCC D Bonds is approximately $222.0 million and $245.0 million, respectively.

In fiscal year 2006 the Building Authority issued Series 2006-1 bonds. The bonds were issued in the amount of $243.8 million and the proceeds were to be used for various construction and renovation projects for the University at its Lowell campus and to partially advance refund the 2003-1 Series bonds, the 2004-1 Series bonds and the 2004-A Series bonds. As of June 30, 2006 the bonds payable amount was $243.8 million.

In fiscal year 2006 the Building Authority issued Series 2006-2 taxable bonds. The bonds were issued in the amount of $21.2 million and the proceeds were used to advance refund the UMBA Refunding Bonds, Series 1995-B. As of June 30, 2006 the bonds payable amount was $21.2 million.

In fiscal year 2006, the Building Authority refunded the ULBA Fifth Series A bonds and the UMBA Refunding Bonds, Series 1995-B and partially refunded the following bond issues: the 2000-1 Series bonds, the 2000-2 Series bonds, the 2000-A Series bonds, the 2003-1 Series Bonds, the 2004-1 Series Bonds and the 2004-A Series bonds. Accordingly, the Building Authority deposited into trust accounts funds sufficient to provide for all future debt service payments on the refunded bonds. Assets held in the trust accounts had an aggregate market value of approximately $459.7 million as of June 30, 2006. The unpaid principal amount of the refunded bonds totaled approximately $419.5 million as of June 30, 2006.

In August 2005, the Building Authority issued its Series 2005-2 bonds in the amount of $212.6 million. The proceeds refunded the Fifth Series A bonds and partially refunded the Series 2000-1, Series 2000-2, Series 2000-A, Series 2003-1, Series 2004-1 and the Series 2004-A bonds. Total principal refunded by the issue was $210.2 million. As of June 30, 2006 the bonds payable amount was $208.1 million.

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 $33.6 million and resulted in an economic gain (the present value of savings) of approximately $21.6 million.

During fiscal year 2004, the Building Authority refunded the following bond issues: Series 1986-B, 1989 Fourth Series-B, Series 1991-A, 1995 Fifth Series-A (partial refunding), Series 1995-A, Series 2000-1 (partial refunding). 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 the trust accounts had an aggregate market value of approximately $8.4 million and $10.9 million at June 30, 2006 and 2005, respectively. The outstanding amount of the refunded bonds totaled approximately $8.2 million and $10.5 million at June 30, 2006 and 2005, 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 $2.8 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, the Authority will reduce its aggregate debt service payments by approximately $2.0 million and achieve an economic gain, (the difference between the present value of the old and new debt service payments), of $0.8 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 $6.9 million and $8.1 million at June 30, 2006 and 2005, respectively. The outstanding amount of the refunded bonds at June 30, 2006 and 2005 total approximately $7.7 million and $8.9 million, respectively.

Capitalized Lease Obligations

At June 30, 2006, the University had capital lease obligations with remaining principal payments of approximately $66.6 million this is a decrease from a fiscal year 2005 total of $78.0 million. The capital leases primarily consist of telecommunications, software and co-generation system, and campus energy conversions. In early fiscal year 2005, the University entered into a Master Lease Financing Agreement in the amount of $42.8 million to acquire and install equipment to accomplish the energy and water conservation measures under the Energy Service Agreement in various facilities throughout the Amherst campus.

University Rating

The current credit ratings for the University of Massachusetts are "A+" and "A" as rated by Fitch IBCA and Standard & Poor's rating agencies, respectively.. The highest achievable rating is "AAA" based upon the scale used in the University's rating. The University's rating is one tier below the "AA-" rating of the Commonwealth of Massachusetts.

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 August of 2006, the University Trustees approved a five-year (fiscal years 2007-2011), approximately $2.14 billion update to its capital plan to be financed from all available funding sources, including projects already in process with prior approval of the University Trustees, as well as new projects. The University generally has funded its capital plans through a combination of moneys 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 2007-2011 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 2007-2011 capital plan and their estimated total project cost include (a) at the Amherst campus: deferred maintenance and new construction on the central heating plant for approximately $118.7 million, the construction of new undergraduate housing for approximately $92.7 million, the construction of an integrated science building (phase 1A) to provide modern teaching laboratory facilities for chemistry and life sciences for approximately $92.7 million, student housing renovation and repair projects of $22.5 million, the construction of an art building to provide essential replacement space for a number of art programs currently housed in obsolete space for approximately $23 million, repairs to the University Campus Center for approximately $7.8 million, renovations to Skinner Hall in order to strengthen the Nursing Program for $16.3 million, an energy conservation project for approximately $44.8 million, replacement of the central campus steamlines for $6.7 million, construction of a new student recreation center for $52 million, design and construction of a 500-seat auditorium for $11 million, renovations to the interior space of the DuBois Library for $13 million; (b) at the Boston campus: major interim stabilization work to ensure the safety of the campus substructure for $25 million is the most pressing capital concern for the campus, the construction of a new academic classroom building for $42.0 million, calf pasture pump station preservation project for approximately $22.2 million, the construction of an environmental science and technology building for approximately $42 million, improvements campus-wide to the fire protection and safety systems for approximately $20.6 million, restoration or replacement of the building envelopes for the majority of campus buildings with an estimated cost of $88.3 million, (c) at the Dartmouth campus: in order to accommodate a growing enrollment and to deal with deteriorating housing units the campus plans to expend $150.8 million for the renovation and replacement of student housing, the construction of an addition to the campus center for approximately $15.8 million, the construction of a visitor/admissions/security building for approximately $15.0 million and the construction of a multipurpose field house for approximately $19.7 million, library renovations to address deferred maintenance and to improve services for approximately $10.5 million, an energy conservation project for $14 million, various infrastructure repair projects totaling $33.8 million over five years; (d) at the Lowell campus: academic, library and administrative technology equipment for approximately $30.0 million, the construction of a new parking garage at UML North for approximately $23.0 million, the construction of a nanomanufacturing/biotechnology center for approximately $80.0 million, the renovation of Coburn Hall with modern systems and accessible space for $8.2 million, roof replacement and improvement of the building systems at the Wannalancit Mills for $15.5 million, the conversion of Fox Hall from mixed-use space to all residential units for $7.0 million, upgrading of laboratory space for approximately $20.0 million, the phased building rehabilitation of Mahoney Hall to include internal improvements, roof repair, and auditorium repairs for $12.9 million; and (e) at the Worcester campus: construction of a medical education and clinical practice building for $90.0 million, the power plant expansion (phase II) for approximately $30.5 million and HVAC upgrades and replacements for approximately $30.0 million, the construction of a new building to support vaccine production and product warehousing for $35.0 million, the construction of a mixed-use building for office space and research and development work for $50.0 million, addressing deferred maintenance priorities for $35.0 million.

In 1996, the University initiated a more active 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 and direct Commonwealth support. Addressing deferred maintenance remains a priority within the University's capital plan. The University's 2007-2011 capital plan includes approximately $435.3 million of deferred maintenance projects. During fiscal year 2006, the University expended approximately $159.0 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 ability to address priority capital needs and requirements for deferred maintenance, technology, repairs and adaptation, and selected new construction projects may be the biggest challenge 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.

On October 2, 2006, 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.

On July 19, 2006, the Boston campus closed the interior parking facilities that were part of the substructure of the original campus buildings constructed in 1974. While regular inspections and reports had indicated that the facility was structurally sound, the campus determined that the loss of parking spaces, the continual rerouting of pedestrian and vehicular traffic, and the associated costs no longer made it a viable parking option.

The campus has worked to respond to the deterioration of the substructure since the late 1980's. Over the last year in particular, the deterioration has outpaced those efforts and the available funding. A recent study by the engineering firm Simpson, Gumpertz and Heger indicates that rehabilitating the substructure would cost in excess of $160.0 million and would not be feasible. Instead a stabilization project, currently estimated at $25.0 million, has been proposed for the long term preservation of the structural foundation. The financial impact of the closure and associated costs of preparing alternate parking options are not reflected in the FY 2006 financial results.

University of Massachusetts
Statement of Net Assets
As of June 30, 2006 and 2005
(in thousands of dollars)

	University June 30, 2006	University Related Organizations June 30, 2006	University June 30, 2005	University Related Organizations June 30, 2005
ASSETS				
Current Assets				
Cash and Cash Equivalents	$48,723		$56,859	
Cash Held By State Treasurer	8,797		28,216	
Accounts, Grants and Loans Receivable	186,213	$22	172,294	$92
Pledges Receivable	1,818	2,965	926	2,624
Short Term Investments	137,101		224,991	
Inventories	17,153		11,682	
Accounts Receivable UMass Memorial	115,363		16,434	
Due From Related Organizations	388	1,607	1,048	2,971
Other Assets	12,739		14,289	29
Total Current Assets	**528,295**	**4,594**	**526,739**	**5,716**
Noncurrent Assets				
Cash and Cash Equivalents		2,836		3,219
Cash Held By State Treasurer	10,875		5,482	
Cash and Securities Held By Trustees	448,672		544,678	
Accounts, Grants and Loans Receivable	34,025		37,004	
Pledges Receivable	5,136	11,837	2,389	14,615
Investments	367,716	234,809	295,436	200,985
Other Assets	10,761	43	6,999	41
Investment In Plant Net of Accumulated Depreciation	1,499,607	1,003	1,330,410	1,006
Total Noncurrent Assets	**2,376,792**	**250,528**	**2,222,398**	**219,866**
Total Assets	**$2,905,087**	**$255,122**	**$2,749,137**	**$225,582**
LIABILITIES				
Current Liabilities				
Accounts Payable	$115,463	$1,754	$67,338	$184
Accrued Salaries and Wages	50,754		81,436	
Accrued Liability for Compensated Absences	59,910		55,825	
Accrued Liability for Workers' Compensation	3,427		2,430	
Arbitrage Rebate Payable	293		90	
Accrued Interest Payable	9,120		9,389	15
Bonds Payable	25,130		21,106	
Capital Lease Obligations	12,238		12,184	
Accounts Payable UMass Memorial	8,017		4,020	
Due To Related Organizations	1,607	388	2,971	1,048
Deferred Revenues and Credits	43,088	3,994	36,166	6,052
Advances and Deposits	5,320		5,127	
Other Liabilities	172,862		85,690	
Total Current Liabilities	**507,229**	**6,136**	**383,772**	**7,299**
Noncurrent Liabilities				
Accrued Liability for Compensated Absences	22,230		25,163	
Accrued Liability for Workers' Compensation	12,737		11,224	
Arbitrage Rebate Payable	467		4,121	
Bonds Payable	916,751		925,048	
Capital Lease Obligations	54,379		65,825	
Deferred Revenues and Credits	12,296		12,019	
Advances and Deposits	28,650		29,771	
Other Liabilities	570	2,914	665	2,588
Total Noncurrent Liabilities	**1,048,080**	**2,914**	**1,073,836**	**2,588**
Total Liabilities	**$1,555,309**	**$9,050**	**$1,457,608**	**$9,887**
Net Assets:				
Invested in Capital Assets Net of Related Debt	$804,053	$1,003	$739,312	$597
Restricted				
Nonexpendable	16,136	178,692	15,559	161,178
Expendable	146,903	61,091	160,116	49,334
Unrestricted	382,686	5,286	376,542	4,586
Total Net Assets	**$1,349,778**	**$246,072**	**$1,291,529**	**$215,695**

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

University of Massachusetts
Statements of Revenues, Expenses, and Changes in Net Assets
For The Years Ended June 30, 2006 and 2005
(in thousands of dollars)

REVENUES	University June 30, 2006	University Related Organizations June 30, 2006	University June 30, 2005	University Related Organizations June 30, 2005
Operating Revenues				
Tuition and Fees (net of scholarship allowances of $73,467 at June 30, 2006 and $66,887 at June 30, 2005)	$406,705		$388,385	
Federal Grants and Contracts	305,235		289,527	
State Grants and Contracts	66,045		59,142	
Local Grants and Contracts	3,694		3,266	
Private Grants and Contracts	78,204		72,249	
Sales & Service, Educational	17,780		17,284	
Auxiliary Enterprises	195,352		172,745	
Other Operating Revenues:				
Sales & Service, Independent Operations	78,899		66,346	
Sales & Service, Public Service Activities	333,997		399,958	
Other	44,142		41,125	
Total Operating Revenues	**1,530,053**		**1,510,027**	
EXPENSES				
Operating Expenses				
Educational and General				
Instruction	498,951		452,409	
Research	316,606		301,422	
Public Service	74,146	$12,853	63,327	$10,891
Academic Support	111,925		103,803	
Student Services	79,174		75,724	
Institutional Support	151,559		131,470	
Operation and Maintenance of Plant	159,024		134,246	
Depreciation and Amortization	121,567	16	118,649	16
Scholarships and Fellowships	30,945	4,070	29,832	2,784
Auxiliary Enterprises	149,963		151,113	
Other Expenditures				
Independent Operations	46,546		37,329	
Public Service Activities	319,542		327,416	
Total Operating Expenses	**2,059,948**	**16,939**	**1,926,740**	**13,691**
Operating Loss	**(529,895)**	**(16,939)**	**(416,713)**	**(13,691)**
NONOPERATING REVENUES/(EXPENSES)				
Federal Appropriations	7,044		7,016	
State Appropriations	526,749		478,813	
Gifts	25,646	11,238	25,289	9,323
Investment Income	42,981	11,871	35,072	8,477
Endowment Income	1,438	5,743	1,661	4,068
Interest on Indebtedness	(39,331)	(8)	(37,077)	(38)
Other Nonoperating Income	8,967		10,721	
Net Nonoperating Revenues	**573,494**	**28,844**	**521,495**	**21,830**
Income Before Other Revenues, Expenses, Gains, and Losses	**43,599**	**11,905**	**104,782**	**8,139**
Capital Appropriations	27,147		27,417	
Additions to Permanent Endowments		14,401		16,312
University Related Organization Transactions	593	(593)		
Disposal of Plant Facilities	(11,276)		(11,990)	
Other Additions/Deductions	(1,814)	4,664	2,690	(355)
Total Other Revenues, Expenses, Gains, and Losses	**14,650**	**18,472**	**18,117**	**15,957**
Total Increase in Net Assets	**58,249**	**30,377**	**122,899**	**24,096**
NET ASSETS				
Net Assets at Beginning of Year	1,291,529	215,695	1,168,630	191,599
Net Assets at End of Year	**$1,349,778**	**$246,072**	**$1,291,529**	**$215,695**

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

University of Massachusetts
Statements of Cash Flows
For The Years Ended June 30, 2006 and 2005
(in thousands of dollars)

	University June 30, 2006	University June 30, 2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	$407,922	$396,713
Grants and Contracts	511,044	458,655
Payments to Suppliers	(640,956)	(482,923)
Payments to Employees	(1,017,785)	(933,833)
Payments for Benefits	(224,358)	(207,181)
Payments for Scholarships and Fellowships	(30,295)	(29,206)
Loans Issued to Students and Employees	(9,172)	(5,305)
Collections of Loans to Students and Employees	8,074	7,071
Auxiliary Enterprises Receipts	240,251	207,597
Sales and Service, Educational	21,835	17,596
Sales & Service, Independent Operations	103,965	74,365
Sales & Service, Public Service Activities	217,702	252,607
Net Cash Used by Operating Activities	**(411,773)**	**(243,844)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	582,647	534,813
Tuition Remitted to the State	(47,524)	(49,139)
Federal Appropriations	7,044	7,016
Gifts and Grants for Other Than Capital Purposes	24,849	18,702
Private Gifts for Endowment Purposes	168	1,264
Student Organization Agency Transactions	(448)	249
Net Cash Provided by Noncapital Financing Activities	**566,736**	**512,905**
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from Capital Debt	22,114	68,880
Bond Issuance Costs Paid	(4,107)	(302)
Capital Appropriations	26,591	26,951
Capital Grants and Contracts	(3,855)	(2,827)
Purchases of Capital Assets and Construction	(162,906)	(165,483)
Principal Paid on Capital Debt and Leases	(37,779)	(53,510)
Interest Paid on Capital Debt and Leases	(42,024)	(36,196)
Use of Debt Proceeds on Deposit with Trustees	(110,604)	(103,234)
Net Cash Provided by/(Used in) Capital Financing Activities	**(312,570)**	**(265,721)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	935,489	1,100,889
Interest on Investments	18,622	10,658
Purchase of Investments	(914,672)	(1,197,717)
Net Cash Provided by/(Used in) Investing Activities	**39,439**	**(86,170)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(118,168)**	**(82,830)**
Cash and Cash Equivalents - Beginning of the Year	**635,235**	**718,065**
Cash and Cash Equivalents - End of Year	**$517,067**	**$635,235**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	($529,895)	($416,713)
Adjustments to reconcile loss to net cash used by Operating Activities:		
Depreciation and Amortization Expense	121,567	118,649
Changes in Assets and Liabilities:		
Receivables, net	(14,579)	(5,323)
Inventories	(5,471)	88
Due to/from Related Organizations	(704)	(748)
Accounts Receivable/Payable UMass Memorial	(94,932)	9,123
Other Assets	(2,212)	(1,690)
Accounts Payable	48,125	(820)
Accrued Liabilities	(27,020)	5,289
Deferred Revenue	7,199	2,968
Advances and Deposits	(928)	(237)
Other Liabilties	87,077	45,570
Net Cash Used by Operating Actvities	**($411,773)**	**($243,844)**
NONCASH CAPITAL FINANCING ACTIVITY		
Assets acquired through capital leases	$1,939	$1,681

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

University of Massachusetts
Notes to Financial Statements
June 30, 2006

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 and an agency of the Commonwealth of Massachusetts (Commonwealth) and its component units. The University blends the tradition of providing access to quality education with that of delivering pioneering research applied to everyday problems. At the University, teaching and learning are integrated with research and public service. 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) is a subsidiary, is a tax exempt organization founded to foster and promote the growth, progress and general welfare of 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. 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 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.

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.

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, 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. Major estimates include the accrual for employee compensated absences, the accrual for workers' compensation liability, the allowance for doubtful accounts 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 financial aid expense on the statement of revenues, expenses, and other changes to net assets, and included in supplies and services on the statement of cash flows.

NEW ACCOUNTING PRONOUNCEMENTS

In November 2003, the GASB issued Statement No. 42, *Accounting and Reporting for Impairment of Capital Assets and for Insurance Recoveries*, effective for the University's fiscal year beginning July 1, 2005. Statement No. 42 requires an evaluation of prominent events or changes in circumstances to determine whether an impairment loss should be recorded and that any insurance recoveries be netted with the impairment loss. The adoption of GASB Statement No. 42 did not have an effect on the financial statements in fiscal year 2006.

In August 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective for the University's fiscal year beginning July 1, 2007. Statement No. 45 requires accrual-based measurement, recognition and disclosure of other postemployment benefits (OPEB) expense, such as retiree medical and dental costs, over the employees' years of service, along with the related liability, net of any plan assets. The University is currently evaluating the effect that Statement No. 45 will have on its financial statements.

In June 2005, the GASB issued Statement No. 47, *Accounting for Termination Benefits*, effective for the University's fiscal year beginning July 1, 2005. Statement No. 47 requires that a liability be recorded in the financials for the amount of termination benefits to be paid by the University. The adoption of GASB Statement No. 47 did not have an effect on the financial statements in fiscal year 2006.

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, investments, notes and accounts receivable, accounts payable, accrued expenses and interest, and deposits.

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 carried at fair value. 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.

Certain securities held by the Foundation do not have readily determinable quoted market prices and are carried at valuations provided by third-party investment managers. 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 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, 2006 and 2005 was $85.8 million and $82.0 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 realizability 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 approximately 5% of their beginning market value as of July 1 subject to review and approval by the Foundation's Board of Directors. The distribution amount will be made available at the beginning of the following fiscal year. The actual spending rate was 4% for fiscal years 2006 and 2005. 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 restricted expendable net assets within the Foundation. The Foundation believes that, if applicable, these adjustments would be temporary and will not require permanent funding. In fiscal year 2006 and 2005 there were no deficiencies.

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. Net interest costs incurred during the construction period for major capital projects are added to the cost of the asset. 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. 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.

DEFERRED REVENUE

Deferred revenue consists of amounts billed or received in advance of the University providing goods or services.

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, 2006 and 2005 record as tuition revenue approximately $47.5 million and $49.1 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 has been extended indefinitely in 2005. 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):

	2006	2005
Gross Commonwealth Appropriations	$450,324	$413,779
Plus: Fringe Benefits	123,949	114,173
	574,273	527,952
Less: Tuition Remitted	(47,524)	(49,139)
State Appropriations, Net	$526,749	$478,813

AUXILIARY ENTERPRISES

Auxiliary Enterprise revenue of $194.3 million and $172.7 million for the years ended June 30, 2006 and 2005 respectively are stated net of room and board charge allowances of $3.1 million and $2.7 million, respectively.

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

Public service activities consist primarily of sales and services to third parties that are provided by the UMass Medical School campus under its Commonwealth Medicine programs which provide public health consulting services to state and local agencies. In addition, educational services provided to UMass Memorial are included in public service activities. Included in revenues are Commonwealth Medicine revenues of $234.3 million and $213.8 million for the years ended June 30, 2006 and 2005, respectively. Included in expenditures are Commonwealth Medicine expenditures of $266.6 million and $176.2 million for the years ended June 30, 2006 and 2005, respectively. Educational services revenues included in public service revenues were $133.0 million and $214.1 million for the years ended June 30, 2006, and 2005, respectively. Public service activity expenditures also include payments to the Commonwealth of Massachusetts of $110.0 million and $151.3 million for the years ended June 30, 2006 and 2005, respectively, under its agreements with the Executive Office of Health and Human Services.

FRINGE BENEFITS

The University participates in the Commonwealth's fringe benefit programs, including health insurance, unemployment, pension and workers' compensation benefits. Health insurance, unemployment and pension costs are billed through a fringe benefit rate charged by the Commonwealth to the University. Workers' compensation costs are assessed separately based on actual University experience.

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 2006, the University determined that a computational error had occurred in determining the components of net assets at June 30, 2005. Accordingly, the University has revised its classification of the components of net assets at June 30, 2005 by increasing invested in capital assets, net of debt by $37.9 million, increasing restricted nonexpendable by $.4 million, increasing restricted expendable by $5.3 million, and reducing unrestricted by $43.7 million. In addition, the University has made adjustments to certain 2005 current asset and current liability balances to more accurately present investment transactions on a gross presentation basis. These reclassifications, revised classification and adjustments have no effect on total net assets at June 30, 2005.

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 titled "Deposit and Investment Risk Disclosures", otherwise known as "GASB 40". For fiscal year ending June 30, 2006, 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 adopted in March 2005 by the Board of Trustees (the Investment Policy). The goals of the Investment Policy are to preserve capital, provide liquidity, and generate investment income. As directed by the Investment Policy, the University has established a University Investment Committee, comprised of members of the Board of Trustees and University staff. This committee convenes periodically to review the University's investment portfolio for compliance with the Investment Policy and to establish, revise and monitor investment strategy and external benchmarks for the performance of the University's investments. The University of Massachusetts has statutory authority under Massachusetts General Laws Chapter 75 to collect, manage and disburse trust funds of the University.

The Investment Policy and Guidelines Statement adopted by the Board of Trustees in March of 2005 set forth the diversification limits for each asset class as shown below:

Asset Class	Target Allocation	Exposure Range
Equities	20%	15% - 25%
Fixed Income	57%	50% - 65%
Cash	23%	15% - 30%

The University's cash management investment policy authorizes the University to invest in obligations of the U.S. Department of the Treasury, its agencies and instrumentalities, municipal and state bonds, certificates of deposit, commercial paper, banker's acceptances, Eurodollar contracts, corporate bonds, mutual funds, collateralized mortgage obligations, asset backed securities, repurchase agreements, and money market funds. The University's investment policy authorizes the University to invest endowment funds in the above investments as well as common and preferred stock.

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 11% and 3.7% of the Universities investments at June 30, 2006 and 2005, 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, 2006, 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., Bank North, Citizens, Fifth Third, and U.S. Bank. The University maintains payroll, disbursement and receipt and imprest accounts with Bank of America N. A.. None of these accounts are collateralized. Accounts carry FDIC insurance up to $100,000 per account. The following balances on deposit on June 30, 2006 were $19.1 million in Bank of America, $1.1 million in Bank North, $.25 million in Citizens, $.27 million in Fifth Third Bank, and $.09 million in US Bank. At June 30, 2006 and 2005, the carrying amount of the University's bank account deposits were $48.7 million and $56.9 million, respectively, as compared to bank balances of $20.8 million and $26.5 million, respectively. In 2006, the differences between the carrying amount and bank balances were primarily caused by outstanding checks, deposits in-transit, and a gross up of securities lending of $31.8 million. Of such said bank balances, $2.4 million at June 30, 2006 and $3.0 million at June 30, 2005 are covered by federal deposit insurance. The remaining $18.3 million at June 30, 2006 and $23.5 million at June 30, 2005 are uninsured and uncollateralized and therefore subject to custodial credit risk.

In addition to bank account deposits, at June 30, 2006, the University held interest money market instruments which are classified as investments. At June 30, 2006 and 2005, the carrying amounts of the University's money market accounts were $70.9 million and $54.4 million, respectively, as compared to bank balances of $100.8 million and $75.8 million, respectively. The differences between the carrying amount and bank balances were primarily caused by outstanding checks. Of such said money market balances, $.6 million at June 30, 2006 and $.5 million at June 30, 2005 are covered by federal deposit insurance. The remaining $100.2 million at June 30, 2006 and $75.3 million at June 30, 2005 are uninsured and uncollateralized, therefore subject to custodial credit risk. At June 30, 2006, the University maintained money market accounts with $33.4 million in Bank of America N.A., $67.4 million in Fidelity Investors, $79,060 in Berkshire Bank, and $2,500 in Citizens Bank. In addition to money market fair market value, in 2006 the University held $12.1 million of cash to be used to settle open trades at June 30, 2006 and $20.5 million at June 30, 2005.

At June 30, 2006 the University held a carrying and fair market value of $397.3 million in non-money market investments compared to a carrying and fair market value of $423.6 million at June 30, 2005. In the event of negligence due to the University's custodian and/or investment manager(s), investment balances of would be fully recovered. However, the $397.3 million is subject to both interest rate risk and credit risk. Custody of assets is held with Mellon Trust of New England, N.A. 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 percent or more of the total value of the University's investments.

As of June 30, 2006, there is no portion of the University portfolio, excluding Bank of America N. A. (10.3%) and Fidelity Investments (13.6%) money markets investments and U. S. Government guaranteed obligations that 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 you can sit alone 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, 2006 and 2005, respectively:

Asset Class	June 30, 2006 Fair Value	Average Credit Quality	June 30, 2005 Fair Value	Average Credit Quality
Short Duration	$159,113	AAA	$252,325	AA
Intermediate Duration	206,409	A	178,219	A
Convertible Bonds	13,524	A	8,930	A
High Yield Bonds	20,382	BB	19,843	BB

Rated Debt Investments - 2006
(in thousands)

		S&P Quality Ratings							
	Fair Value	AAA	AA	A	BBB	BB	B	CCC	Unrated
U.S. Agencies	$61,718	$61,279							$439
U.S. Government	24,611	24,611							
Corporate Debt	175,703	60,156	$13,385	$43,881	$22,264	$7,216	$13,956	$1,138	13,707
Money Market Mutual Fund	137,396	100,849							36,547
	$399,428	$246,895	$13,385	$43,881	$22,264	$7,216	$13,956	$1,138	$50,693

Rated Debt Investments - 2005
(in thousands)

		S&P Quality Ratings							
	Fair Value	AAA	AA	A	BBB	BB	B	CCC	Unrated
U.S. Agencies	$160,879	$131,419	8,963	16,769	3,728				
U.S. Government	26,808	4,257			11,821				10,730
Corporate Debt	149,484	33,411	$11,211	$51,851	$22,019	$10,666	$9,700	$1,452	9,174
Municipal/Public Bonds	3,897	2,573	$1,324						
Money Market Mutual Fund	118,249	75,838							42,411
	$459,317	$247,498	$21,498	$68,620	$37,568	$10,666	$9,700	$1,452	$62,315

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 current target allocation for each asset class and the fair value (in thousands) for each as of June 30, 2006 and 2005, respectively:

Asset Class	6/30/06 Target Allocation	6/30/06 Fair Value	6/30/05 Target Allocation	6/30/05 Fair Value
Short Duration	45%	$159,113	45%	$252,325
Intermediate Duration	25%	206,409	25%	178,219
Convertible Bonds	3%	13,524	3%	8,930
High Yield Bonds	5%	20,382	5%	19,843
Alternative Assets	8%	58,858	8%	20,077
Equities	9%	73,750	9%	59,398
Real Estate	0%	2,649	0%	3,028

Investments - 2006
(in thousands)

Investment Type:

		Investment Maturities (in years)			
Debt Securities	Fair Value	Less Than 1	1 to 5	6 to 10	More than 10
U.S. Agencies	$58,978	$25,826	$4,965	$2,802	$25,385
U.S. Government	24,611	8,524	1,311	14,036	740
Corporate Debt	175,703	3,482	69,021	19,706	83,494
Municipal/Public Bonds	2,740		2,025	715	
Money Market Mutual Fund	137,396	137,396			
	$399,428	$175,228	$77,322	$37,259	$109,619

Other Investments	Fair Value
Equity Securities- Domestic	$42,979
Equity Securities- International	30,771
Alternative Assets	58,858
Real Estate	2,649
	$135,257

Investments - 2005
(in thousands)

Investment Type:	Investment Maturities (in years)				
Debt Securities	Fair Value	Less Than 1	1 to 5	6 to 10	More than 10
U.S. Agencies	$165,302	$90,150	$54,150	$1,674	$19,328
U.S. Government	1,487	1,487			
Corporate Debt	170,383	35,677	63,193	19,510	52,003
Municipal/Public Bonds	3,896	1,324	1,975	597	
Money Market Mutual Fund	118,249	118,249			
	$459,317	$246,887	$119,318	$21,781	$71,331

Other Investments	Fair Value
Equity Securities- Domestic	$42,805
Equity Securities- International	16,593
Alternative Assets	20,077
Real Estate	3,028
	$82,503

Securities Lending: In efforts to offset custodian fees, the University participates in a securities lending program to generate income. The University's custodian, Mellon Trust of New England, N.A., 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 to offset any likelihood of loss. If a loss occurs, Mellon Trust of New England, N.A. will promptly replace the security in question with an exact or similar security of the same value. Also, any potential earnings lost will also be credited back to the University.

The University of Massachusetts has been participating in a securities lending program since March 18, 2005. Administration of securities lending is overseen by the University's custodian, Mellon Trust of New England, N.A. Strict controls are set in place to minimize losses and substantiate gains. The purpose of this program is to generate additional revenue for the University at minimal risk. As indicated before, earned income is used to partially offset custodian fees, increase cash flows, and reduce operating expenses. The amount of securities on loan at fiscal year end are reported as investments in the statement of net assets and the collateral is reported as cash and cash equivalents and other liabilities.

All lending opportunities are initiated through Mellon Trust of New England, N.A.. Mellon Trust of New England, N.A. maintains a reputable list of clients and borrowers, who are matched up when lending opportunities arise. To ensure fairness, Mellon Trust of New England, N.A. maintains a mathematically regulated client queue. When a particular security is desired by a borrower, the first client in queue who holds the security is given the opportunity to lend.

As of June 30, 2006 the University held a fair market value of $209.4 million in lendable securities, compared to $301.9 million in 2005, respectively. Out of these lendable securities, as of June 30, 2006 $31.8 million was out on loan with 63 borrowers, respectively compared to $29.0 million with 42 borrowers on June 30, 2005. The loans were outstanding for an average of 58 days in 2006, compared to 21 days in 2005.

Securities Lending 2006 (in thousands)

Securities Lent	Underlying Security Value	Collateral Rec'd Value	Collateral Percentage
U.S. Agencies	$200	$203	101.83%
Corporate Debt	8,909	9,126	102.44%
Equity Securities	253	262	103.36%
US Govt. - TIPS	1,436	1,451	100.98%
US Govt. - T-Bonds	8,737	8,883	101.67%
US Govt. - T-Notes	12,250	12,482	101.90%
	$31,785	$32,407	101.96%

Securities Lending 2005 (in thousands)

Securities Lent	Underlying Security Value	Collateral Rec'd Value	Collateral Percentage
U.S. Agencies	$3,006	$3,068	102.06%
Corporate Debt	7,626	7,822	102.56%
US Govt. - T-Notes	18,399	18,795	101.90%
	$29,031	$29,685	101.96%

The cost and fair value of cash, cash equivalents and investments of the University Related Organizations at June 30, 2006 and 2005, respectively are as follows (in thousands):

University Related Organizations:	Total Fair Value – 6/30/06	Total Cost – 6/30/06	Total Fair Value – 6/30/05	Total Cost - 6/30/05
Cash and Cash Equivalents	$2,836	$2,836	$3,219	$3,219
Money Market Instruments	98,035	88,369	77,219	73,381
Corporate and Municipal Bonds	54,987	56,434	56,117	53,754
Common and Preferred Stock	67,338	53,026	53,315	44,585
Mutual Funds	4,491	3,393	3620	2,744
Other	9,958	9,549	10,714	9,353
	$237,645	$213,607	$204,204	$187,036

Pursuant to Trust Agreements between the Building Authority and its bond trustees, all funds deposited with those trustees (approximately $411.3 million at June 30, 2006 and $499.6 million at June 30, 2005) 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 $19.7 million at June 30, 2006 and $33.7 million at June 30, 2005. 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 loan proceeds and amounts held for the future payment of debt service on such borrowings. At June 30, 2006 and June 30, 2005, there are investments of $16.2 million and $22.0 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 $21.2 million and $19.4 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 $411.3 million and $499.6 million, respectively, held by trustees related to the Building Authority. In addition, at June 30, 2005, $2.8 million was available to be used by WCCC for capital construction purposes.

Funds deposited with trustees include $109.8 million and $334.8 million of investments in repurchase agreements at June 30, 2006 and 2005, respectively. These repurchase agreements are secured by cash or investments with a fair market value between 100% and 105% of the repurchase price, depending on the type of 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:

	2006	2005
Students Accounts Receivable	$22,656	$21,000
Less allowance for uncollectible accounts	(9,143)	(8,707)
	13,513	12,293
Grants and Contracts Receivable	77,797	74,274
Less allowance for uncollectible accounts	(1,267)	(1,596)
	76,530	72,678
Students Loans Receivable	41,521	42,986
Less allowance for uncollectible accounts	(3,567)	(4,125)
	37,954	38,861
Commonwealth Medicine	53,119	56,301
Less allowance for uncollectible accounts	(2,754)	(2,754)
	50,365	53,547
Other	44,320	35,024
Less allowance for uncollectible accounts	(2,444)	(3,105)
	41,876	31,919
Total	$220,238	$209,298
Less current portion	(186,213)	(172,294)
Long-term	$34,025	$37,004

Related Organizations:

	2006	2005
Other Accounts Receivable	$22	$92
Less allowance for uncollectible accounts	-	-
	22	92
Less current portion	(22)	(92)
Long-term	$-	$-

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 will lease 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, 2006 and 2005, the reimbursement for services provided to UMass Memorial were $112.1 million and $101.6 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 $68.6 million for fiscal year 2006 and $64.6 million for fiscal year 2005. At June 30, 2006 and 2005, the University has recorded a net receivable in the amount of $115.4 million and $16.4 million, respectively from UMass Memorial consisting of $2.7 million and $2.6 million, respectively related to capital projects at the Medical School, and $112.1 million and $13.8 million, respectively in payroll and related fringe charges. The University has recorded a payable at June 30, 2006 and 2005 of $8.0 million and $4.0 million, respectively for amounts due to UMass Memorial.

6. RELATED ORGANIZATIONS

Related party activity with The University of Massachusetts Foundation Inc., includes advances under a line of credit, and loan and lease agreements, and investment of the University's endowment assets with the Foundation. As of June 30, 2006, the net assets of the Foundation included as related organizations in the combined financial statements of the University, are $251.3 million, of which $245.2 million are restricted funds and $6.1 million are unrestricted funds. During the fiscal year ended June 30, 2006, the University received approximately $8.6 million from the Foundation, and disbursed approximately $2.2 million to the Foundation. At June 30, 2006, the University's investments include approximately $249,000 of current restricted funds and $39.6 million of endowment funds held in a custodial relationship at the Foundation.

As of June 30, 2005, the net assets of the Foundation included as related organizations in the combined financial statements of the University, were $224.6 million, of which $219.4 million were restricted funds and $5.2 million were unrestricted funds. During the fiscal year ended June 30, 2005, the University received approximately $7.2 million from the Foundation, and disbursed approximately $3.2 million to the Foundation. At June 30, 2005, the University's investments included approximately $94,000 of current restricted funds and $37.5 million of endowment funds held in a custodial relationship at the Foundation.

The University had entered into a loan agreement with the Foundation in order to refinance a portion of its line of credit and renovate the Hadley Farm. At June 30, 2005, approximately $70,000 was outstanding. During fiscal year 2006, this loan was paid off and title was transferred to the Amherst campus upon final payment of the amount outstanding made during the year ended June 30, 2006. The University leases office space from the Foundation for an annual rent of approximately $0.3 million.

During 2001, the Worcester Medical School and UMass Memorial 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. PSP is governed by a board of trustees that are comprised of representatives from the Worcester Medical School, UMass Memorial and persons independent of both institutions. Accordingly PSP's results of operations and statement of position are not included herein. During 2006 and 2005, the University recognized revenues of approximately $32.1 million and $13.3 million, respectively, and expenses of approximately $50.0 million and $33.9 million, respectively, related to PSP.

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 located on the 33rd floor of 225 Franklin Street in downtown Boston, Massachusetts.

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 $150,000 or four percent of the operating revenues, as defined by the contract, whichever is greater. Additionally, the Manager receives a percentage of the Club 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 on the 33rd floor and the lease does not terminate should the Building Authority close the Club.

As of June 30, 2006, the Authority had provided operating support for the Club of approximately $678,000 and also provided startup funding of approximately $250,000. Additionally, the Authority funded approximately $688,000 of the costs to renovate the floor for the Club and the University's executive offices.

7. **INVESTMENT IN PLANT** Investment in plant activity for the year ended June 30, 2006 is comprised of the following (in thousands):

University:	Beginning Balance	Additions/ Adjustments	Retirements/ Adjustments	Ending Balance
Land	$21,285	$408		$21,693
Buildings and Improvements	1,636,538	251,723	($10,032)	1,878,229
Equipment and Furniture	497,718	47,847	(27,528)	518,037
Software	93,527	5,270		98,797
Library Books	103,633	8,793	(6,718)	105,708
	2,352,701	314,041	(44,278)	2,622,464
Accumulated Depreciation	(1,259,706)	(120,157)	25,616	(1,354,247)
Sub-Total	1,092,995	193,884	(18,662)	1,268,217
Construction in Progress	237,415	211,747	(217,772)	231,390
Total	$1,330,410	$405,631	($236,434)	$1,499,607

University Related Organizations:	Beginning Balance	Additions/ Adjustments	Retirements/ Adjustments	Ending Balance
Land	$576			$576
Buildings and Improvements	594			594
Equipment and Furniture	102	$13		115
	1,272	13		1,285
Accumulated Depreciation	(266)	(16)		(282)
Total	$1,006	($3)		$1,003

Investment in plant activity for the year ended June 30, 2005 is comprised of the following (in thousands):

University:	Beginning Balance	Additions/ Adjustments	Retirements/ Adjustments	Ending Balance
Land	$21,280	$5		$21,285
Buildings and Improvements	1,509,191	129,519	($2,172)	1,636,538
Equipment and Furniture	465,316	43,074	(10,672)	497,718
Software	88,979	7,127	(2,579)	93,527
Library Books	102,073	8,677	(7,117)	103,633
	2,186,839	188,402	(22,540)	2,352,701
Accumulated Depreciation	(1,142,952)	(127,399)	10,645	(1,259,706)
Sub-Total	1,043,887	61,003	(11,895)	1,092,995
Construction in Progress	119,813	202,197	(84,595)	237,415
Total	$1,163,700	$263,200	($96,490)	$1,330,410

University Related Organizations:	Beginning Balance	Additions/ Adjustments	Retirements/ Adjustments	Ending Balance
Land	$576			$576
Buildings and Improvements	591	$3		594
Equipment and Furniture	102			102
	1,269	3		1,272
Accumulated Depreciation	(250)	(16)		(266)
Total	$1,019	($13)		$1,006

At June 30, 2006 and 2005, investment in plant included capital lease assets of approximately $83.2 million and $76.8 million, respectively, net of accumulated depreciation on capital lease assets of approximately $50.5 million and $46.4 million, respectively.

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, 2006 and 2005, the University capitalized net interest costs of $5.6 million and $13.8 million respectively.

8. BONDS PAYABLE

Amounts outstanding at June 30, 2006 are as follows:

Issue Borrowing	Original Borrowing	Maturity Date	Interest Rate	Amount Outstanding
University of Massachusetts Building Authority:				
Series 2000-A	$46,980	2011	4.5-4.75%	$8,850
Series 2000-1	24,145	2010	4.5-4.625%	5,265
Series 2000-2	132,155	2010	4.4-5.5%	26,130
Series 2003-1	137,970	2014	2.0-5.25%	47,365
Series 2004-A	96,025	2015	2.75-4.5%	17,940
Series 2004-1	183,965	2016	2.25-5.375%	64,485
Series 2005-1	25,595	2016	5.0%	22,495
Series 2005-2	212,550	2025	3.0-5.25%	208,100
Series 2006-1	243,830	2034	3.482%	243,830
Series 2006-2	21,240	2014	5.18-5.49%	21,240
				665,700
		Unamortized Bond Premium		27,233
		Less Deferred Loss on Refunding		(44,754)
			SUBTOTAL	648,179
University of Massachusetts HEFA:				
2000 Series A	$40,000	2030	variable	40,000
2001 Series B	11,970	2031	4.0-5.25%	11,140
2002 Series C	35,000	2034	2.35-5.17%	33,850
			SUBTOTAL	84,990
WCCC HEFA:				
Series 2001-B	$52,020	2031	3.75-5.25%	48,655
Series 2002-C	70,000	2031	4.0-5.5%	66,330
Series 2005-D	99,330	2029	3.0-5.25%	99,330
				214,315
		Unamortized Bond Premium		3,353
		Less Deferred Loss on Refunding		(8,956)
			SUBTOTAL	208,712
			TOTAL	$941,881

Bonds payable activity for the year ended June 30, 2006 is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
University of Massachusetts Building Authority:				
1995 Fifth Series-A	$13,717		($13,717)	
Series 1995-B	21,470		(21,470)	
Series 2000-A	44,630		(35,780)	$8,850
Series 2000-1	13,185		(7,920)	5,265
Series 2000-2	109,055		(82,925)	26,130
Series 2003-1	137,970		(90,605)	47,365
Series 2004-A	96,025		(78,085)	17,940
Series 2004-1	182,360		(117,875)	64,485
Series 2005-1	23,980		(1,485)	22,495
Series 2005-2		$212,550	(4,450)	208,100
Series 2006-1		243,830		243,830
Series 2006-2		21,240		21,240
Plus: unamortized bond premium	9,564	20,342	(2,673)	27,233
Less: deferred loss on refunding	(2,665)	(42,622)	533	(44,754)
Subtotal	649,291	455,340	(456,452)	648,179
UMass HEFA:				
2000 Series A	40,000			40,000
2001 Series B	11,360		(220)	11,140
2002 Series C	34,430		(580)	33,850
Subtotal	85,790		(800)	84,990
WCCC HEFA:				
WCCC 2001 Series B	49,600		(945)	48,655
WCCC 2002 Series C	67,600		(1,270)	66,330
WCCC 2005 Series D	99,330			99,330
Plus: unamortized bond premium	3,499		(146)	3,353
Less: deferred loss on refunding	(8,956)			(8,956)
Subtotal	211,073		(2,361)	208,712
Total	$946,154	$455,340	($459,613)	$941,881

Bonds payable activity for the year ended June 30, 2005 is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
University of Massachusetts Building Authority:				
1995 Fifth Series-A	$15,170		($1,453)	$13,717
Series 1995-B	23,370		(1,900)	21,470
Series 2000-A	45,830		(1,200)	44,630
Series 2000-1	14,065		(880)	13,185
Series 2000-2	113,620		(4,565)	109,055
Series 2003-1	137,970			137,970
Series 2004-A	96,025			96,025
Series 2004-1	183,965		(1,605)	182,360
Series 2005-1	25,875		(1,895)	23,980
Plus: unamortized bond premium	10,044		(480)	9,564
Less: deferred loss on refunding	(2,840)		175	(2,665)
Subtotal	663,094		(13,803)	649,291
UMass HEFA:				
2000 Series A	40,000			40,000
2001 Series B	11,570		(210)	11,360
2002 Series C	35,000		(570)	34,430
Subtotal	86,570		(780)	85,790
WCCC HEFA:				
WCCC 2001 Series B	50,505		(905)	49,600
WCCC 2002 Series C	68,830		(1,230)	67,600
WCCC 2005 Series D	96,705	$99,330	(96,705)	99,330
Plus: unamortized bond premium		3,499		3,499
Less: deferred loss on refunding		(8,956)		(8,956)
Less: unamortized discounts	(1,350)		1,350	
Subtotal	214,690	93,873	(97,490)	211,073
Total	$964,354	$93,873	($112,073)	$946,154

Maturities and interest, which is estimated using rates in effect at June 30, 2006, on bonds payable for the next five fiscal years and in subsequent five-year periods are as follows (in thousands):

	Principal	Interest
2007	$25,130	$42,867
2008	32,925	41,514
2009	34,125	40,236
2010	35,545	38,827
2011	37,140	37,280
2012-2016	193,255	158,975
2017-2021	205,755	110,828
2022-2026	176,075	66,730
2027-2031	184,235	30,823
2032-2036	40,820	2,798
Total	$965,005	$570,878

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 2006-1, and Series 2006-2 (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 bonds. The bonds were issued in the amount of $243.8 million and the proceeds were to be used for various construction and renovation projects for the University at its Lowell campus and to partially advance refund the 2003-1 Series bonds, the 2004-1 Series bonds and the 2004-A Series bonds. As of June 30, 2006 the bonds payable amount was $243.8 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 principal and interest payments on the bonds have been insured by AMBAC.

In fiscal year 2006 the Building Authority issued Series 2006-2 taxable bonds. The bonds were issued in the amount of $21.2 million and the proceeds were used to advance refund the UMBA Refunding Bonds, Series 1995-B. As of June 30, 2006 the bonds payable amount was $21.2 million. The bonds are payable annually on November 1 through 2014. The bonds carry interest rates that range from 5.18% to 5.49% and are not callable. The principal and interest payments on the bonds have been insured by AMBAC.

In fiscal year 2006, the Building Authority refunded the ULBA Fifth Series A bonds and the UMBA Refunding Bonds, Series 1995-B and partially refunded the following bond issues: the 2000-1 Series bonds, the 2000-2 Series bonds, the 2000-A Series bonds, the 2003-1 Series Bonds, the 2004-1 Series Bonds and the 2004-A Series bonds. Accordingly, the Building Authority deposited into trust accounts funds sufficient to provide for all future debt service payments on the refunded bonds. Assets held in the trust accounts had an aggregate market value of approximately $459.7 million as of June 30, 2006. The unpaid principal amount of the refunded bonds totaled approximately $419.5 million as of June 30, 2006.

In connection with the Authority's Series 2006-1 variable interest rate bonds, the Authority entered into an interest rate swap agreement with Citibank N.A.. The intention of the swap is to effectively change the Authority's variable interest rate on the bonds to a synthetic fixed rate of 3.482%.

Terms. The bonds and the related swap agreement mature on November 1, 2034, and the swap's notional amount of $243.8 million matches the amount of the variable rate bonds. The swap was entered at the same time the bonds were issued (April 2006). Starting in fiscal year 2007, the notional value of the swap and the principal amount of the associated debt decline. Under the swap, the Building Authority pays the counterpart a fixed payment of 3.482% and receives a variable payment computed as 60% of the three-month London Interbank Offered Rate (LIBOR) plus .18%. Conversely, the bonds' variable-rate coupons are based on The Bond Market Association Municipal Swap Index™ (BMA).

Fair value. As of June 30, 2006, the swap had a positive fair market value of approximately $2.7 million due to an increase 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, 2006 the Building Authority was exposed to credit risk in the amount of the swap's fair value. The swap's counterparty, Citibank, N.A., was rated Aa1, AA and AA+ by Moody's Investors Service, Standard and Poor's and Fitch Ratings, respectively, as of June 30, 2006. To mitigate the potential for credit risk, if the counterparty's credit quality falls below AA/Aa, 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 swap exposes the Building Authority to basis risk should the relationship between LIBOR and BMA 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, 2006 (3.963%). If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2006, the BMA rate was 3.96%, whereas 60% of LIBOR plus .18% was 3.479%.

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

Standby Bond Purchase Agreement. In connection with the Series 2006-1 bonds, the Building Authority also entered into a standby bond purchase agreement with Depfa Bank plc (the bank) which requires the bank 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 is required to pay the bank in quarterly installments a facility fee in the amount of 9.5 basis points of the initial commitment. The initial commitment under the agreement was set at $255 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 bank. Fees accrued by the Building Authority in connection with the standby bond purchase agreement totaled $49,222 for the year ended June 30, 2006.

Swap payments and associated debt. Using rates as of June 30, 2006, 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. Aggregate future principal payments of the total University of Massachusetts Building Authority debt for the years ended June 30 are: 2007 - $21.0 million, 2008 - $27.2 million, 2009 - $28.2 million, 2010 - $29.4 million, 2011 - $30.7 million, and thereafter, $529.2 million. As rates vary, variable-rate bond interest payments and net swap payments will vary.

In August 2005, the Building Authority issued its Series 2005-2 bonds in the amount of $212.6 million. The proceeds refunded the Fifth Series A bonds and partially refunded the Series 2000-1, Series 2000-2, Series 2000-A, Series 2003-1, Series 2004-1 and the Series 2004-A bonds. Total principal refunded by the issue was $210.2 million. As of June 30, 2006 the bonds payable amount was $208.1 million.

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 $33.6 million and resulted in an economic gain (the present value of savings) of approximately $21.6 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 $6.9 million and $8.1 million at June 30, 2006 and 2005, respectively. The outstanding amount of the refunded bonds at June 30, 2006 and 2005 total approximately $7.7 million and $8.9 million, respectively.

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 are being used to fund a portion of the costs associated with the construction of a new student center at the Boston campus. The facility 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 series bear interest at fixed interest rates ranging from 2.35% to 5.17%. 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 $33.9 million and $34.4 million at June 30, 2006 and 2005, respectively.

University of Massachusetts Series B

In June 2001, the University issued $12.0 million of Massachusetts Health and Educational Facilities Authority (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. The facility was opened in September 2002. The Commonwealth's Division of Capital Asset Management and Maintenance (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 series bear interest at fixed interest rates ranging from 4.0% to 5.25%. 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, 2006 and 2005, the outstanding principal balance on the Series B Bonds is $11.1 million and $11.4 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"). The proceeds from this issuance are being used to fund certain projects including the acquisition and implementation of various administrative technology projects at the University. The Series A Bonds mature on November 1, 2030 and bear interest at a variable weekly rate intended to set the market value equal to the principal amount of the Series A Bonds. Average interest rates during fiscal year 2006 and 2005 were approximately 2.93% and 1.8%, respectively. The University is also obligated for certain ongoing administrative costs including letter of credit, remarketing and trustee fees. Debt covenants include the maintenance of a debt service fund as outlined in the related debt agreement. Interest payments are made monthly and due on the first business day of each month. Principal payments of $40.0 million are due upon maturity. The Series A Bonds were issued at par. At June 30, 2006 and 2005, the outstanding principal balance on Series A Bonds is $40.0 million.

The Series A Bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days' notice and delivery to the University's remarketing agent. The remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100% of the principal amount by adjusting the interest rate. Under an irrevocable letter of credit for $40.6 million, the trustee or remarketing agent is entitled to draw an amount sufficient to pay the purchase price of the bonds delivered to it. The letter of credit extends through March 29, 2009, and carries a variable interest rate equal to the bank rate plus 2% on any unreimbursed amounts. The bank rate was 10.25% and 8.0% at June 30, 2006 and 2005, respectively. At June 30, 2006, there are no amounts outstanding under the letter of credit.

Aggregate principal payments on the Series A Bonds, Series B Bonds and Series C Bonds for the years ended June 30 are; 2007 - $0.8 million, 2008 - $0.9 million, 2009 - $0.9 million, 2010 - $0.9 million, 2011 - $1.0 million, thereafter - $80.5 million. At June 30, 2006 and 2005, the estimated fair value of the Series A Bonds, Series B Bonds and Series C Bonds is approximately $86.3 million and $88.3 million, respectively.

Worcester City Campus Corporation Series C

In April 2002, WCCC issued $70.0 million MHEFA Revenue Bonds (the "WCCC C Bonds"). The proceeds from this issuance are being used to fund the construction of a new pharmaceutical research and production facility. These bonds bear interest at various fixed rates ranging from 4.0% to 5.5% per year and mature October 1, 2031. 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 $251,000. The WCCC C Bonds are redeemable prior to maturity beginning on October 1, 2012, at the option of MHEFA and WCCC, at par plus accrued interest. At June 30, 2006 and 2005, the aggregate principal amount outstanding on the WCCC C Bonds was $66.3 million and $67.6 million, respectively.

Worcester City Campus Corporation Series B

In June 2001, 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"), with maturities from 2002 to 2031 and various fixed interest rates ranging from 3.75% to 5.25%. The WCCC B 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. 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 through their redemption date of July 1, 2002. The Foundation Bonds and the funds held in the irrevocable trust fund have been derecognized by WCCC in fiscal year 2002 and the Foundation Bonds were redeemed on July 1, 2002. The remaining approximately $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 outstanding balance at June 30, 2006 and 2005 is $48.7 million and $49.6 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 $98.0 million and $102.2 million at June 30, 2006 and 2005, respectively. The outstanding amount of the refunded bonds totaled approximately $93.1 million and $94.9 million at June 30, 2006 and 2005, 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, 2006 and 2005 is $99.3 million, respectively.

The WCCC A Bonds were issued by WCCC, in March 2000, for $100.0 million. The proceeds from this issuance were used to fund the construction of the Lazare Research Building on the Worcester Medical School campus of the University. The WCCC A Bonds have been legally defeased. Accordingly, the WCCC A Bonds and the irrevocable trust have been derecognized by WCCC.

Aggregate principal payments on the WCCC B Bonds, WCCC C Bonds and WCCC D Bonds for the years ended June 30 are; 2007 - $3.4 million, 2008 - $4.9 million, 2009 - $5.0 million, 2010 - $5.3 million, 2011 - $5.5 million, thereafter $190.3 million. At June 30, 2006 and 2005, the fair value of the WCCC B Bonds, WCCC C Bonds and WCCC D Bonds is approximately $222.0 million and $245.0 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 $15.9 million for both 2006 and 2005.

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 $43.8 million for 2006 and $38.9 million for 2005.

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 $11.5 million and $10.3 million for the years ended June 30, 2006 and 2005, 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, 2006 (in thousands):

	University Capital Leases			
Year	Master Leases	Other Leases	TOTAL	Operating Leases
2007	$13,395	$1,230	$14,625	$10,399
2008	13,395	748	14,143	9,662
2009	9,388	630	10,018	9,114
2010	9,388	387	9,775	8,793
2011	8,623	51	8,674	5,933
2012-2016	18,488		18,488	15,323
Total Payments	72,677	3,046	75,723	$59,224
Less: Amount representing interest	(8,803)	(303)	(9,106)	
Present Value of Minimum Lease Payments	$63,874	$2,743	$66,617	

June 30, 2006	University Capital Leases	
Year	Principal	Interest
2007	$12,238	$2,379
2008	12,234	1,918
2009	8,129	1,479
2010	8,188	1,173
2011	6,472	843
2012-2016	19,356	1,314
Total Payments	$66,617	$9,106

10. CAPITAL LEASES AND OTHER LONG-TERM LIABILITIES

During the year ended June 30, 2006 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	$65,825	$805	($12,251)	$54,379
Compensated absences	25,163		(2,933)	22,230
Workers' compensation	11,224	1,513		12,737
Deferred revenues and credits	12,019	8,848	(8,571)	12,296
Advances and deposits	29,771	94	(1,215)	28,650
Other Liabilities	665		(95)	570
University Related Organization:				
Other Liabilities	$2,588	$326		$2,914

During the year ended June 30, 2005 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	$36,426	$43,002	($13,603)	$65,825
Compensated absences	24,721	2,512	(2,070)	25,163
Workers' compensation	11,069	155		11,224
Deferred revenues and credits	10,607	11,113	(9,701)	12,019
Advances and deposits	31,251	84	(1,564)	29,771
Other Liabilities		665		665
University Related Organization:				
Due To Related Organizations	$409		($409)	
Other Liabilities	2,873	$108	(393)	$2,588

11. FRINGE BENEFITS

Expenditures for the years ended June 30, 2006 and 2005 include $186.2 million and $175.4 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, $62.3 million for 2006 and $60.1 million for 2005 was reimbursed to the Commonwealth and $123.9 million and $115.3 million respectively is included in revenue as state appropriations.

At June 30, 2006 and 2005, the University has accrued as a component of other liabilities, approximately $7.6 million and $4.6 million, respectively related to fringe benefits and post retirement health benefits associated with the Worcester Medical School campus (see Note 1).

The University has recorded a liability for future expected costs of its Workers' Compensation claims of approximately $16.2 million as of June 30, 2006 and $13.7 million as of June 30, 2005. Estimated future payments related to such costs have been discounted at a rate of 6% in computing such liability.

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 $50.2 million and $48.2 million at June 30, 2006 and 2005, respectively. Cumulative repayments totaled approximately $31.2 million and $28.5 million as of June 30, 2006 and 2005, 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 $41.5 million and $51.9 million for the years ended June 30, 2006 and 2005, respectively. The annuity portion of the SERS is funded by employees, who contribute a percentage of their regular compensation. Annual covered payroll approximated 76.7% and 75.9% for the years ended June 30, 2006 and 2005, 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, 2006 and 2005, there were approximately 1,604 and 1,465 University employees, respectively participating in ORP. The Commonwealth matches 5% of ORP contributions. SERS issues a stand-alone financial statement that can be obtained from the Commonwealth.

The University of Massachusetts Foundation, Inc. has 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 is designed, and contributions are made, in accordance with the provisions of 403(b) of the Internal Revenue Code. Eligibility begins immediately and the Foundation contribution, based upon a percentage of salaries, was approximately $14,000 and $23,000 for the years ended June 30, 2006 and 2005, 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 33% and 7% of total accounts receivable for the University at June 30, 2006 and 2005, respectively.

15. COMMITMENTS AND CONTINGENCIES

The Building Authority, University, and WCCC have outstanding purchase commitments under construction contracts in amounts aggregating approximately $138.6 million and $16.9 million at June 30, 2006 and 2005, respectively.

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.

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. 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:

	2006	2005
Assets		
Current Assets	$48,444	$31,991
Noncurrent Assets	265,755	262,969
Total Assets	$314,199	$294,960
Liabilities		
Current Liabilities	$13,307	$20,736
Noncurrent Liabilities	205,357	208,858
Total Liabilities	$218,664	$229,594
Net Assets	$95,535	$65,366

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

	2006	2005
Operating Revenues	$25,790	$23,554
Operating Expenses	15,233	12,639
Operating Income	$10,557	$10,915
Increase in Net Assets	$30,169	$3,352
Beginning Net Assets	65,366	62,014
Ending Net Assets	$95,535	$65,366

Statement of Cash Flows for the year ended June 30:

	2006	2005
Net Cash Provided by Operating Activities	$39,507	$10,915
Net Cash Provided by/(Used in) Noncapital Financing Activities	62	70
Net Cash Used in Investing Activities	(42,304)	(56,053)
Net (Decrease)/Increase in Cash and Cash Equivalents	(2,735)	(45,068)
Beginning Cash and Cash Equivalents	2,754	47,822
Ending Cash and Cash Equivalents	$19	$2,754

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:

	2006	2005
Assets		
Current Assets	$30,788	$13,127
Noncurrent Assets	799,377	774,740
Total Assets	$830,165	$787,867
Liabilities		
Current Liabilities	$72,086	$35,567
Noncurrent Liabilities	627,696	635,321
Total Liabilities	$699,782	$670,888
Net Assets	$130,383	$116,979

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

	2006	2005
Operating Revenues	$49,878	$54,546
Operating Expenses	24,025	36,864
Operating Income	$25,853	$17,682
Increase in Net Assets	$13,404	$13,300
Beginning Net Assets	116,979	103,679
Ending Net Assets	$130,383	$116,979

Statement of Cash Flows for the year ended June 30:

	2006	2005
Net Cash Provided by Operating Activities	$34,890	$29,624
Net Cash Provided by/(Used in) Investing Activities	116,042	88,167
Net Cash Provided by/(Used in) Capital and Related Financing Activities	(135,288)	(130,236)
Net Increase/(Decrease) in Cash and Cash Equivalents	15,644	(12,445)
Beginning Cash and Cash Equivalents	22,596	35,041
Ending Cash and Cash Equivalents	$38,240	$22,596

17. SUBSEQUENT EVENTS

On July 19, 2006, the Boston campus closed the interior parking facilities that were part of the substructure of the original campus buildings constructed in 1974. While regular inspections and reports had indicated that the facility was structurally sound, the campus determined that the loss of parking spaces, the continual rerouting of pedestrian and vehicular traffic, and the associated costs no longer made it a viable parking option.

The campus has worked to respond to the deterioration of the substructure since the late 1980's. Over the last year in particular, the deterioration has outpaced those efforts and the available funding. A recent study by the engineering firm Simpson, Gumpertz and Heger indicates that rehabilitating the substructure would cost in excess of $160.0 million and would not be feasible. Instead a stabilization project, currently estimated at $25.0 million, has been proposed for the long term preservation of the structural foundation. The financial impact of the closure and associated costs of preparing alternate parking options are not reflected in the FY 2006 financial results.

University of Massachusetts
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PRICEWATERHOUSECOOPERS

Report of Independent Auditors on Supplemental Information

To the Board of Trustees of the
University of Massachusetts:

The report on our audits of the financial statements of the University of Massachusetts as of June 30, 2006 and 2005 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 financial statements taken as a whole. The supplemental information listed on the accompanying index on page 34 is presented for purposes of additional analysis only and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

PricewaterhouseCoopers LLP

November 8, 2006

Central Administration

University of Massachusetts
CENTRAL ADMINISTRATION
Statement of Net Assets
As of June 30, 2006 and 2005
(in thousands of dollars)

	June 30, 2006	June 30, 2005
ASSETS		
Current Assets		
Cash and Cash Equivalents	$34,227	$31,702
Cash Held By State Treasurer	298	906
Accounts, Grants and Loans Receivable	3,598	3,259
Short Term Investments	25,703	37,270
Due From Related Organizations		409
Due From Other Campuses		
Other Assets	1,684	2,338
Total Current Assets	65,510	75,884
Noncurrent Assets		
Cash and Securities Held By Trustees	21,310	20,227
Investments	55,339	38,301
Due From Other Campuses		
Due From Related Organizations		
Other Assets	107	
Investment In Plant Net of Accumulated Depreciation	6,179	4,684
Total Noncurrent Assets	82,935	63,212
Total Assets	$148,445	$139,096
LIABILITIES		
Current Liabilities		
Accounts Payable	$4,079	$2,368
Accrued Salaries and Wages	463	1,381
Accrued Liability for Compensated Absences	2,921	2,694
Arbitrage Rebate Payable	293	90
Capital Lease Obligations		6
Due To Campuses	15,741	8,979
Due To Related Organizations	552	331
Deferred Revenues and Credits	826	388
Advances and Deposits	1,239	1,353
Other Liabilities	48,414	51,773
Total Current Liabilities	74,528	69,363
Noncurrent Liabilities		
Accrued Liability for Compensated Absences	394	516
Bonds Payable	19,530	17,908
Capital Lease Obligations		6
Deferred Revenues and Credits	14	15
Total Noncurrent Liabilities	19,938	18,445
Total Liabilities	94,466	87,808
Net Assets:		
Invested in Capital Assets Net of Related Debt	5,445	4,632
Restricted		
Nonexpendable	2,256	2,256
Expendable	12,281	12,055
Unrestricted	33,997	32,345
Total Net Assets	$53,979	$51,288

University of Massachusetts
CENTRAL ADMINISTRATION
Statement of Revenues, Expenses and Changes in Net Assets
For The Years Ended June 30, 2006 and 2005
(in thousands of dollars)

REVENUES	June 30, 2006	June 30, 2005
Operating Revenues		
Tuition and Fees	$1,942	$1,222
Federal Grants and Contracts	4,175	2,972
State Grants and Contracts	2,097	1,711
Local Grants and Contracts	826	491
Private Grants and Contracts	3,241	3,121
Sales & Service, Educational	1,259	1,699
Allocation from Campuses	36,633	35,927
Other Operating Revenues:		
Other	1,657	3,231
Total Operating Revenues	**51,830**	**50,374**
EXPENSES		
Operating Expenses		
Educational and General		
Instruction	10,463	9,916
Research	2,153	1,530
Public Service	2,089	1,839
Academic Support		2
Institutional Support	42,060	33,345
Operation and Maintenance of Plant	1,336	1,278
Depreciation and Amortization	1,923	2,393
Total Operating Expenses	**60,024**	**50,303**
Operating Loss	**(8,194)**	**71**
NONOPERATING REVENUES/(EXPENSES)		
State Appropriations	5,664	3,806
Gifts	177	3,947
Investment Return	5,370	3,111
Endowment Return	479	292
Interest on Indebtedness	(34)	(21)
Other Nonoperating Income	4,993	2,494
Net Nonoperating Revenues	**16,649**	**13,629**
Income Before Other Revenues, Expenses, Gains, and Losses	**8,455**	**13,700**
Capital Appropriations		
Disposal of Plant Facilities	(570)	(424)
Other Additions/Deductions	(5,194)	1,700
Total Other Revenues, Expenses, Gains, and Losses	**(5,764)**	**1,276**
Total Increase in Net Assets	**2,691**	**14,976**
NET ASSETS		
Net Assets at Beginning of Year	51,288	36,312
Net Assets at End of Year	**$53,979**	**$51,288**

Amherst

University of Massachusetts
AMHERST CAMPUS
Statement of Net Assets
As of June 30, 2006 and 2005
(in thousands of dollars)

	June 30, 2006	June 30, 2005
ASSETS		
Current Assets		
Cash and Cash Equivalents	$3,846	$10,751
Cash Held By State Treasurer	4,334	10,778
Accounts, Grants and Loans Receivable	29,841	29,411
Pledges Receivable	1,310	630
Short Term Investments	46,556	71,843
Inventories	6,413	3,608
Due From Other Campuses	6,756	4,143
Other Assets	3,744	4,432
Total Current Assets	102,800	135,596
Noncurrent Assets		
Cash Held By State Treasurer	4,089	3,499
Cash and Securities Held By Trustees	310,893	396,805
Accounts, Grants and Loans Receivable	17,702	18,171
Pledges Receivable	3,912	1,237
Investments	135,471	99,694
Other Assets	4,830	2,630
Investment In Plant Net of Accumulated Depreciation	555,133	416,443
Total Noncurrent Assets	1,032,030	938,479
Total Assets	$1,134,830	$1,074,075
LIABILITIES		
Current Liabilities		
Accounts Payable	$67,244	$25,027
Accrued Salaries and Wages	22,649	32,754
Accrued Liability for Compensated Absences	19,345	18,164
Accrued Liability for Workers' Compensation	1,600	1,062
Accrued Interest Payable	3,594	3,820
Bonds Payable	12,404	11,038
Capital Lease Obligations	4,504	4,577
Deferred Revenues and Credits	12,630	8,871
Advances and Deposits	1,451	1,586
Other Liabilities	4,530	5,492
Total Current Liabilities	149,951	112,391
Noncurrent Liabilities		
Accrued Liability for Compensated Absences	7,744	9,779
Accrued Liability for Workers' Compensation	5,949	4,904
Arbitrage Rebate Payable	396	3,442
Bonds Payable	359,603	370,320
Capital Lease Obligations	34,207	38,702
Deferred Revenues and Credits	6,093	6,095
Advances and Deposits	14,296	14,848
Total Noncurrent Liabilities	428,288	448,090
Total Liabilities	578,239	560,481
Net Assets:		
Invested in Capital Assets Net of Related Debt	348,589	309,597
Restricted		
Nonexpendable	3,740	3,683
Expendable	82,819	95,455
Unrestricted	121,443	104,859
Total Net Assets	$556,591	$513,594

University of Massachusetts
AMHERST CAMPUS
Statement of Revenues, Expenses and Changes in Net Assets
For The Years Ended June 30, 2006 and 2005
(in thousands of dollars)

REVENUES	**June 30, 2006**	**June 30, 2005**
Operating Revenues		
Tuition and Fees (net of scholarship allowances of $50,897 at June 30, 2006 and $46,198 at June 30, 2005)	$196,174	$190,247
Federal Grants and Contracts	100,526	95,145
State Grants and Contracts	13,783	13,454
Local Grants and Contracts	992	787
Private Grants and Contracts	22,318	15,901
Sales & Service, Educational	7,262	5,252
Auxiliary Enterprises	117,870	108,440
Other Operating Revenues:		
Other	8,900	8,302
Total Operating Revenues	**467,825**	**437,528**
EXPENSES		
Operating Expenses		
Educational and General		
Instruction	236,337	212,507
Research	100,352	95,328
Public Service	23,064	15,758
Academic Support	41,555	37,533
Student Services	39,047	37,933
Institutional Support	45,185	45,242
Operation and Maintenance of Plant	68,211	62,354
Depreciation and Amortization	44,363	47,881
Scholarships and Fellowships	13,221	11,424
Auxiliary Enterprises	101,917	107,308
Total Operating Expenses	**713,252**	**673,268**
Operating Loss	**(245,427)**	**(235,740)**
NONOPERATING REVENUES/(EXPENSES)		
Federal Appropriations	7,044	7,016
State Appropriations	250,094	223,952
Gifts	13,714	10,513
Investment Return	19,937	21,204
Endowment Return	227	282
Interest on Indebtedness	(14,601)	(15,220)
Other Nonoperating Income	1,682	1,292
Net Nonoperating Revenues	**278,097**	**249,039**
Income Before Other Revenues, Expenses, Gains, and Losses	**32,670**	**13,299**
Capital Appropriations	10,972	13,979
University Related Organization Transactions	593	
Disposal of Plant Facilities	(2,644)	(2,994)
Other Additions/Deductions	1,406	2,132
Total Other Revenues, Expenses, Gains, and Losses	**10,327**	**13,117**
Total Increase in Net Assets	**42,997**	**26,416**
NET ASSETS		
Net Assets at Beginning of Year	513,594	487,178
Net Assets at End of Year	**$556,591**	**$513,594**

Boston

University of Massachusetts
BOSTON CAMPUS
Statement of Net Assets
As of June 30, 2006 and 2005
(in thousands of dollars)

	June 30, 2006	June 30, 2005
ASSETS		
Current Assets		
Cash and Cash Equivalents	$851	$1,741
Cash Held By State Treasurer	1,191	4,895
Accounts, Grants and Loans Receivable	14,858	11,074
Pledges Receivable	144	
Short Term Investments	8,389	14,293
Inventories	639	616
Due From Other Campuses	1,289	903
Other Assets	1,255	1,137
Total Current Assets	28,616	34,659
Noncurrent Assets		
Cash Held By State Treasurer	637	700
Cash and Securities Held By Trustees	64,285	64,363
Accounts, Grants and Loans Receivable	5,212	5,662
Pledges Receivable	75	
Investments	31,582	26,552
Other Assets	1,127	832
Investment In Plant Net of Accumulated Depreciation	152,334	158,009
Total Noncurrent Assets	255,252	256,118
Total Assets	$283,868	$290,777
LIABILITIES		
Current Liabilities		
Accounts Payable	$4,566	$2,418
Accrued Salaries and Wages	8,240	11,875
Accrued Liability for Compensated Absences	6,364	5,906
Accrued Liability for Workers' Compensation	276	198
Accrued Interest Payable	909	927
Bonds Payable	2,477	2,182
Capital Lease Obligations	4,124	3,891
Due To Campuses		517
Deferred Revenues and Credits	4,262	4,667
Advances and Deposits	35	241
Other Liabilities	2,921	2,275
Total Current Liabilities	34,174	35,097
Noncurrent Liabilities		
Accrued Liability for Compensated Absences	2,411	3,153
Accrued Liability for Workers' Compensation	1,024	913
Arbitrage Rebate Payable	22	186
Bonds Payable	94,271	96,338
Capital Lease Obligations	16,576	20,035
Deferred Revenues and Credits	959	769
Advances and Deposits	4,835	5,330
Total Noncurrent Liabilities	120,098	126,724
Total Liabilities	154,272	161,821
Net Assets:		
Invested in Capital Assets Net of Related Debt	94,408	94,502
Restricted		
Nonexpendable	6,026	6,002
Expendable	13,503	14,308
Unrestricted	15,659	14,144
Total Net Assets	$129,596	$128,956

University of Massachusetts
BOSTON CAMPUS
Statement of Revenues, Expenses and Changes in Net Assets
For The Years Ended June 30, 2006 and 2005
(in thousands of dollars)

REVENUES	**June 30, 2006**	**June 30, 2005**
Operating Revenues		
Tuition and Fees (net of scholarship allowances of $7,185 at June 30, 2006 and $6,471 at June 30, 2005)	$81,415	$76,710
Federal Grants and Contracts	30,701	26,368
State Grants and Contracts	6,706	5,813
Local Grants and Contracts	1,301	1,329
Private Grants and Contracts	7,632	8,392
Sales & Service, Educational	1,302	1,230
Auxiliary Enterprises	9,088	9,006
Other Operating Revenues:		
Other	562	721
Total Operating Revenues	**138,707**	**129,569**
EXPENSES		
Operating Expenses		
Educational and General		
Instruction	88,523	82,795
Research	19,938	16,983
Public Service	7,502	8,602
Academic Support	21,148	21,641
Student Services	15,399	14,375
Institutional Support	28,168	21,518
Operation and Maintenance of Plant	18,945	17,261
Depreciation and Amortization	18,120	17,201
Scholarships and Fellowships	10,754	10,936
Auxiliary Enterprises	7,595	7,361
Total Operating Expenses	**236,092**	**218,673**
Operating Loss	**(97,385)**	**(89,104)**
NONOPERATING REVENUES/(EXPENSES)		
State Appropriations	93,562	86,372
Gifts	1,783	1,442
Investment Return	4,539	3,358
Endowment Return	582	830
Interest on Indebtedness	(4,964)	(4,607)
Other Nonoperating Income	713	323
Net Nonoperating Revenues	**96,215**	**87,718**
Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses	**(1,170)**	**(1,386)**
Capital Appropriations	4,805	3,736
Disposal of Plant Facilities	(1,722)	(4,290)
Other Additions/Deductions	(1,273)	276
Total Other Revenues, Expenses, Gains, and Losses	**1,810**	**(278)**
Total Increase/(Decrease) in Net Assets	**640**	**(1,664)**
NET ASSETS		
Net Assets at Beginning of Year	128,956	130,620
Net Assets at End of Year	**$129,596**	**$128,956**

Dartmouth

University of Massachusetts
DARTMOUTH CAMPUS
Statement of Net Assets
As of June 30, 2006 and 2005
(in thousands of dollars)

	June 30, 2006	June 30, 2005
ASSETS		
Current Assets		
Cash and Cash Equivalents	$2,350	$1,495
Cash Held By State Treasurer	121	6,177
Accounts, Grants and Loans Receivable	9,517	7,661
Short Term Investments	1,980	1,545
Inventories	426	438
Due From Other Campuses	671	204
Due From Related Organizations	388	638
Other Assets	339	498
Total Current Assets	15,792	18,656
Noncurrent Assets		
Cash Held By State Treasurer	1,781	
Cash and Securities Held By Trustees	27,066	40,864
Accounts, Grants and Loans Receivable	2,141	2,107
Investments	5,411	2,037
Other Assets	2,964	1,929
Investment In Plant Net of Accumulated Depreciation	206,447	200,350
Total Noncurrent Assets	245,810	247,287
Total Assets	$261,602	$265,943
LIABILITIES		
Current Liabilities		
Accounts Payable	$3,947	$8,382
Accrued Salaries and Wages	6,095	8,368
Accrued Liability for Compensated Absences	4,137	4,052
Accrued Liability for Workers' Compensation	345	288
Accrued Interest Payable	1,471	1,542
Bonds Payable	3,664	3,222
Capital Lease Obligations	705	911
Due To Other Campuses	203	173
Due To Related Organizations	488	303
Deferred Revenues and Credits	3,123	2,572
Advances and Deposits	1,425	1,288
Other Liabilities	2,154	432
Total Current Liabilities	27,757	31,533
Noncurrent Liabilities		
Accrued Liability for Compensated Absences	2,730	2,864
Accrued Liability for Workers' Compensation	1,282	1,332
Arbitrage Rebate Payable	49	493
Bonds Payable	179,829	181,677
Capital Lease Obligations	379	1,112
Due To Other Campuses	150	300
Advances and Deposits	1,867	1,882
Other Liabilities	570	665
Total Noncurrent Liabilities	186,856	190,325
Total Liabilities	214,613	221,858
Net Assets:		
Invested in Capital Assets Net of Related Debt	42,208	42,510
Restricted		
Expendable	6,761	5,746
Unrestricted	(1,980)	(4,171)
Total Net Assets	$46,989	$44,085

University of Massachusetts
DARTMOUTH CAMPUS
Statement of Revenues, Expenses and Changes in Net Assets
For The Years Ended June 30, 2006 and 2005
(in thousands of dollars)

	June 30, 2006	June 30, 2005
REVENUES		
Operating Revenues		
Tuition and Fees (net of scholarship allowances of $4,519 at June 30, 2006 and $3,585 June 30, 2005)	$52,787	$48,642
Federal Grants and Contracts	16,453	16,848
State Grants and Contracts	6,696	5,716
Local Grants and Contracts	33	51
Private Grants and Contracts	2,916	1,993
Sales & Service, Educational	56	31
Auxiliary Enterprises	30,597	24,574
Other Operating Revenues:		
Other	4,837	3,636
Total Operating Revenues	**114,375**	**101,491**
EXPENSES		
Operating Expenses		
Educational and General		
Instruction	52,618	45,614
Research	17,996	17,700
Public Service	1,008	900
Academic Support	22,294	17,731
Student Services	7,092	6,926
Institutional Support	16,535	17,287
Operation and Maintenance of Plant	14,151	13,372
Depreciation and Amortization	11,687	11,353
Scholarships and Fellowships	1,962	3,592
Auxiliary Enterprises	17,055	16,816
Total Operating Expenses	**162,398**	**151,291**
Operating Loss	**(48,023)**	**(49,800)**
NONOPERATING REVENUES/(EXPENSES)		
State Appropriations	55,391	50,966
Investment Return	1,503	2,211
Interest on Indebtedness	(8,102)	(5,404)
Other Nonoperating Income	58	362
Net Nonoperating Revenues	**48,850**	**48,135**
Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses	**827**	**(1,665)**
Capital Appropriations	4,918	7,703
Disposal of Plant Facilities	(1,322)	(1,543)
Other Additions/Deductions	(1,519)	(2,043)
Total Other Revenues, Expenses, Gains, and Losses	**2,077**	**4,117**
Total Increase in Net Assets	**2,904**	**2,452**
NET ASSETS		
Net Assets at Beginning of Year	44,085	41,633
Net Assets at End of Year	**$46,989**	**$44,085**

Lowell

University of Massachusetts
LOWELL CAMPUS
Statement of Net Assets
As of June 30, 2006 and 2005
(in thousands of dollars)

	June 30, 2006	June 30, 2005
ASSETS		
Current Assets		
Cash and Cash Equivalents	$535	$1,633
Cash Held By State Treasurer	2,214	2,377
Accounts, Grants and Loans Receivable	16,175	11,939
Short Term Investments	5,320	14,175
Due From Other Campuses	1,160	1,316
Other Assets	497	548
Total Current Assets	25,901	31,988
Noncurrent Assets		
Cash Held By State Treasurer	4,148	1,281
Cash and Securities Held By Trustees	23,658	18,204
Accounts, Grants and Loans Receivable	4,751	6,065
Investments	17,983	21,560
Other Assets	1,733	1,608
Investment In Plant Net of Accumulated Depreciation	123,627	115,734
Total Noncurrent Assets	175,900	164,452
Total Assets	$201,801	$196,440
LIABILITIES		
Current Liabilities		
Accounts Payable	$4,804	$3,720
Accrued Salaries and Wages	8,050	10,934
Accrued Liability for Compensated Absences	5,993	5,409
Accrued Liability for Workers' Compensation	299	208
Accrued Interest Payable	434	431
Bonds Payable	3,230	2,449
Capital Lease Obligations	198	214
Due To Other Campuses	1	
Deferred Revenues and Credits	4,321	4,527
Advances and Deposits	860	413
Other Liabilities	6,253	6,991
Total Current Liabilities	34,443	35,296
Noncurrent Liabilities		
Accrued Liability for Compensated Absences	3,252	3,346
Accrued Liability for Workers' Compensation	1,111	962
Bonds Payable	58,161	49,947
Capital Lease Obligations	375	423
Deferred Revenues and Credits	2,901	2,943
Advances and Deposits	4,184	4,243
Total Noncurrent Liabilities	69,984	61,864
Total Liabilities	104,427	97,160
Net Assets:		
Invested in Capital Assets Net of Related Debt	74,617	74,925
Restricted		
Nonexpendable	3,125	2,632
Expendable	9,731	12,169
Unrestricted	9,901	9,554
Total Net Assets	$97,374	$99,280

University of Massachusetts
LOWELL CAMPUS
Statement of Revenues, Expenses and Changes in Net Assets
For The Years Ended June 30, 2006 and 2005
(in thousands of dollars)

REVENUES	June 30, 2006	June 30, 2005
Operating Revenues		
Tuition and Fees (net of scholarship allowances of $7,367 at June 30, 2006 and $7,576 at June 30, 2005)	$69,661	$66,059
Federal Grants and Contracts	24,179	23,584
State Grants and Contracts	2,269	1,902
Local Grants and Contracts	536	530
Private Grants and Contracts	5,062	5,599
Sales & Service, Educational	1,112	896
Auxiliary Enterprises	8,760	7,477
Other Operating Revenues:		
Other	1,181	4,757
Total Operating Revenues	**112,760**	**110,804**
EXPENSES		
Operating Expenses		
Educational and General		
Instruction	71,412	64,377
Research	29,236	27,365
Public Service	3,805	3,493
Academic Support	17,458	18,297
Student Services	14,735	13,788
Institutional Support	24,476	25,048
Operation and Maintenance of Plant	19,444	14,967
Depreciation and Amortization	14,809	13,601
Scholarships and Fellowships	4,851	3,635
Auxiliary Enterprises	5,188	5,018
Total Operating Expenses	**205,414**	**189,589**
Operating Loss	**(92,654)**	**(78,785)**
NONOPERATING REVENUES/(EXPENSES)		
State Appropriations	81,265	75,824
Gifts	4,240	3,117
Investment Return	2,078	1,843
Endowment Return	111	223
Interest on Indebtedness	(1,972)	(3,045)
Other Nonoperating Income	331	223
Net Nonoperating Revenues	**86,053**	**78,185**
Loss Before Other Revenues, Expenses, Gains, and Losses	**(6,601)**	**(600)**
Capital Appropriations	5,890	649
Disposal of Plant Facilities	(991)	(1,011)
Other Additions/Deductions	(204)	(398)
Total Other Revenues, Expenses, Gains, and Losses	**4,695**	**(760)**
Total Decrease in Net Assets	**(1,906)**	**(1,360)**
NET ASSETS		
Net Assets at Beginning of Year	99,280	100,640
Net Assets at End of Year	**$97,374**	**$99,280**

Worcester

University of Massachusetts
WORCESTER CAMPUS
Statement of Net Assets
As of June 30, 2006 and 2005
(in thousands of dollars)

	Worcester Campus June 30, 2006	Worcester Campus June 30, 2005	Worcester City Campus Corporation June 30, 2006	Worcester City Campus Corporation June 30, 2005	Combined Totals Memorandum Only June 30, 2006	Combined Totals Memorandum Only June 30, 2005
ASSETS						
Current Assets						
Cash and Cash Equivalents	$6,914	$9,537			$6,914	$9,537
Cash Held By State Treasurer	639	3,083			639	3,083
Accounts, Grants and Loans Receivable	112,224	108,950			112,224	108,950
Pledges Receivable			$364	$296	364	296
Short Term Investments	49,153	85,865			49,153	85,865
Inventories	9,675	7,020			9,675	7,020
Accounts Receivable UMass Memorial	114,838	13,815	525	2,619	115,363	16,434
Due From Other Campuses	6,069	3,103			6,069	3,103
Due From Related Organizations	1,901	1,491	44,363	25,656	46,264	27,147
Other Assets	2,028	1,917	3,192	3,420	5,220	5,337
Total Current Assets	303,441	234,781	48,444	31,991	351,885	266,772
Noncurrent Assets						
Cash Held By State Treasurer	220	2			220	2
Cash and Securities Held By Trustees	1,441	1,461	19	2,754	1,460	4,215
Accounts, Grants and Loans Receivable	4,219	4,999			4,219	4,999
Pledges Receivable			1,149	1,152	1,149	1,152
Investments	121,930	107,292			121,930	107,292
Due From Other Campuses	150	300			150	300
Investment In Plant Net of Accumulated Depreciation	191,300	176,127	264,587	259,063	455,887	435,190
Total Noncurrent Assets	319,260	290,181	265,755	262,969	585,015	553,150
Total Assets	$622,701	$524,962	$314,199	$294,960	$936,900	$819,922
LIABILITIES						
Current Liabilities						
Accounts Payable	$26,561	$13,669	$4,262	$11,754	$30,823	$25,423
Accrued Salaries and Wages	5,257	16,124			5,257	16,124
Accrued Liability for Compensated Absences	21,150	19,600			21,150	19,600
Accrued Liability for Workers' Compensation	907	674			907	674
Accrued Interest Payable	42	61	2,670	2,608	2,712	2,669
Bonds Payable			3,355	2,215	3,355	2,215
Capital Lease Obligations	2,707	2,585			2,707	2,585
Accounts Payable UMass Memorial	8,017	4,020			8,017	4,020
Due to Related Organizations	43,811	25,325	3,020	4,159	46,831	29,484
Deferred Revenues and Credits	17,926	15,141			17,926	15,141
Advances and Deposits	310	246			310	246
Other Liabilities	108,590	18,727			108,590	18,727
Total Current Liabilities	235,278	116,172	13,307	20,736	248,585	136,908
Noncurrent Liabilities						
Accrued Liability for Compensated Absences	5,699	5,505			5,699	5,505
Accrued Liability for Workers' Compensation	3,371	3,113			3,371	3,113
Bonds Payable			205,357	208,858	205,357	208,858
Capital Lease Obligations	2,842	5,547			2,842	5,547
Deferred Revenues and Credits	2,329	2,197			2,329	2,197
Advances and Deposits	3,468	3,468			3,468	3,468
Total Noncurrent Liabilities	17,709	19,830	205,357	208,858	223,066	228,688
Total Liabilities	252,987	136,002	218,664	229,594	471,651	365,596
Net Assets:						
Invested in Capital Assets Net of Related Debt	185,377	168,170	53,409	44,976	238,786	213,146
Restricted						
Nonexpendable	989	986			989	986
Expendable	16,175	14,690	5,633	5,693	21,808	20,383
Unrestricted	167,173	205,114	36,493	14,697	203,666	219,811
Total Net Assets	$369,714	$388,960	$95,535	$65,366	$465,249	$454,326

University of Massachusetts
WORCESTER CAMPUS
Statement of Revenues, Expenses and Changes in Net Assets
For The Years Ended June 30, 2006 and June 30, 2005
(In thousands of dollars)

	Worcester Campus June 30, 2006	Worcester Campus June 30, 2005	Worcester City City Campus Corporation June 30, 2006	Worcester City City Campus Corporation June 30, 2005	Eliminations June 30, 2006	Eliminations June 30, 2005	Combined Totals Memorandum Only June 30, 2006	Combined Totals Memorandum Only June 30, 2005
REVENUES								
Operating Revenues								
Tuition and Fees (net of scholarship allowances of $3,499 at June 30, 2006 and $3,057 at June 30, 2005)	$6,414	$6,646					$6,414	$6,646
Federal Grants and Contracts	129,590	124,984					129,590	124,984
State Grants and Contracts	35,328	30,781					35,328	30,781
Local Grants and Contracts	6	78					6	78
Private Grants and Contracts	37,118	37,761					37,118	37,761
Sales & Service, Educational	6,789	8,176					6,789	8,176
Auxiliary Enterprises	29,037	23,248					29,037	23,248
Other Operating Revenues:								
Sales & Service, Independent Operations	78,899	66,346					78,899	66,346
Sales & Service, Public Service Activities	333,997	399,958					333,997	399,958
Other	24,335	18,610	$25,790	$23,554	($23,120)	($21,686)	27,005	20,478
Total Operating Revenues	**681,513**	**716,588**	**25,790**	**23,554**	**(23,120)**	**(21,686)**	**684,183**	**718,456**
EXPENSES								
Operating Expenses								
Educational and General								
Instruction	41,412	38,378			(126)	(37)	41,286	38,341
Research	148,358	143,768			(121)	(125)	148,237	143,643
Public Service	35,697	31,148	3,669	4,127	(2,688)	(2,540)	36,678	32,735
Academic Support	9,506	8,634			(36)	(35)	9,470	8,599
Student Services	2,901	2,702					2,901	2,702
Institutional Support	32,117	25,317			(349)	(509)	31,768	24,808
Operation and Maintenance of Plant	51,364	41,054			(14,427)	(16,040)	36,937	25,014
Depreciation and Amortization	19,101	17,708	11,564	8,512			30,665	26,220
Scholarships and Fellowships	157	245					157	245
Auxiliary Enterprises	20,008	17,010			(1,800)	(2,400)	18,208	14,610
Other Expenditures								
Independent Operations	50,119	37,329			(3,573)		46,546	37,329
Public Service Activities	319,542	327,416					319,542	327,416
Total Operating Expenses	**730,282**	**690,709**	**15,233**	**12,639**	**(23,120)**	**(21,686)**	**722,395**	**681,662**
Operating Income/(Loss)	**(48,769)**	**25,879**	**10,557**	**10,915**			**(38,212)**	**36,794**
NONOPERATING REVENUES/(EXPENSES)								
State Appropriations	40,773	37,893					40,773	37,893
Gifts	5,732	6,270					5,732	6,270
Investment Return	9,554	3,345					9,554	3,345
Endowment Return	39	34					39	34
Interest on Indebtedness	(332)	(494)	(9,326)	(7,560)			(9,658)	(8,054)
Other Nonoperating Income	1,190	6,027					1,190	6,027
Net Nonoperating Revenues	**56,956**	**53,075**	**(9,326)**	**(7,560)**			**47,630**	**45,515**
Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses	**8,187**	**78,954**	**1,231**	**3,355**			**9,418**	**82,309**
Capital Appropriations	562	1,350					562	1,350
Disposal of Plant Facilities	(4,024)	(1,725)	(3)	(3)			(4,027)	(1,728)
Contributions for Capital Expenditures	(28,941)		28,941					
Other Additions/Deductions	4,970	148					4,970	148
Total Other Revenues, Expenses, Gains, and Losses	**(27,433)**	**(227)**	**28,938**	**(3)**			**1,505**	**(230)**
Total Increase/(Decrease) in Net Assets	**(19,246)**	**78,727**	**30,169**	**3,352**			**10,923**	**82,079**
NET ASSETS								
Net Assets at Beginning of Year	388,960	310,233	65,366	62,014			454,326	372,247
Net Assets at End of Year	**$369,714**	**$388,960**	**$95,535**	**$65,366**			**$465,249**	**$454,326**

University Related Organizations

Combining Statements of Net Assets for University Related Organizations as of June 30, 2006 and 2005
(in thousands of dollars)

Supplemental Schedule I

ASSETS	Total June 30, 2006	Eliminations and Adjustments June 30, 2006	The University of Massachusetts Foundation, Inc. June 30, 2006	University of Massachusetts Dartmouth Foundation, Inc. June 30, 2006	Total June 30, 2005	Eliminations and Adjustments June 30, 2005	The University of Massachusetts Foundation, Inc. June 30, 2005	University of Massachusetts Dartmouth Foundation, Inc. June 30, 2005
Current Assets								
Accounts, Grants and Loans Receivable	$22		$22		$92		$92	
Pledges Receivable	2,965	($1,833)	4,084	$714	2,624	($1,664)	3,970	$318
Due From Related Organizations	1,607	1,119		488	2,971	1,346	1,322	303
Other Assets					29			29
Total Current Assets	**4,594**	**(714)**	**4,106**	**1,202**	**5,716**	**(318)**	**5,384**	**650**
Noncurrent Assets								
Cash and Cash Equivalents	2,836			2,836	3,219			3,219
Accounts, Grants and Loans Receivable								
Pledges Receivable	11,837	(13,601)	24,304	1,134	14,615	(15,834)	29,836	613
Investments	234,809	(54,619)	270,128	19,300	200,985	(50,650)	234,957	16,678
Other Assets	43			43	41			41
Investment In Plant Net of Accumulated Depreciation	1,003		1,003		1,006		1,006	
Total Noncurrent Assets	**250,528**	**(68,220)**	**295,435**	**23,313**	**219,866**	**(66,484)**	**265,799**	**20,551**
Total Assets	**$255,122**	**($68,934)**	**$299,541**	**$24,515**	**$225,582**	**($66,802)**	**$271,183**	**$21,201**
LIABILITIES								
Current Liabilities								
Accounts Payable	$1,754		$1,718	$36	$184		$111	$73
Accrued Interest Payable					15		15	
Notes Payable						($409)	409	
Due To Related Organizations	388	(114)		502	1,048	301		747
Assets Held on Behalf of the University		(39,810)	39,810			(37,592)	37,592	
Deferred Revenues and Credits	3,994		3,994		6,052		6,052	
Total Current Liabilities	**6,136**	**(39,924)**	**45,522**	**538**	**7,299**	**(37,700)**	**44,179**	**820**
Noncurrent Liabilities								
Due To Related Organizations								
Other Liabilities	2,914	114	2,680	120	2,588	108	2,360	120
Total Noncurrent Liabilities	**2,914**	**114**	**2,680**	**120**	**2,588**	**108**	**2,360**	**120**
Total Liabilities	**$9,050**	**($39,810)**	**$48,202**	**$658**	**$9,887**	**($37,592)**	**$46,539**	**$940**
Net Assets:								
Invested in Capital Assets Net of Related Debt	$1,003	$1,003			$597	$597		
Restricted								
Nonexpendable	178,692	(29,124)	$187,001	$20,815	161,178	(29,210)	$172,121	$18,267
Expendable	61,091		58,272	2,819	49,334		47,355	1,979
Unrestricted	5,286	(1,003)	6,066	223	4,586	(597)	5,168	15
Total Net Assets	**$246,072**	**($29,124)**	**$251,339**	**$23,857**	**$215,695**	**($29,210)**	**$224,644**	**$20,261**

Combining Statements of Revenues, Expenses, and Changes in Net Assets for University Related Organizations
For The Years Ended June 30, 2006 and 2005
(in thousands of dollars)

Supplemental Schedule II

	Total June 30, 2006	Eliminations and Adjustments June 30, 2006	The University of Massachusetts Foundation, Inc. June 30, 2006	University of Massachusetts Dartmouth Foundation, Inc. June 30, 2006	Total June 30, 2005	Eliminations and Adjustments June 30, 2005	The University of Massachusetts Foundation, Inc. June 30, 2005	University of Massachusetts Dartmouth Foundation, Inc. June 30, 2005
EXPENSES								
Operating Expenses								
Educational and General								
Public Service	$12,853	($2,024)	$13,384	$1,493	$10,891	($981)	$10,380	$1,492
Depreciation	16		16		16		16	
Scholarships and Fellowships	4,070	(326)	4,082	314	2,784	(248)	2,930	102
Total Operating Expenses	**16,939**	**(2,350)**	**17,482**	**1,807**	**13,691**	**(1,229)**	**13,326**	**1,594**
Operating Income/(Loss)	**(16,939)**	**2,350**	**(17,482)**	**(1,807)**	**(13,691)**	**1,229**	**(13,326)**	**(1,594)**
NONOPERATING REVENUES/(EXPENSES)								
Gifts	11,238	(1,907)	11,900	1,245	9,323	(3,651)	12,153	821
Investment Income	11,871	(3,246)	13,506	1,611	8,477	(2,425)	9,827	1,075
Endowment Income	5,743	(1,320)	7,063		4,068	(1,030)	5,098	
Interest on Indebtedness	(8)		(8)		(38)		(38)	
Net Nonoperating Revenues	**28,844**	**(6,473)**	**32,461**	**2,856**	**21,830**	**(7,106)**	**27,040**	**1,896**
Income/(Loss) Before Other Revenues, Expenses, Gains, and Losses	**11,905**	**(4,123)**	**14,979**	**1,049**	**8,139**	**(5,877)**	**13,714**	**302**
Additions to Permanent Endowments	14,401	2,752	9,102	2,547	16,312	(4,876)	17,672	3,516
University Related Organization Transactions	(593)	(593)						
Less: Amounts Earned/Received on Behalf of the University		5,767	(5,767)			8,415	(8,415)	
Less: Amounts Paid on Behalf of the University		(3,549)	3,549			396	(396)	
Other Additions/Deductions	4,664	(168)	4,832		(355)	(6,325)	5,970	
Total Other Revenues, Expenses, Gains, and Losses	**18,472**	**4,209**	**11,716**	**2,547**	**15,957**	**(2,390)**	**14,831**	**3,516**
Total Increase in Net Assets	**30,377**	**86**	**26,695**	**3,596**	**24,096**	**(8,267)**	**28,545**	**3,818**
NET ASSETS								
Net Assets at Beginning of Year	215,695	(29,210)	224,644	20,261	191,599	(20,943)	196,099	16,443
Net Assets at End of Year	**$246,072**	**($29,124)**	**$251,339**	**$23,857**	**$215,695**	**($29,210)**	**$224,644**	**$20,261**

DEFINITIONS OF CERTAIN TERMS

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

"Act" means Chapter 614 of the Massachusetts Acts of 1968 as amended from time to time.

"Additional Rent" means the total cost to be paid by the University to the Institution under the Lease for any tenant improvements allowed on behalf of the University and performed by the Institution.

"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.

"Annual Base Rent" means the rent to be paid by the University under the Lease in accordance with Exhibit F to the Lease, which is equal to debt service on the Series F Bonds and certain maintenance costs of the Institution, including the costs of insurance.

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

"Authorized Officer" means: (i) in the case of the Authority, the Chairman, Vice Chairman, Secretary, Executive Director, Director of Financing Programs, Director of Administration and Finance or General Counsel, and when used with reference to an act or document of the Authority also means any other person authorized to perform the act or execute the document; (ii) in the case of the University and 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 or Assistant Vice President, 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, prior to the University's adoption of Statement No. 35 of the Governmental Accounting Standards Board (GASB), the University's unrestricted current funds revenues as reported in its Combined Statement of Current Funds Revenues Expenditures and Other Changes and, thereafter, shall mean 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 any attorney at law or firm of attorneys selected by the Authority, 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, but shall not include counsel for the University or the Institution.

"Bond Insurance Policy" means the municipal bond new issue insurance policies issued by the Bond Insurer that guarantee payment of principal of and interest on the Series D, Series E and Series F Bonds.

"Bond Insurer" means Financial Guaranty Insurance Company, a New York stock insurance company, or any successor thereto.

"Bond Insurer Event of Insolvency" means the occurrence and continuance of one or more of the following events: (i) the issuance, under the applicable laws of any state of the United States, of an order of rehabilitation, liquidation or dissolution of the Bond Insurer; (ii) the commencement by the Bond Insurer of a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property; (iii) the consent by the Bond Insurer to any relief referred to in the preceding clause (ii) in an involuntary case or other proceeding commenced against it; (iv) the making by the Bond Insurer of an assignment for the benefit of creditors; or (v) the initiation by the Bond Insurer of any action to authorize any of the foregoing.

"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 Series D, Series E and Series F 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 Authority at the direction of the University or the Institution, as applicable.

"Buildings" means the Existing Building and the New Building.

"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.

"Condemnation" means the taking, requisition or sale, by or on account of any actual or threatened eminent domain proceeding or other action by any entity having the power of eminent domain.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement between the University and Chittenden Trust Company, as Trustee, or the University, the Institution and Chittenden Trust Company, 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 Agreement.

"Event of Bankruptcy" means the filing of a petition in bankruptcy or the commencement of a proceeding under the United States Bankruptcy Code or any other applicable law concerning insolvency, organization or bankruptcy by or against the University or the Institution, respectively, as debtors.

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

"Existing Building" means the aseptic filling and manufacturing facility previously constructed on the Land.

"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 Agreement.

"Financing Agreement" means the Financing Agreement between the Authority and the University dated as of September 12, 2006.

"General Obligation Indebtedness" means the Series D Bonds and the Series E Bonds, the Authority's Variable Rate Demand Revenue Bonds, University of Massachusetts Issue, Series A (the "Variable Rate Bonds"), all obligations of the University owing the credit facility provider pursuant to the reimbursement agreement related to the Variable Rate Bonds, 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 C, the Authority's Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series D, the Authority's Revenue Bonds, UMBA's Project Revenue Bonds, Senior Series 2000-1, UMBA's Project Revenue Bonds, Senior Series 2000-2, 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 Project and Refunding Revenue Bonds, Senior Series 2006-1, UMBA's Taxable Refunding Revenue Bonds, Senior Series 2006-2 and any additional Indebtedness issued by the University, UMBA or the Authority consistent with paragraph (a) of "Limitations on Additional Indebtedness" in Appendices E and F.

"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.

"Guaranteed Maximum Price" or "GMP" shall mean the maximum amount to be paid by the University for any tenant improvements made, as provided for in the bid of the qualified contractor who is to perform the tenant improvements on behalf of the Institution.

"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" means Worcester City Campus Corporation.

"Institution Certificate as to Arbitrage" means the Institution Certificate as to Arbitrage delivered by the Institution at the closing of the Series E and Series F Bonds.

"Institution Tax Certificate" means the Institution Tax Certificate delivered by the Institution at the closing of the Series E and Series F Bonds.

"Interest Payment Date" means April 1 and October 1 beginning with April 1, 2007.

"Land" means Lot 3A on a subdivision plan prepared by Rizzo Associates and recorded with the Suffolk County Registry of Deeds in Plan Book 27754, Page 20, on the so-called West Campus of the former Boston State Hospital Campus situated off Walk Hill Road in the City of Boston, County of Suffolk, Commonwealth of Massachusetts.

"Landlord's Improvements" means all buildings, alterations, equipment and improvements constructed or installed or to be constructed or installed at any time on the Land.

"Lease" means the Worcester City Campus Corporation/University of Massachusetts Medical School Boston State Hospital Site Lease dated April 12, 2002 between the Institution, as landlord, and the University, as tenant, with respect to the Premises, as amended as of January 4, 2007 and as it may be further amended from time to time.

"Lease Rent" means Annual Base Rent and Additional Rent, as described in the section entitled "Rent Payment" in Appendix G, due to the Institution by the University under the Lease.

"Loan and Trust Agreements" means the Series D, Series E and Series F Loan and Trust Agreements (each, a "Loan and Trust Agreement").

"New Building" means an approximately 180,000-square-foot building containing wet research and development laboratories, vivarium and administrative support spaces and a structured parking facility containing approximately 400 parking spaces to be constructed on the Land.

"Opinion of Bond Counsel" means a written opinion in form and substance not unacceptable to the Trustee or the Authority, 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 Authority, 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 Authority 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 Chittenden Trust Company, acting as Paying Agent as provided in the respective Loan and Trust Agreement and any Paying Agent designated from time to time pursuant to the respective Loan and Trust Agreement.

"Premises" means the Existing Building and the New Building, together with all of Landlord's Improvements made pursuant to the terms of the Lease and any and all new buildings or other improvements constructed or installed or to be constructed or installed at any time on the Land.

"Permitted Uses" means the operation of a Biotechnological Laboratory, a monoclonal antibodies suite and aseptic manufacturing and filling facility, research and development, and related office, support and administrative uses, and for any other purpose permitted pursuant to 2000 Massachusetts Acts Chapter 159, as the same may be amended, or supplemental from time to time or as the same may be replaced by successor legislation.

"Project," with respect to the Series D Bonds, means the project financed by the Series B Bonds (as defined in the Series D Loan and Trust Agreement).

"Project," with respect to the Series E Bonds, means (i) the project financed by the Series B Bonds (as defined in the Series E Loan and Trust Agreement) and (ii) the acquisition of land, site development, construction or alteration of buildings or the acquisition or installation of furnishings, fixtures and equipment, and other fees and expenses incident to acquisition or construction of such facility, or any combination of the foregoing, in connection with the construction of a seven-story, approximately 230,000 square foot advanced education and clinical practice center to be located at 55 Lake Avenue, Worcester, Massachusetts 01605.

"Project" with respect to the Series F Bonds, means (i) the project financed by the Series C Bonds (as defined in the Series F Loan and Trust Agreement) and (ii) the site development, construction or alteration of buildings or the acquisition or installation of furnishings, fixtures and equipment, and other fees and expenses incident to acquisition or construction of such facility, or any combination of the foregoing, in connection with the constructing 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 Premises.

The word "Project" also refers to the facilities which result or have resulted from the foregoing activities and to the later expansion, improvement or repair of such facilities. The scope of the Project may be increased or decreased with the written consent of the Authority upon certification by an Authorized Officer of the Institution describing the change, estimating the resulting increase or decrease in the cost of the Project and stating that the amendment will not cause the Project to violate any applicable building, zoning, land use, environmental protection, historical, sanitary, safety or educational laws, rules and regulations or applicable grant, reimbursement or insurance requirements or the provisions of this Agreement. The signers of the certificate may rely, as to conclusions of law, on an Opinion of Counsel furnished to the Authority and referred to in the certificate. The Authority may waive any provision required to be contained in the certificate upon advice of counsel that the waiver does not adversely affect the security for the Bonds. The scope of the Project may be increased only after consultation with nationally recognized bond counsel to determine that the increase will not adversely affect the federal tax status of interest on the Bonds.

"Project Costs" means the costs of carrying out the respective Projects, including repayment of external loans and internal advances for the same, if any, and interest prior to, during and for up to one year after construction is substantially complete, but excluding general administrative expenses, and overhead of the University or Institution, respectively, and interest on internal advances.

"Project Fund" means the fund so named established pursuant to the respective Loan and Trust Agreement.

"Rebate Fund" means the fund so named established pursuant to the respective Loan and Trust Agreement.

"Record Date" means the close of business on the fifteenth day (whether or not a Business Day) of the month prior to the next succeeding Interest Payment Date.

"Redemption Fund" means the fund so named established pursuant to the respective Loan and Trust Agreement.

"Revenue Indebtedness" means the Lowell Technological Institute Building Authority Facilities Bonds, First Series, the University of Lowell Building Authority's Facilities Bonds, Second Series A, the University of Lowell Building Authority's Facilities Bonds, Second Series B, UMBA's Refunding Revenue Bonds, Series 1991-A, UMBA's Facilities Revenue Bonds, Senior Series 2000-A, UMBA's Facilities Revenue Bonds, Senior Series 2004-A, and any additional Indebtedness issued by UMBA consistent with paragraph (b) of "Limitations on Additional Indebtedness" in Appendices E and F.

"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 provided under the respective Loan and Trust Agreement, payable to the Authority or the Trustee under the respective Loan and Trust Agreement, excluding administrative fees of the Authority, fees of the Trustee, fees of the Paying Agent, reimbursements to the Authority, the Trustee or the Paying Agent for expenses incurred by the Authority, the Trustee or the Paying Agent, and indemnification of the Authority and the Trustee.

"Series B Bonds" as used in the Series D Loan and Trust Agreement, means the Massachusetts Health and Educational Facilities Authority Revenue Bonds, University of Massachusetts Issue, Series B, and any bond or bonds duly issued in exchange or replacement therefor.

"Series B Bonds," as used in the Series E Loan and Trust Agreement, means the 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 B Refunding Trust Agreement," as used in the Series D Loan and Trust Agreement, means the Refunding Trust Agreement among the Authority, the Institution and Flagship Bank and Trust Company, as Trustee for the Series B Bonds.

"Series C Bonds," as used in the Series F Loan and Trust Agreement, means the Massachusetts Health and Educational Facilities Authority Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series C, and any Bond or Bonds duly issued in exchange or replacement therefor.

"Series D Bonds" means the Massachusetts Health and Educational Facilities Authority Revenue Bonds, University of Massachusetts Issue, Series D (2007), dated January 4, 2007.

"Series D Loan and Trust Agreement" means the Loan and Trust Agreement between the Authority, the University and the Trustee dated as of September 12, 2006.

"Series E Bonds" means the Massachusetts Health and Educational Facilities Authority Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series E (2007), dated January 4, 2007.

"Series E Loan and Trust Agreement" means the Loan and Trust Agreement between the Authority, the Institution and the Trustee dated as of September 12, 2006.

"Series F Bonds" means the Massachusetts Health and Educational Facilities Authority Revenue Bonds, Worcester City Campus Corporation (University of Massachusetts Project), Series F (2007), dated January 4, 2007.

"Series F Loan and Trust Agreement" means the Loan and Trust Agreement between the Authority, the Institution and the Trustee dated as of September 12, 2006.

"Taxes" means all taxes, special and general assessments, water rents, rates and charges, sewer rents and similar charges changed or assessed against the Premises, or liens upon or for or with respect to the Premises or any other buildings, appurtenances or equipment owned by the Institution on the Premises, together with all the interest and penalties thereon.

"Tenant Alterations" means any non-structural alterations or additions that the University is permitted to make provided that the University shall first obtain the Institution's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed.

"Trustee" means Chittenden Trust Company and its successors in trust under the respective Loan and Trust Agreement.

"UCC" means the Massachusetts Uniform Commercial Code.

"University" means the University of Massachusetts.

"University Certificate as to Arbitrage" means the University Certificate as to Arbitrage delivered by the University at the closing of the Series D Bonds.

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

SUMMARY OF THE LOAN AND TRUST AGREEMENTS

The following is a summary, prepared by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel, of certain provisions of the Series D Loan and Trust Agreement (the "Series D Loan and Trust Agreement") among the Massachusetts Health and Educational Facilities Authority (the "Authority"), the University of Massachusetts (the "University") and Chittenden Trust Company, as Trustee (the "Trustee"), the Series E Loan and Trust Agreement (the "Series E Loan Agreement") among the Authority, Worcester City Campus Corporation, (the "Institution") and the Trustee and the Series F Loan and Trust Agreement (the "Series F Loan and Trust Agreement," and, collectively with the Series D and the Series E Loan and Trust Agreements (the "Agreement") among the Authority, the Institution and the Trustee. This Summary does not purport to be complete and reference is made to the Agreement for full and complete statements of such and all provisions.

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

The Authority 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 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 Authority's rights under the Financing Agreement; all of the Authority's rights under the Bond Insurance Policy; all funds and investments held from time to time in the funds established under the Agreement, other than the Rebate Fund, including investment income therefrom; and the proceeds of all of the foregoing. This assignment and pledge does not include: (i) the rights of the Authority pursuant to provisions for consent, concurrence, approval or other action by the Authority, notice to the Authority, the filing of reports, certificates or other documents with the Authority, or for fees, reimbursement or indemnification or the rights thereto, or (ii) the powers of the Authority as stated in the Agreement to enforce the provisions of the Agreement.

The Institution joins in the Authority's assignment and pledge of all funds and investments held in the funds established under the Agreement, other than the Rebate Fund, 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, redemption premium, if any, and interest), and when all the rights of the Authority, the Paying Agent, the Bond Insurer and the Trustee under the Agreement have been provided for, upon written notice from the University or the Institution , as applicable, to the Authority, the Paying Agent, the Bond Insurer 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 Authority 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 Authority 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 and provided, however, that if the Bonds are being advance refunded, the Trustee shall have received a verification from independent certified public accountants satisfactory to the Trustee or from any other qualified person or firm satisfactory to the Trustee and the Bond Insurer that the principal and interest becoming due on investments held by the Trustee after such transaction and any other moneys available therefor will be sufficient to pay the principal of, premium, if any, and interest on the Bonds as the same shall become due and payable. If a forward supply contract is employed in connection with the refunding, (i) such verification report shall expressly state that the adequacy of the escrow to accomplish the refunding relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract and (ii) the applicable escrow agreement shall provide that in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement (or the Agreement, if no separate escrow agreement is utilized), the terms of the escrow agreement or the Agreement, if applicable, shall be controlling. 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, after satisfaction of all the rights of the Authority, 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 Authority or the Trustee may reasonably require.

Any amounts paid with respect to the Bonds by the Bond Insurer under the Bond Insurance Policy shall not be deemed paid and shall continue to be due and owing until paid by the Authority in accordance with the Agreement.

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
Refunding Trust Fund.

The Project Fund and the Expense Fund shall be established and maintained with the Authority to be held by the Authority in trust for the account of the University or the Institution, as applicable, and applied subject to the provisions of the Agreement.

Debt Service Fund

The moneys and investments held in the Debt Service Fund shall be 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 Authority, 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 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 applied, except as otherwise provided, by the Trustee on behalf of the Authority 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 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, in the case of the Rebate Fund, after any required transfer from the Project Fund, 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.

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 25^{th} 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.

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.

As additional security for its obligations to make payments pursuant to the Series F Loan and Trust Agreement to the Debt Service Fund and Rebate Fund, including its obligations under the last sentence of the Redemption Fund Section in the Series F Loan and Trust Agreement, and its obligations under the sections entitled "Redemption Fund" and "Payments by the University or the Institution" herein, the Institution grants, transfers and assigns to the Trustee the entire present and future interest of the Institution in, to and under the Lease, together with all rents, income and profits of any kind arising from such interest in the Lease and any renewals or extensions thereof for the use and occupation of all or any portion of the Premises, and all proceeds of the foregoing.

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 Authority, the Trustee or the Paying Agent by reason of the Agreement.

The University or the Institution, as applicable, shall make payments to the Rebate Fund and to the Trustee and the Paying Agent in accordance with the Agreement.

<u>Series D Bonds - General Obligation</u>

The obligation of the University to make payments to the Authority, the Paying Agent and the Trustee under the Series D 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 Authority 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.

<u>Series E Bonds - Unconditional Obligation</u>

The obligations of the Institution to make payments under the Series E Loan and Trust Agreement (including, without limitation, payments to the Authority, 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.

Series F Bonds - Special Obligation

The obligations of the Institution to make payments under the Series F Loan and Trust Agreement (including, without limitation, payments to the Authority, the Paying Agent and the Trustee) shall be a special obligation of the Institution, payable only from Project Revenues.

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 or the Authority, as applicable, 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. Moneys in the Project Fund may be invested by the Authority in Permitted Investments maturing or redeemable at the option of the owner within three years and not later than the times when such moneys are expected to be needed. Notwithstanding the foregoing, any amount of Bond proceeds deposited in the Project Fund which has not been expended by January 4, 2010 from closing or 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 or the Authority, as the case may be, 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 or the Authority, as the case may be, shall invest in Permitted Investments described below. The Trustee and the Authority, as the case may be, 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 and the Authority 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 Series E and Series F Loan and Trust Agreements, earnings on the Expense Fund shall be deposited in the Project Fund. Earnings (which for this purpose include net profit and are after deduction of net loss) on the Debt Service Fund during the construction period shall be transferred to the Project Fund not less often than quarterly. Earnings on the Debt Service Fund after the construction period 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 Authority, in which case they shall be applied to such payments.

(c) (i) The term "Permitted Investments" means:

(A) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

(B) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

1. U.S. Export-Import Bank (Eximbank)
   Direct obligations or fully guaranteed certificates of beneficial ownership

2. Farmers Home Administration (FmHA)
   Certificates of beneficial ownership

3. Federal Financing Bank

4. Federal Housing Administration Debentures (FHA)

5. General Services Administration
   Participation certificates

6. Government National Mortgage Association (GNMA or "Ginnie Mae")
   GNMA - guaranteed mortgage-backed bonds
   GNMA - guaranteed pass-through obligations

7. U.S. Maritime Administration
   Guaranteed Title XI financing

8. U.S. Department of Housing and Urban Development (HUD)
   Project Notes
   Local Authority Bonds
   New Communities Debentures - U.S. government guaranteed debentures
   U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

(C) 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. Student Loan Marketing Association (SLMA or "Sallie Mae")
   Senior debt obligations

5. Resolution Funding Corp. (REFCORP) obligations

6. Farm Credit System
   Consolidated systemwide bonds and notes

(D) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAA-m; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2 or the Massachusetts Health and Educational Facilities Authority Short Term Asset Reserve (STAR) Fund, or any other similar fund established by, or on behalf of, the Authority.

(E) Certificates of deposit secured at all times by collateral described in (A) and/or (B) 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 Authority or the Trustee, as the case may be, 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 SAIF.

(G) Investment Agreements, including guaranteed investment contracts and forward purchase agreements acceptable to the Bond Insurer.

(H) Commercial paper rated, at the time of purchase, “Prime - 1” by Moody’s and “A-1” or better by S&P.

(I) Bonds or notes issued by any state or municipality which are rated by Moody’s and S&P in one of the two highest rating categories assigned by such agencies.

(J) 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 and “A-1” or “A” or better by S&P.

(K) Repurchase Agreements for 30 days or less which follow the following criteria or Repurchase Agreements which exceed 30 days acceptable to the Bond Insurer.

Repurchase agreements which provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Authority or the Trustee, as the case may be (buyer/lender), and the transfer of cash from the Authority or the Trustee, as the case may be, to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Authority or the Trustee, as the case may be, in exchange for the securities at a specified date.

1. Repurchase Agreements must be between the Authority or the Trustee, as the case may be, and a dealer bank or securities firm which meets the following criteria:

    a. Primary dealers on the Federal Reserve reporting dealer list which are rated A or better by S&P and Moody’s, or

    b. Banks rated “A” or above by S&P and Moody’s.

2. The written Repurchase Agreement must include the following:

    a. Securities which are acceptable for transfer are:

        (1) Direct U.S. governments, or

        (2) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)

    b. The term of the Repurchase Agreement may be up to 30 days

    c. The collateral must be delivered to the Authority in the case of a Fund in the custody of the Authority or to the Trustee in the case of a Fund in the custody of the Trustee (if the Trustee is not supplying the collateral) or to a third party acting as agent for the Authority or the Trustee before or simultaneous with payment (perfection by possession of certificated securities).

    d. Valuation of Collateral

        (1) The securities must be valued weekly, marked-to-market at current market price plus accrued interest`

            (a) The value of collateral must be equal to 104% of the amount of cash transferred by the Authority or the Trustee, as the case may be, to the dealer bank or securities firm under the Repurchase Agreement plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by the Authority or the Trustee, as the case may be, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

(L) Any other investments which are approved in writing by the Bond Insurer.

(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, the Authority and the Trustee in connection with the issuance of the Bonds. In giving direction as to Permitted Investments the University or the Institution 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 Authority 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 Series E 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 Authority and the University of the amount due and unpaid.

Payments Pursuant to the Bond Insurance Policy

If, on the third day preceding any interest payment date for the Bonds there is not on deposit with the Trustee sufficient moneys available to pay all principal of and interest on the Bonds due on such date, the Trustee shall immediately notify the Bond Insurer and U.S. Bank Trust National Association, New York, New York or its successor as its Fiscal Agent (the "Fiscal Agent") of the amount of such deficiency. If, by said interest payment date, the Authority has not provided the amount of such deficiency, the Trustee shall simultaneously make available to the Bond Insurer and to the Fiscal Agent the registration books for the Bonds maintained by the Trustee. In addition:

(a) The Trustee shall provide the Bond Insurer with a list of the Bondowners entitled to receive principal or interest payments from the Bond Insurer under the terms of the Bond Insurance Policy and shall make arrangements for the Bond Insurer and its Fiscal Agent (1) to mail checks or drafts to Bondowners entitled to receive full or partial interest payments from the Bond Insurer and (2) to pay principal of the Bonds surrendered to the Fiscal Agent by the Bondowners entitled to receive full or partial principal payments from the Bond Insurer; and

(b) The Trustee shall, at the time it makes the registration books available to the Bond Insurer pursuant to (a) above, notify Bondowners entitled to receive the payment of principal of or interest on the Bonds from the Bond Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or part of the interest payments coming due subject to the terms of the Bond Insurance Policy, (iii) that, except as provided below, in the event that any Bondowner is entitled to receive full payment of principal from the Bond Insurer, such Bondowner must tender his Bond with the instrument of transfer in the form provided on the Bond executed in the name of the Bond Insurer, and (4) that, except as provided below, in the event that such Bondowner is entitled to receive partial payment of principal from the Bond Insurer, such Bondowner must tender his Bond for payment first to the Trustee, which shall note on such Bond the portion of principal paid by the Trustee, and then, with an acceptable form of assignment executed in the name of the Bond Insurer, to the Fiscal Agent, which will then pay the unpaid portion of principal to the Bondowner subject to the terms of the Bond Insurance Policy.

In the event that the Trustee has notice that any payment of principal of or interest on a Bond has been recovered from a Bondowner pursuant to the United State Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time it provides notice to the Bond Insurer, notify all Bondowners that in the event that any Bondowner's payment is so recovered, such Bondowner will be entitled to payment from the Bond Insurer to the extent of such recovery, and the Trustee shall furnish to the Bond Insurer its records evidencing the payments of principal of and interest on the Bonds which have been made by the Trustee and subsequently recovered from Bondowners, and the dates on which such payments were made.

Rights of the Bond Insurer

The Bond Insurer shall, to the extent it makes payment of principal of or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy and, to evidence such subrogation, (i) in the case of subrogation as to claims for past due interest, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books maintained by the Trustee upon receipt from the Bond Insurer of proof of the payment of interest thereon to the Bondowners of such Bonds and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books for the Bonds maintained by the Trustee upon receipt of proof of the payment of principal thereof to the Bondowners of such Bonds. Notwithstanding anything in the Agreement or the Bonds to the contrary, the Trustee shall make payment of such past due interest and past due principal directly to the Bond Insurer to the extent that the Bond Insurer is a subrogee with respect thereto.

So long as the Bond Insurance Policy still remains in full force and effect and provided that there shall not exist a Bond Insurer Event of Insolvency and no default by the Bond Insurer on its obligations under the Bond Insurance Policy shall have occurred and be continuing, the Bond Insurer shall be deemed to be the owner of the Bonds for purposes of giving consents (including consents to amendments to the Agreement other than those requiring unanimous consent of the affected Bondowners), notices, directions and waivers to the University or the Institution, as applicable, the Authority and the Trustee under the Agreement.

So long as the Bond Insurance Policy still remains in full force and effect and provided that there shall not exist a Bond Insurer Event of Insolvency and no default by the Bond Insurer on its obligations under the Bond Insurance Policy shall have occurred and be continuing, the University shall provide the Bond Insurer, or the Institution shall cause the University to provide the Bond Insurer, as applicable, with (i) notice of the downgrading by any rating agency of the University's underlying public bond rating, if any, or the underlying rating on the Series D Bonds or any parity obligations to non-investment grade, (ii) notice of any decline in enrollment at the University by more than 5% in any year, (iii) notice of any decline in value of the University's unrestricted endowment funds by more than 10% in the immediately preceding year, (iv) notice of any material events pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, and (v) such additional information as the Bond Insurer may reasonably request from time to time.

So long as the Bond Insurance Policy still remains in full force and effect and provided that there shall not exist a Bond Insurer Event of Insolvency and no default by the Bond Insurer on its obligations under the Bond Insurance Policy shall have occurred and be continuing, the University or the Institution, as applicable, shall pay or reimburse the Bond Insurer for any and all charges, fees, costs and expenses that the Bond Insurer may reasonably pay or incur in connection with the following: (i) the administration, enforcement, defense or preservation of any rights or security under the Agreement, the Financing Agreement or the Lease, (ii) the pursuit of any remedies under the Agreement, the Financing Agreement or the Lease or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to or related to the Agreement, the Financing Agreement or the Lease, whether or not executed or completed, (iv) the violation by the University or the Institution of any law, rule or regulation or any judgment, order or decree applicable to it, (v) any advances or payments made by the Bond Insurer to cure defaults of the University or the Institution under the Agreement, the Financing Agreement or the Lease, as applicable, or (vi) any litigation or other dispute in connection with the Agreement, the Financing Agreement or the Lease or the transactions contemplated thereby, other than amounts resulting from the failure of the Bond Insurer to honor its payment obligations under the Bond Insurance Policy. The University and the Institution acknowledge that the Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Agreement, the Financing Agreement or the Lease.

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 21E 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 Authority, unreasonably jeopardized thereby.

The University or the Institution, as applicable, shall make timely payment (but, with regard to the Series F Loan and Trust Agreement only, solely from Project Revenues available for such purpose) 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 fails to pay any such item during any period in which the University or the Institution 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 Authority, 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 Authority'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 Authority and the Trustee and their respective 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, 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. In case any action or proceeding is brought against the Authority or the Trustee by reason of any such claim, the University or the Institution, as applicable, upon notice from the affected party shall defend the same and the Authority and the Trustee shall cooperate with the University or the Institution, as applicable, at the expense of the University or the Institution, as applicable, in connection therewith.

Default by the University or the Institution

"Event of Default" in the Agreement means any one 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 Authority 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 Authority 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. A copy of such notice shall also be given to the Bond Insurer. Notwithstanding the foregoing, failure by the University or the Institution, as applicable, to perform its obligations under the section herein entitled "Casualty Insurance" shall constitute an immediate Event of Default without any grace period.

(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 Authority or the Trustee to the University or the Institution, as applicable. A copy of such notice shall also be given to the Bond Insurer.

(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 Series E 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 Authority and the Bond Insurer, 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.

If an Event of Default occurs and is continuing: (a)(i) the Authority 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; and (ii) subject to the last sentence of the section entitled "Actions for Protection of Bondowners" herein, the Trustee may enforce the obligations of the Authority under the Agreement and the obligations of the University or the Institution, as applicable, to the Trustee and the Paying Agent under the Agreement by legal proceedings for the specific performance of any covenant, obligation or agreement contained in the Agreement, whether or not an Event of Default exists, or for the enforcement of any other appropriate legal or equitable remedy, and may recover damages caused by any breach by the Authority 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 Authority or the University or the Institution, as applicable, under the Agreement.

If any proceeding commenced by the Trustee on account of any Event of Default is discontinued or is determined adversely to the Trustee, then the Trustee, the Bondowners and the Bond Insurer shall be restored to their former positions and rights under the Agreement as though no such proceedings had been commenced.

If the University or the Institution, as applicable, fails to observe or perform any covenant, condition, agreement or provision contained in the Agreement, whether or not there is an Event of Default thereunder, the Authority may perform such covenant, condition, agreement or provision in its own name or in the University or the Institution's name, as applicable, and is hereby irrevocably appointed the University or the Institution's, as applicable, attorney in fact for such purpose. The Authority shall give at least seven days' notice to the University or the Institution, as applicable, before taking action under this section, except that in the case of emergency as reasonably determined by the Authority, the Authority may act on lesser notice or give the notice promptly after rather than before taking the action. A copy of such notice shall also be given to the Bond Insurer. The reasonable cost of any such action by the Authority shall be paid or reimbursed by 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 Authority 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.

Unless the Bond Insurer has failed to make any payments due under the Bond Insurance Policy or a Bond Insurer Event of Insolvency has occurred, the Bond Insurer shall exercise all of the rights of the Bondowners under the provisions related to Default in the Agreement. Furthermore, for so long as (a) the Bond Insurer has made all payments due under the Bond Insurance Policy and (b) no Bond Insurer Event of Insolvency has occurred, all of the remedies of the Trustee and the Authority under the provisions related to Default in the Agreement shall only be exercised upon the written direction or with the written consent of the Bond Insurer.

Rights and Duties of the Trustee

All moneys received by the Trustee under the Agreement (other than monies 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 Authority, the University and the Institution, as applicable, and the Bond Insurer and their representatives duly authorized in writing.

If the Authority 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 Authority 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 Authority 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 and the Bond Insurer. 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 Authority, the University or the Institution, as applicable, and the Bond Insurer. The Trustee will give notice to the Authority, the University, the Institution, as applicable, and the Bond Insurer 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 Authority except when given written notice thereof by the owners of at least 10% in principal amount of the Outstanding Bonds or the Bond Insurer. 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. Notwithstanding, for so long as (a) the Bond Insurer has made all payments due under the Bond Insurance Policy and (b) no Bond Insurer Event of Insolvency has occurred, the Bond Insurer shall have the right to direct all remedies upon an Event of Default. 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 therein.

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 promptly 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 Authority 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 Authority 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 Project 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. The Trustee has no responsibility for the validity or sufficiency of the Agreement or the Bonds or any security therefor.

Any action taken by the Trustee with respect to the Lease shall be taken in its capacity as Trustee under the Series F Loan and Trust Agreement and the Trustee shall be entitled to the same protections as under the Series F Loan and Trust Agreement for such actions taken.

Resignation or Removal of the Trustee

The Trustee may resign on not less than 30 days' notice given in writing to the Authority, the Bondowners, the Bond Insurer, 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 Authority 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 Authority and either the University or the Institution, as applicable, to the Trustee and the Bond Insurer or for any reason by written notice from the owners of a majority in principal amount of the Outstanding Bonds to the Trustee, the Authority, the University or the Institution, as applicable and the Bond Insurer, 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 Authority to the University or the Institution, as applicable, and the University. The Authority shall notify the Bondowners and the Bond Insurer of the appointment in writing within 20 days from the appointment. The Authority will promptly certify to the successor Trustee that it has mailed such notice to all Bondowners and the Bond Insurer 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 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 Authority 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. Such 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 Authority

The Authority shall keep proper accounts (separate from its other accounts) of the transactions in the Project Fund and Expense Fund, which shall be subject to inspection by the Trustee, the University or the Institution, as applicable, and the University, or their representatives duly authorized in writing.

Actions for Protection of Bondowners

The Authority shall not be required to monitor the financial condition of the University or the Institution 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. The Authority shall not be required to take notice of any breach or default by the University or the Institution, as applicable, except when given written notice thereof by the owners of at least 10% in principal amount of the Outstanding Bonds, by the Trustee or by the Bond Insurer. The Authority shall give default notice 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 Authority 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 Authority 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 therein. 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 Authority shall promptly pursue the remedies 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 sentence, the Authority 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 Authority shall be entitled to the advice of counsel (who may be counsel for any party) and shall not be liable for any action taken in good faith in reliance on such advice. The Authority 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 Authority 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, 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. When any payment or consent or other action by the Authority is called for by the Agreement, the Authority 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. The Authority shall in no event be liable for the application or misapplication of funds, or for other acts or defaults by any person, firm or corporation except by its own members, officers, agents and employees. 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 member, officer, agent or employee of the Authority unless such claim is based upon the bad faith, fraud or deceit of such person.

Nothing contained in the Agreement shall in any way obligate the Authority to pay any debt or meet any financial obligations to any person at any time in relation to the Project except from moneys received under the provisions of the Agreement or from the exercise of the Authority'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 Authority 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 Authority 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 Authority or the University 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 Authority to act and furnished the

Authority indemnity as provided in the Agreement and have afforded the Authority reasonable opportunity to proceed, and the Authority shall thereafter fail or refuse to take such action.

No Bondowner shall have any right to institute any legal proceedings for the enforcement of the obligations of the Authority under 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 Authority 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 Authority 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 covenants 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 under Subsection 301(a) of the Agreement 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 Authority 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 Authority; 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 Authority 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 Authority 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 Authority 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 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 Series E Bonds, the Institution covenants that it shall take all actions within its power so that the Series E 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.

Securities Law Status - University

The University represents and warrants that it is a state institution.

Securities Law Status - Institution

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 Authority and the Bond Insurer, 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 Authority 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. The University or the Institution, as applicable, shall furnish to the Bond Insurer: a copy of any official statement or other disclosure document, if any, prepared in connection with the issuance of additional indebtedness, whether or not on parity with the Bonds, within 30 days after the sale thereof, notice of the redemption, other than any mandatory sinking fund redemption, of any of the Bonds, or of any advance refunding of the Bonds, including the principal amount, maturities and CUSIP numbers thereto, and such information as the Bond Insurer may reasonably request from time to time.

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 Authority and the Trustee all the obligations of the Institution hereunder and (ii) notifies the Authority, the Trustee and the Bond Insurer 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 Authority 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 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 and with notice to the Bond Insurer 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 may or 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 Bond Insurer and the owners of at least a majority in principal amount of the Outstanding Bonds (subject to the provisions described herein under "Rights of the Bond Insurer"); 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 selected by the Authority 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. The Bond Insurer shall be provided with a full transcript of all proceedings relating to the execution of any such amendment or supplement.

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 Authority 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 Series D Loan and Trust Agreement:

Revenues after Default

Any funds pledged as security under the Series D Loan and Trust 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 and the Authority in connection therewith (including without limitation the expenses of taxes or other charges which the Authority may deem advisable to pay, and reserves for the foregoing to the extent deemed necessary by the Authority), shall be applied, first to the remaining obligations of the University thereunder (other than obligations to make payments to the Authority for its own use) in such order as may be determined by the Trustee, and second, to any unpaid sums due the Authority for its own use. Any surplus thereof shall be paid to the University.

Limitations on Additional Indebtedness

The University shall not issue additional Indebtedness or request or permit UMBA or the Authority 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 Authority 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 Authority 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 and the Bond Insurer a certificate evidencing compliance with the provisions of this section. The University shall also provide the Bond Insurer with a copy of the official statement or other disclosure document, if any, prepared in connection with the issuance of any such additional Indebtedness.

Sufficiency of Expendable Funds

The following provisions shall apply to all General Obligation Indebtedness issued by the University, UMBA or the Authority:

> 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, the Authority and the Bond Insurer 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, the Authority and the Bond Insurer 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 and the Bond Insurer, 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 for 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 and the Bond Insurer, 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 Series E and Series F Loan and Trust Agreements:

Additional Bonds

The Authority may, with the consent of the Bond Insurer, issue additional Bonds to complete the Project or to refund Bonds previously issued under the Agreement. Any such additional Bonds shall be secured by a pledge of, or payable from, Project Revenues equally and ratably with all other Outstanding Bonds.

Prior to the delivery of any additional Bonds, the University or the Institution, as applicable, the Authority 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, with the consent of the Bond Insurer, 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.

Project Fund

The moneys and investments held in the Project Fund shall be applied, except as otherwise provided, by the Authority solely to the payment or reimbursement of Project Costs (which shall not include costs of issuance of the Bonds). If there is an Event of Default known to the Authority with respect to payments to the Rebate Fund, Debt Service Fund, or to the Authority, the Paying Agent or the Trustee, the Authority may use the Project Fund without requisition to make up the deficiency (but for transfers to the Rebate Fund, only out of earnings), and the Institution shall restore the funds so used.

Completion of the Project shall be evidenced by the filing with the Trustee and the Authority of a certificate signed by an Authorized Officer of the Institution, as applicable, stating that the Project has been substantially completed so as to permit efficient use in the operations of the Institution, as applicable, and setting forth any Project Costs remaining to be paid from the Project Fund. Any balance in the Project Fund not then needed to pay Project Costs shall be transferred to the Redemption Fund.

Carrying Out the Project

No funds of the Authority, other than the proceeds of the Bonds, shall be available to pay Project Costs. In future contracts and to the extent permitted by existing contracts, the Institution shall require each contractor engaged in the construction of the Project to employ construction techniques which will tend to minimize detrimental environmental impacts. The Institution applicable, may terminate the Project upon the written consent of the Authority, in which event unspent money in the Project Fund shall be applied in the same way as described above for unspent moneys upon Project completion.

The following provisions are applicable to the Series F Loan and Trust Agreement:

Limitations on Additional Debt Secured by or Payable From Project Revenues

Without prior written consent of the Bond Insurer, the Institution shall not incur debt secured by a pledge of, or payable from, Project Revenues unless all Outstanding Bonds are equally and ratably payable from Project Revenues or equally and ratably secured by such pledge, and unless provision is made, by amendment of the Lease or otherwise, for increased Project Revenues adequate to pay all indebtedness payable from or secured by Project Revenues, including all Outstanding Bonds.

Restrictions on Creation of Liens

The Institution agrees that it will not create or suffer to be created or exist any mortgage or pledge of, security interest in or lien or encumbrance upon the Project (a "Lien") other than Permitted Liens without the prior written consent of the Bond Insurer.

Permitted Liens shall consist of Liens which are described in either or both of the following clauses: (i) Any judgment lien or notice of pending action against the Institution so long as such judgment or pending action is being contested and execution thereon is stayed; or (ii) (A) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting the Project, to (1) terminate such right, power, franchise, grant, license or permit, provided that the exercise of such right would not materially impair the use of the Project or materially and adversely affect the value thereof, or (2) purchase, condemn, appropriate or recapture, or designate a purchaser of, the Project; (B) any Liens on the Project for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any Liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with the Project, which are not due and payable or which are not delinquent, or the amount or validity of which, are being contested and execution thereon is stayed or, with respect to Liens of mechanics, materialmen, and laborers, have been due for less than 60 days; and (C) easements, rights-of-way, servitudes, restrictions and other minor defects, encumbrances, and irregularities in the title to the Project which do not materially impair the use of the Project or materially and adversely affect the value thereof.

Casualty Insurance

From and after the time of the initial disbursement from the Project Fund for Project Costs, the Institution shall maintain or cause to be maintained casualty insurance upon the Project (including all fixtures and equipment installed by the University or the Institution and all alterations and additions made by the Institution) and upon the University's contents and improvements in the Project, including without limitation equipment, furnishings, supplies, inventory and work product, in each case insuring the Institution against loss or damage caused by fire and other risks which are customarily comprehended by the term "all risk" or "special form" in endorsements in insurance policies (with such additional endorsements as may be necessary to include coverage for vandalism and malicious conduct, increased cost of compliance, building collapse, floods, boiler explosion or similar water damage, earthquake, debris removal and demolition, and rent and other business income lost and additional business expense for a period of at least 12 months) in an amount equal to 100% of the insurable replacement cost of the Project and the Project's fixtures and equipment. During the period of construction of the Project, such insurance shall be in "Builder's Risk" (completed value, 100% non-reporting) form. Such insurance shall be maintained with insurers qualified to do business in the Commonwealth of Massachusetts and shall have only such deductibles as are reasonable and customary. Each policy of insurance required to be carried by the Institution under this section shall be noncancellable without 30 days' prior written notice to the Authority, the Trustee and the Bond Insurer.

Promptly upon written request therefor, the Institution shall deliver to the Authority, the Trustee or the Bond Insurer, as the case may be, certificates of insurance evidencing the coverage required under this section, and the Institution shall provide the Authority, the Trustee and the Bond Insurer with a certificate evidencing renewal of any such policy at least 20 days before the expiration thereof.

Maintenance of Lease

The Institution shall observe and perform all the obligations imposed upon it as lessor under the Lease and not do or permit to be done anything to impair the security thereof. The Institution shall not assign its interest in the Lease or its right to receive rents arising or accruing from the Lease or the Project to any party other than the Trustee. The Institution shall not alter, modify or change the terms of the Lease in a manner that would materially adversely affect the Bondowners, or cancel or terminate the Lease or accept a surrender thereof, without the prior written consent of the Bond Insurer.

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SUMMARY OF THE FINANCING AGREEMENT

The following is a summary, prepared by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P. C., Bond Counsel, of certain provisions of the Financing Agreement between the Massachusetts Health and Educational Facilities Authority 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 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 Series E Bonds (the "Bonds") issued, to the extent the same are not paid by the Worcester City Campus Corporation ("WCCC") under the Series E Loan and Trust Agreement (the "Loan and Trust Agreement"). As security for the Bonds, the Authority is assigning to the Trustee all of its right, title and interest in the Financing Agreement (except for rights reserved by the Authority 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 Authority or 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 Authority or the Trustee, as applicable, any other amounts not paid by the WCCC when due under the Loan and Trust Agreement upon notice from the Authority or 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 Authority under the Financing Agreement or under any other agreement between the University and the Authority 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 Authority 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 and Bond Insurer

All covenants, agreements and representations on the part of the University and the Authority, as set forth in the Financing Agreement, are declared to be for the benefit of the registered owners from time to time of the Bonds and for the benefit of the Bond Insurer, 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 Authority to comply with all requirements and to fulfill and to enable the Authority to fulfill all covenants of the Loan and Trust Agreement.

Assignment of Authority's Rights

As the source of payment for the Bonds, the Authority will assign to the Trustee all the Authority's rights under the Financing Agreement (except for the rights of the Authority to receive payment of the Authority's Annual Administrative Fee and other Authority expenditures reasonably incurred by the Authority by reason of the Financing Agreement or the Loan and Trust Agreement, reports and indemnity against claims, and to enforce certain remedies pursuant to 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 Authority 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 Authority 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 Authority 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 Authority 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. The University shall also provide the Bond Insurer with a copy of the official statement or other disclosure document, if any, prepared in connection with the issuance of any such additional Indebtedness.

Segregation Of Expendable Funds

The following provisions shall apply to all General Obligation Indebtedness issued by the University, UMBA or the Authority:

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, the Authority and the Bond Insurer 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, the Authority and the Bond Insurer 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 for 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.

Reports

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, 2007, the University shall deliver (i) to the Authority, the Trustee and the Bond Insurer, within 240 days after the end of its fiscal year, audited annual financial statements of the University on account of such fiscal year, (ii) to the Bond Insurer, within 150 days after the end of its fiscal year, the budget of the University for the next succeeding fiscal year, (iii) to the Bond Insurer, simultaneously with the delivery of its audited financial statements, a copy of the University's most recent catalog, and (iv) to the Bond Insurer, from time to time and to the extent permitted by law, such additional information as the Bond Insurer may reasonably request.

Immunity of Authority and Trustee

In the exercise of the powers of the Authority 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 Authority 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 Authority 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 Authority 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 Authority 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 Authority 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 be used only for the purposes described in Section 3(b) of the Act, and such portion shall not be used for any purpose which would cause the Authority'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 Authority, the Trustee or the Bond Insurer; 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 Authority, the Trustee or the Bond Insurer 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 Authority or the Bond Insurer, 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 Authority 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 Authority, the Trustee, their agents, attorneys and counsel, and any expenses or liabilities incurred by the Authority 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 Authority or the Trustee may, and upon the written direction of the Bond Insurer shall, (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.

<u>Other Remedies</u>

Whenever any Event of Default under the Financing Agreement shall have occurred and be continuing, the Authority or the Trustee may, with the consent of or at the direction of the Bond Insurer, 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 and no payments made by the Bond Insurer under the Bond Insurance Policy shall relieve the University from its obligations pursuant to the Financing Agreement, all of which shall survive any such action. The Authority 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.

<u>Notice of Default</u>

The University shall give the Trustee, the Authority and the Bond Insurer 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.

<u>Limitation of Liability of the Authority</u>

In the event of any default by the Authority under the Financing Agreement, the liability of the Authority 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 Authority, its officers, members, agents and employees, or against any of the property now or hereafter owned by it or them.

<u>Applicable Law</u>

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 Authority may assign the Financing Agreement as set forth herein under "Assignment of Authority's Rights."

Amendments

The Financing Agreement may not be amended except by an instrument in writing signed by the parties, subject to the prior written consent of the Bond Insurer 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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SUMMARY OF THE LEASE

The following is a summary, prepared by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel, of certain provisions of the Lease. This Summary does not purport to be complete and reference is made to the Lease for full and complete statements of such and all provisions.

Pursuant to the Lease, the University leases the Premises from the Institution. Upon delivery of the Series F Bonds, the term of the Lease will extend beyond the final maturity of the Series F Bonds. All references in this summary to the term of the Lease shall be construed to include the current Lease term and each extension term beyond the current Lease term.

The University shall be obligated to pay Annual Base Rent in accordance with an exhibit to the Lease which shall be attached to and incorporated into the Lease upon the issuance of the Series F Bonds. In addition to the Annual Base Rent, the University shall be obligated to pay Additional Rent as provided in "Rent Payment" herein.

Appurtenant Rights.

The University shall have, as appurtenant to the Premises, the right to use: (i) the common lobbies, malls, corridors, stairways, elevators, service areas and loading platform of the Buildings (if the Premises comprise less than the entirety of both Buildings); (ii) the pipes, ducts, conduits, wires and appurtenant meters and equipment serving the Premises; (iii) common pedestrian walkways and landscaped areas; and (iv) all other areas in or about the Buildings, including the parking areas, from time-to-time intended for general use by the University.

Usable Area.

For the purposes of the Lease, the term "Usable Area" shall mean, with respect to the Premises or any space removed from or added to the Premises, the square footage determined by measuring the entire floor area of the Premises (or such other space) bounded by a line established by the predominant inside finish of the permanent outside walls of the Buildings which abuts the floor (not from the inside face of the windows) and by the interior surface of corridor walls or other demising walls. No deductions shall be made for columns or other projections necessary to the structure or systems of the Buildings or for partitions subdividing the Premises. Notwithstanding the foregoing, under no circumstances shall the Usable Area include elevator shafts, vestibules, stair enclosures, elevator machine rooms or other building equipment areas, janitorial, electrical or mechanical closets, loading platforms or restrooms, irrespective of whether the University occupies the entire floor or the entirety of both Buildings.

Rent Payment.

The University agrees to pay, and the Institution to accept, the Annual Base Rent described in the Lease. Semiannual payments on account of the Annual Base Rent shall be payable, as set forth in an exhibit to the Lease, on or before March 25 and September 25 of each year for which it is due. The exhibit sets forth the debt service due on the Series F Bonds and indicates that the University is also obligated to pay certain maintenance costs of the Institution, including the cost of insurance. Said Lease Rent shall be prorated with respect to any fractional year during the term. All Lease Rent payable thereunder shall be absolutely net to the Institution, and shall not be subject to offset or reduction for any reason whatsoever. The University shall ensure that no appropriated revenues of the Commonwealth of Massachusetts are used to support the leasing of the Premises. The University shall deliver to the Institution, upon request by the Institution from time to time, a true copy of the then most recent certification referred to in Section 15A of Chapter 138 of the Acts of 1992, as inserted by Section 303 of Chapter 159 of the Acts of 2000 (which certification the University is required to make annually to the House and Senate Committees on Ways and Means) to the effect that no appropriated revenues of the Commonwealth of Massachusetts were used to support the leasing of the Premises.

If any installment of Lease Rent is not paid when due, the Institution shall be entitled to late payment interest on the overdue amount in accordance with and subject to Section 29C of Chapter 29 of the Massachusetts General Laws and any regulations or administrative bulletins thereunder.

The University also agrees to pay all property Taxes, special and general assessments, betterments or other charges of state, local or national governmental authorities which are assessed, become due, or become liens upon the Land, Buildings, or Premises, and whether now assessed or imposed or thereafter first assessed or imposed.

(1) Assessments and Other Taxes. The Institution agrees that all special and general assessments and betterments will be paid in installments over the longest period permitted by law and that the amount of Taxes shown on each annual statement will include only the portion due in that year. Nothing in the Lease shall be construed to require the University to pay any inheritance, estate, excise, succession, transfer, gift, franchise, income, gross receipt, or profit taxes that are, or may be, imposed upon the Institution, its successors or assigns, except to the extent such taxes are in substitution for Taxes as now imposed on the Buildings, the Land, the Premises or the Lease.

(2) Abatement of Taxes. Upon request of the University, the Institution shall make application to the appropriate Governmental Authority for an abatement of Taxes. If (i) such an application is successful and (ii) the University has made any payment in respect of Taxes under this section for the period with respect to which the abatement was granted, the Institution agrees (a) to deduct from the amount of the abatement all expenses incurred by it in connection with the application (b) within 30 days after receipt of the abatement amount, to pay to the University the University's share (if less than all, and adjusted for any period for which the University had made a partial payment) of the abatement, with interest, if any, paid by the Governmental Authority on such abatement, and (c) retain the balance, if any.

(3) Exemption From Taxes. As provided in Section 6 of Chapter 317 of the Acts of 1983, the Institution may be or become exempt from the obligation to pay Taxes if it leases any part of the Buildings to an organization exempt from taxes under the United States Internal Revenue Code. If the University is able to establish to the Institution's satisfaction the amount of the reduction in Taxes during any calendar year which is a result of the Lease and the University's tax-exempt status, the University's obligation to pay Taxes for such calendar year as provided in this section will abate in the same amount, or the amount, if previously paid, will be refunded to the University. If the University is not tax-exempt but the Institution's obligation to pay Taxes is abated because of the tax-exempt status of any other tenant or tenants of the Buildings, the Institution reserves the right to increase the University's share (if less than all) as it relates to Taxes so that the Taxes payable with respect to the Land and the Buildings for any calendar year during the Lease term are equitably apportioned among the tenants of the Buildings who are not exempt from taxation.

The University also agrees to pay the Institution, as Additional Rent, in the event of any University improvements allowed on behalf of the University and performed by the Institution, an amount equal to 100% of the total cost of the University improvement performed. Payment for such University improvements will consist of two payments. The first payment will be made prior to the start of said improvement and will be in the amount of 80% of the Guaranteed Maximum Price ("GMP") as provided for in the bid of the qualified contractor who is to perform the improvement on behalf of the Institution. The second payment will be made upon completion and acceptance of the improvement for an amount equal to the (i) GMP less (ii) the amount of the University's first payment (80%).

Ownership; Signatory Authority; Debarment; Pending Proceedings.

The Institution warrants and represents that it owns the Premises, and that there are no encumbrances affecting the Premises or Buildings that would prohibit or interfere with the construction of the Landlord's Improvements or the use of the Premises for the Permitted Uses (or the lease of the Premises).

Nothing in the Lease shall be construed to prevent the Institution from (a) selling, mortgaging or leasing the Buildings and/or the land on which the Buildings are constructed or (b) assigning the Lease in connection with the sale, mortgage or lease of the Buildings and/or the land, provided the same does not interfere with the University's peaceful and quiet use and possession of the Premises under the Lease.

The Institution warrants and represents that the Institution's name appears in the Lease exactly as the Institution's name appears on the Institution's record title to the Premises.

The Institution warrants and represents that the Institution has full legal capacity to enter into the Lease. The Institution and the University hereby agree that it is the intention of the parties that tax ownership of the Premises and any and all improvements thereon, shall be vested in the University, and both the Institution and the University each covenants, represents and warrants to the other that it will not take any action which is inconsistent with the foregoing. The University further covenants, represents and warrants to the Institution that the University will not take 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 issued by the Authority for the benefit of the Institution under Section 103 of the Internal Revenue Code.

The Institution warrants and represents that it is not debarred or suspended from contracting with the Commonwealth of Massachusetts under any applicable debarment statute or regulation.

The Institution warrants and represents that it knows of no pending or threatened action, suit, proceeding, inquiry, or investigation before or by any judicial court or administrative or law enforcement agency against or affecting the Institution or its properties wherein any unfavorable decision, ruling or finding would materially and adversely affect the validity or enforceability of the Lease or the Institution's ability to carry out its obligations thereunder.

Delivery of Premises; Compliance with Law.

The Institution warrants and represents that it shall deliver the Premises to the University in good, clean and rentable condition and otherwise in accordance with the terms and conditions of the Lease, and that the construction of the Landlord's Improvements and Building common areas to which the University has appurtenant rights, and the use of the Premises by the University for the Permitted Uses shall be in full compliance with (i) all requirements of the Institution's mortgages and insurance policies, (ii) all applicable laws, ordinances, codes and regulations (including, without limitation, those pertaining to handicapped accessibility) of governmental authorities with jurisdiction, and (iii) all regulations of the Board of Fire Underwriters or any similar insurance rating body or bodies.

If at any time any governmental authority with jurisdiction or the Board of Fire Underwriters or any similar insurance rating body shall notify the Institution or the University that all or any part of the Premises or Buildings is not constructed or maintained in compliance with any applicable law, ordinance, code or regulation, and shall demand compliance, then the Institution shall, upon receipt of such notification, promptly notify the Owner and cause such repairs, alterations or other work to be done so as to bring about the compliance demanded. The Institution may defer compliance so long as the validity of any such law, order or regulation shall be contested in good faith by the Institution and by appropriate legal proceedings, provided that such failure to comply shall in no way interfere with the University's use of the Premises for the Permitted Uses, or subject the University or its employees or invitees to any increased risk of injury to their persons or property, or adversely affect any other right of the University under the Lease, or impose any additional obligation upon the University.

Quiet Enjoyment.

The Institution warrants and covenants that so long as there has not occurred an Event of Default under the Lease by the University, the University shall have peaceful and quiet use and possession of the Premises without hindrance or interruption on the part of the Institution or any other person(s) for whose actions the Institution is legally responsible, or by any person claiming by, through or under the Institution.

The Institution or its agents may, at reasonable times and without unreasonably interfering with the University's use, occupancy and enjoyment of the Premises, enter the Premises to make repairs or to view the Premises. The Institution shall give the University a minimum of 48 hours notice for such visits (which notice may be given by fax in the case of minor repairs taking one day or less to complete or to view the Premises); provided, however, that the Institution may enter the Premises at any hour and without 48 hours notice in the case of an emergency affecting the Premises.

The Institution may enter to show the Premises to prospective tenants only during the last six months of the term of the Lease. The Institution shall notify the University (which notice may be given by "FAX") at least twenty-four hours prior to showing the Premises to prospective purchasers, tenants or other parties.

Use of Premises.

The University shall keep the Premises and all other facilities and equipment that the University has the right to use thereunder in good repair and condition, reasonable wear and tear and damage by fire expressly not excepted, shall use all reasonable precautions to prevent waste, damage, or injury to the Premises or any other part of the Buildings, and shall repair all damage to any part of the Buildings occurring from any cause whatsoever.

Hazardous Substances.

Nothing in the Lease shall prohibit the University from using materials or supplies which may constitute hazardous substances, but which are customarily present in and about premises devoted to the Permitted Uses, provided that such use, including storage and disposal thereof, by the University is in compliance with all laws, rules, regulations, judgments, decrees, orders, licenses, permits, authorizations, agreements, and other restrictions or requirements of governmental authorities relating to the environment or any hazardous substance now or hereafter in effect.

In the event the University, its employees, agents, independent contractors or invitees, causes the release or threatened release of hazardous substances from the Premises, the University shall promptly notify the Institution and the University shall, without cost to the Institution, take such action or cause others to take such action as may be necessary to assess, remediate or remove such hazardous substances as and to the extent required by all laws, rules, regulations, judgments, decrees, orders, licenses, permits, authorizations, agreements, and other restrictions or requirements of governmental authorities relating to the environment or any hazardous substance now or hereafter in effect.

Compliance With Applicable Laws and Removal of Liens.

The University shall comply with all laws, orders and regulations of federal, state, county and city authorities and with any of the Institution's rules and regulations which may be set forth in the Lease (or which the Institution may hereafter establish, provided same do not conflict with the provisions of the Lease). The University may defer compliance so long as the validity of any such law, order or regulation shall be contested in good faith by the University and by appropriate legal proceedings, if the University first gives the Institution appropriate assurance reasonably satisfactory to the Institution against any loss, cost or expense on account thereof, and provided such contest shall not subject the Institution to criminal penalties or civil sanctions, loss of property, liens against property, or civil liability. The University shall not cause or allow any liens of any kind to be filed against the Premises. If any liens are so filed, then the University shall, within fifteen days after receiving written notice of such lien, at its sole cost and expense take whatever action is necessary to cause such lien to be released of record without cost to the Institution.

Self Help; Waiver; Cumulative Remedies.

To the extent that the Institution has any obligations and liabilities under the Lease, and without derogating in any way from the University's obligation to repair and maintain the Premises and the Buildings at its cost throughout the term of the Lease, if the Institution shall default in the performance or observance of any obligation, agreement or condition of the Lease, or shall default in the payment of any tax or other charge which shall be a lien upon the Premises or in the payment of any installment or principal or interest upon any mortgage which shall be prior in lien to the lien of the Lease, and if the Institution shall not cure such default within 30 days after written notice from the University specifying the default, (or, if the default is of such a nature that it cannot be cured within this thirty day period, shall not within this period commence to cure such default and thereafter prosecute the curing of such default to completion with due diligence), the University may, at its sole option and without waiving or limiting any claim for damages, at any time thereafter cure such default for the account of the Institution. Any amount paid or any contractual liability incurred by the University in so doing shall be deemed paid or incurred for the account of the Institution and the Institution agrees to reimburse the University therefor or save the University harmless therefrom, provided that the University may cure any such default as aforesaid prior to the expiration of the waiting period described above (but after the notice to the Institution) if the curing of such default prior to the expiration of the waiting period is reasonably necessary to protect the Buildings or the Premises or the University's interest therein or to prevent injury or damage to persons or property. The University shall not under any circumstances have any right to set off any amount due from the Institution to the University against Annual Base Rent, Additional Rent or any other payment or obligation from the University to the Institution thereunder.

Alterations and Additions.

The University may make Tenant Alterations to the Premises provided that the University shall first obtain the Institution's prior written consent. Without limiting the foregoing, the Institution may withhold its consent to any proposed Tenant Alterations that would violate any law, ordinance, code or regulation of governmental authorities with jurisdiction or any regulation of the Board of Fire Underwriters or any similar insurance rating body or bodies, or which would materially and adversely affect the appearance or value of the Buildings or the mechanical, electrical, sanitary or other systems of the Buildings.

As a condition to giving its consent to any Tenant Alterations, the Institution may require that all or a portion of such Tenant Alterations be removed by the University at the expiration or earlier termination of the Lease, provided that the Institution shall designate all such items to be removed at the time the Institution gives its consent.

As a further condition for its consent, the Institution may require that, prior to the commencement of the work, the University submit to the Institution for its approval plans and specifications that reasonably fix and describe all of the proposed Tenant Alterations. The Institution agrees to review the University's plans and specifications and to advise the University in writing of approval or disapproval within ten business days after submission. In the event of disapproval, the Institution shall advise the University of the reasons therefor and of the changes necessary to obtain the Institution's approval. If the Institution fails to notify the University of disapproval within said time period, the University's plans and specifications shall be deemed approved.

All such Tenant Alterations shall be (i) completed in accordance with any plans and specifications approved by the Institution and in a good and workmanlike manner, with materials in quality at least equal to the then present construction, (ii) performed by contractors approved by the Institution, provided that the Institution's approval shall not be required for any contractors selected by the University pursuant to applicable public bidding laws of the Commonwealth of Massachusetts, (iii) performed and completed in compliance with all applicable laws, ordinances, codes and regulations of governmental authorities and regulations of the Board of Fire Underwriters or any similar insurance body or bodies, and (iv) performed and completed at the University's sole expense, including the cost of all design work, materials, labor, and state and local permits. No approval by the Institution of any plans and specifications or changes in plans and specifications, whether expressly given or resulting from the Institution's inaction, shall be construed as a waiver of any of the requirements of this paragraph.

At all times during the construction of any Tenant Alterations, the University shall cause its contractors and any subcontractors to maintain workers compensation insurance covering the persons employed in connection with such Tenant Alterations as required by law and, if the estimated construction cost of such Tenant Alterations exceeds $25,000, to secure and maintain (a) commercial general liability insurance for the mutual benefit of the Institution and the University with limits reasonably established by the Institution to protect against the risks or nature of the construction to be undertaken or customarily carried in connection with similar work undertaken in buildings similar to the Buildings in the same locality, and (b) such builders risk insurance protecting the interests of the Institution and the University against damage resulting from such Tenant Alterations in amounts deemed reasonably necessary by the Institution. The University shall not permit the University's contractors or any subcontractor to commence any work until all required insurance coverage has been obtained and certificates evidence such coverage have been delivered to and approved by the Institution. Each insurance policy shall be with a company authorized to do business in Massachusetts and shall provide that the Institution shall be given at least twenty days prior, written notice of any alteration or termination of coverage.

The Institution shall have the right to inspect the work as it progresses and to require the University to remove any Tenant Alterations that do not conform to the approved plans and specifications. The University shall not permit any mechanic's liens or similar liens to remain upon the Premises for labor and materials furnished to the University and shall promptly cause any such lien to be released of record without cost to the Institution.

All Tenant Alterations shall remain the exclusive property of the University until the University vacates the Premises. The University may at any time, at its sole option, remove any such Tenant Alteration and restore the Premises to the same conditions as prior to such Tenant Alteration, reasonable wear and tear and damage by fire or other casualty excepted. Any such Tenant Alterations remaining upon the Premises after the University vacates the Premises shall become the property of the Institution without payment.

Damage by Fire or Other Casualty.

If the Premises or any other area to which the University has appurtenant rights under the Lease shall be damaged by fire or other casualty, then, subject to the next paragraph of this section, the Institution shall proceed with diligence to establish and collect all valid claims which may have arisen against insurers based upon any such damage and, subject to the then applicable building codes, zoning ordinances and other legal requirements, the Institution shall proceed with diligence to repair such damage or destruction and restore the Premises and Buildings (and any other areas to which the University has appurtenant rights) as nearly as practicable to their condition prior to such casualty at the sole expense of the University (but, to the extent the Institution has maintained 100% replacement cost casualty insurance as required by the Lease, the Institution's liability thereunder shall not exceed the insurance proceeds payable to the Institution by its insurers). In addition, the Institution shall repair damage to Tenant Alterations, and shall make any remaining proceeds from the "contents and improvements" coverage available to the University to replace the University's furnishings, equipment, inventory and work product.

If the Institution, having notified the University of its intention to repair the damage to the Premises or Buildings as hereafter provided fails to complete such repairs within 150 days after such fire or other casualty, the University may proceed to complete the same at its cost and expense.

Notwithstanding the preceding paragraph: (i) if either the Institution or the University shall determine in its reasonable business judgment that the damage to the Premises or such appurtenant rights is of such a character that the same cannot, in accordance with the preceding paragraph, reasonably be expected to be repaired by the Institution within 180 days from the date on which work would commence (and in any event within 240 days after the date of such fire or other casualty), then either the Institution or the University may terminate the Lease. The University may also elect to terminate the Lease if the Institution, having notified the University of its intention to repair the damage to the Premises or Buildings as hereafter provided fails to complete such repairs within one hundred and eighty days after commencement of such work (and in any event within 240 days after the date of such fire or other casualty).

The foregoing rights of the Institution and the University to terminate the Lease in the event of a fire or other casualty shall be subject to the following notice provisions. Within 30 days after the occurrence of a fire or other casualty, the Institution shall notify the University of the Institution's election to terminate the Lease in accordance with the preceding paragraph. The University shall notify the Institution of the University's election to terminate the Lease in accordance with the preceding paragraph (i) within thirty days after the occurrence of a fire or casualty or (ii) within thirty days after the expiration of the 180 (or 240)-day period given to the Institution to repair the Premises if the Lease has not been terminated and the Institution has failed to complete such repair within said 180 (or 240)-day period, as the case may be. Any such termination of the Lease by the Institution or the University shall be effective no earlier than thirty days after the giving of notice of thereof. Unless terminated pursuant to the foregoing provisions, the Lease shall remain in full force and effect, subject, however, to other provisions of this section.

If any damage to the Premises, the Buildings or any such appurtenant rights, or the repair thereof by the Institution, shall (i) render any part of the Premises unfit for use and occupation by the University or otherwise materially interfere with the University's use and occupancy of the Premises, or (ii) cause a material cessation or reduction in the services to be provided by the Institution under the Lease (even if the University may continue to use and occupy the Premises), the Lease Rent or a just proportion thereof shall be abated from the date of such damage until the Premises and/or such services have been restored as required hereunder. The Institution's casualty insurance shall include coverage for rents and other income lost as a result of the operation of this section and other provisions of the Lease.

Condemnation - Eminent Domain.

If all or any substantial part of the Premises or Buildings shall be taken for any public or quasi-public use under governmental law or by right of eminent domain the Lease shall terminate at the election of the Institution, which may be made notwithstanding that the Institution's entire interest in the Buildings may have been divested. The University may also elect to terminate the Lease if the Condemnation would materially interfere with the University's use and occupancy of the Premises (even if the Premises and Buildings are reconstructed by the Institution to the maximum extent practicable in the case of a partial Condemnation) or, in the case of a partial Condemnation, if (i) the University determines in its reasonable business judgment, that either (x) the portion of the Premises that would remain after completion of restoration could not reasonably be used by the University as a functional unit in the University's operations, or (y) any reconstruction of the Premises and/or Buildings necessary for the University's use and occupancy of the Premises in accordance with the terms of the Lease cannot, in the ordinary course, be expected to be completed by the Institution within 180 days from the date on which restoration work would commence (and in any event within 240 days after the effective date of such taking), or (ii) the Institution, having elected not to terminate the Lease, fails to complete such reconstruction within 180 days from the date on which restoration work would commence (and in any event within 240 days after the effective date of such taking).

The foregoing rights of the Institution and the University to terminate the Lease in the event of a Condemnation shall be subject to the following notice provisions. Within thirty days after a Condemnation of all or a substantial part of the Premises or Buildings, the Institution shall notify the University of the Institution's election to terminate the Lease in accordance with the preceding paragraph. Within thirty days after a Condemnation of all or a substantial part of the Premises or Buildings, or (as to a Condemnation of a lesser portion) if the University shall have made one of the determinations in the preceding paragraph, the University shall notify the Institution of the University's election to terminate the Lease as provided under the Lease within thirty days after the Condemnation. In addition, notwithstanding that such 30-day period may have expired, the University may again terminate the Lease by so notifying the Institution within thirty days after the expiration of the 180 (or 240)-day period given to the Institution to restore the Premises after a partial Condemnation if the Institution has failed to complete such restoration within said 180 (or 240)-day period, as the case may be. Any such termination of the Lease by the Institution or the University shall be effective no earlier than thirty days after the giving of notice thereof. Unless terminated pursuant to the foregoing provisions, the Lease shall remain in full force and effect, subject, however to other provisions of this section.

If neither party elects to terminate the Lease after a Condemnation, the Institution shall proceed with diligence to establish and collect all valid claims which may have arisen against the Condemnation authority or others and, subject to the then applicable building codes, zoning ordinances and other legal requirements, the Institution shall proceed with diligence to restore the Premises and Buildings, or what remains thereof, as nearly as practicable to their condition prior to such Condemnation at the Institution's sole expense, subject, however, to the extent of the proceeds from the Condemnation.

If any Condemnation of the Premises or Buildings or the restoration thereof by the Institution shall (i) reduce the Usable Area of the Premises, (ii) render any part of the Premises unfit for use and occupation by the University or otherwise materially interfere with the University's use and occupancy of the Premises, or (iii) cause a material cessation or reduction in the services to be provided by the Institution under the Lease (even if the University may continue to use and occupy the Premises), the Lease Rent or a just proportion thereof shall be abated until the Premises, or what remains thereof, and/or such services have been restored as required thereunder. In the case of a Condemnation, which reduces the Usable Area of the Premises, interferes with the University's use and occupancy of the Premises, or materially diminishes the Institution services on a permanent basis, a just proportion of the Lease Rent shall be abated for the remainder of the term of the Lease.

The Institution reserves all rights to any damages or compensation payable by reason of any Condemnation and the University grants to the Institution all of the University's rights to such damages or compensation and covenants to execute and deliver such further instruments as the Institution may from time to time request to obtain such damages or compensation, provided, however, that the University reserves for the University any award specifically reimbursing the University for moving or relocation expenses, the value of any personal property, equipment, furnishings or fixtures and any other award, the payment of which does not diminish the amounts otherwise payable to the Institution.

Indemnification of the University by the Institution.

The Institution shall indemnify, save harmless, and defend, under the direction of the Attorney General of the Commonwealth of Massachusetts, the University from any and all liability, claim or cost arising in whole or in part out of any injury, loss, or damage to any person or property while on or within the Premises, Buildings, or appurtenant areas if caused by any negligence, breach of the Lease, or willful misconduct of the Institution or the Institution's employees, agents, contractors, servants, or invitees. The indemnity and hold harmless agreement shall include indemnity against all costs, expenses, and liabilities incurred by the University in connection with any such injury, loss, or damage, or any such claim, or any proceeding brought thereon or in defense thereof, including, but not limited to, reasonable legal fees and expenses charged by public or private counsel employed by the University. The indemnity shall survive termination of the Lease.

Insurance Coverage to be Maintained by the Institution.

At all times during the full term of the Lease, the Institution shall, at the Institution's sole cost and expense, keep in force commercial general liability insurance insuring the Institution against all claims and demands for personal injury or damage to property which may be claimed to have occurred upon or about the Premises, Buildings or appurtenant areas. Said insurance shall be written on an occurrence basis to afford protection in an amount not less than $2,000,000 combined single limit for personal and bodily injury and death and for property damage, with a so-called "broad form" endorsement and contractual liability coverage insuring the performance by the Institution of the indemnity agreement set forth in the section herein entitled "Indemnification of the University by the Institution." Said insurance policy shall also name the University as an additional insured.

The Institution shall also maintain casualty insurance upon (i) the Buildings (including all fixtures and equipment installed by the Institution and all alterations and additions made by the Institution), and (ii) the University's contents and improvements in the Buildings, including without limitation equipment, furnishings, supplies, inventory and work product, in each case insuring the Institution against loss or damage caused by fire and other risks which are customarily comprehended by the term "all risk" in endorsements in insurance policies (with such additional endorsements as may be necessary to include coverage for vandalism and malicious conduct, floods, boiler explosion or similar water damage, earthquake, debris removal and demolition) in an amount equal to one hundred percent of the replacement cost of the Buildings and the Buildings' fixtures and equipment.

All insurance policies required hereunder shall be taken out with insurers qualified to do business in the Commonwealth and shall have only such deductibles as are reasonable and customary.

Under the Lease the Institution is required to provide the University with certificates of insurance in a form reasonably satisfactory to the University for all policies of insurance required thereunder, and shall provide the University with a certificate evidencing renewal of each such policy at least twenty days before the expiration thereof. In the event the University is named as an additional insured under the Institution's commercial general liability insurance policy pursuant to the first paragraph of this section, said insurance policy shall also contain an endorsement providing that the policy may not be canceled, terminated, reduced or changed in any material respect without at least twenty days' prior written notice to the University.

University's Self-Insurance.

The Institution and the University acknowledge and agree that the University is self-insured for loss or damage to its personal property, and that the University is not required by the Lease to procure or maintain insurance of any kind for payment of damages to the Institution or any other party. Notwithstanding any other provision of the lease, but subject to the provisions of the section herein entitled "Liability of the University," the University's liability for injuries to persons or property shall be governed by the provisions of The State Tort Claims Act or any successor statute.

University's Personal Property, Assumption of Risk.

All of the furnishings, equipment, effects and personal property of every kind and nature of the University and of all persons claiming by, through and under the University, which during the term of the Lease may be on the Premises or in the Buildings shall be at the sole risk and hazard of the University except for damage thereto caused by the negligence, breach of the Lease or willful misconduct of the Institution. If the whole or any part of such personal property shall be destroyed or damaged by fire, water or other casualty, no part of such loss or damage is to be charged to or to be borne by the Institution, unless such loss or damage is due to the negligence, breach of the Lease or willful misconduct of the Institution.

Event of Default by the University.

The following events shall be deemed to be "Events of Default under the Lease" by the University:

(a) University shall fail to pay when due any sum of money due the Institution thereunder, whether such sum be an installment of Lease Rent or any other payment or reimbursement due the Institution by the terms of the Lease.

(b) University shall fail to comply with any other obligation or covenant of the University under the Lease, other than the failure to pay a sum of money due the Institution, and shall not cure such failure within thirty days after receiving written notice from the Institution specifying such failure, or for those failures which cannot be cured within such thirty-day period, if the University has failed to commence such cure within said thirty-day period and thereafter diligently pursued such cure to completion.

(c) Any warranty, representation or statement made by the University in the Lease is incorrect or misleading in any material respect on the date made.

Remedies of the Institution.

Upon the occurrence of an Event of Default under the Lease by the University, in addition to the remedies described in the section entitled "Cure by the Institution" and any other remedies available to the Institution at law or in equity, the Institution shall have the right to terminate the Lease upon not less than sixty days prior written notice to the University; provided, however, that in the case of a non-monetary Event of Default under the Lease by the University which poses an immediate threat to the health or safety of persons or property, said sixty-day notice period may be reduced to ten days. Upon such termination, the Lease shall come to an end as fully and completely as if the termination date stated in such notice were the date originally fixed for the expiration of the term of the Lease, and the University shall then quit and surrender the Premises to the Institution, but the University shall remain liable for damages arising out of such Event of Default under the Lease as therein provided.

Upon termination of the Lease by the Institution pursuant to this section, the University shall pay to the Institution the Lease Rent payable by the University to the Institution up to the effective date of such termination, and the University shall remain liable for any breach of its obligations under the Lease occurring prior to the date of termination. In addition, the University shall be liable to pay the Institution, as damages, the aggregate of the Lease Rent remaining in the term of the Lease.

Said Lease Rent shall be payable by the University in the same manner and to the same extent and at the same time as if the Lease had not been terminated. In calculating the amounts to be paid by the University pursuant to the preceding sentence, the University shall be credited with the net Rents then actually received by the Institution from a re-letting of the Premises. Net Rents shall be determined by deducting from the gross rents, as and when received by the Institution from such re-letting, the reasonable expenses incurred or paid by the Institution in terminating the Lease and the reasonable expenses incurred or paid by the Institution in connection with the re-letting of the Premises that are allocable to the remaining term of the Lease. In no event shall the University be entitled to receive any excess of such net Rents over the sums payable by the University to the Institution thereunder. In the event the Institution terminates the Lease by reason of an Event of Default under the Lease by the University, the Institution shall be required to take all reasonable steps to mitigate its damages, including making reasonable efforts to re-let the Premises, it being understood that any such re-letting may be for a period equal to, or shorter, or longer than the remaining term of the Lease.

Cure By the Institution.

If the University fails to perform any of its obligations, agreements, or covenants under the Lease, and if the University shall not cure such failure within thirty days after written notice from the Institution specifying the failure, (or, for those failures which are incapable of being cured within such thirty-day period, if the University has failed to commence such cure within said thirty-day period and thereafter diligently pursued such cure to completion), the Institution may, at its sole option and without waiving or limiting any claim for damages, at any time thereafter perform such obligation of the University; provided that the Institution may cure any such failure prior to the expiration of the waiting period described above (but after notice to the University, which may be by telephone) if the curing of such breach prior to the expiration of the waiting period is reasonably necessary to prevent injury or damage to persons or property, including the Institution's interest in the Premises or Buildings. If the Institution makes any expenditure or incurs any obligation for the payment of money in order to cure a failure to perform by the University as aforesaid, such sums paid or obligations incurred, to the extent they are reasonable, shall be due from the University to the Institution as additional Lease Rent. The Institution shall deliver to the University an itemized statement of all costs incurred by the Institution to cure the University's failure to perform, together with copies of all bills, invoices, receipts and other documents evidencing such costs. Any additional rent due by reason of such costs shall be paid with the second installment of rent due after said statement is delivered to the University.

Event of Default by the Institution.

The following events shall be deemed to be "Events of Default under the Lease" by the Institution:

(a) The Institution shall fail to comply with any obligation or covenant of the Institution under the Lease and shall not cure such failure within thirty days after receiving written notice from the University specifying such failure, or for those failures which cannot be cured within such thirty-day period, if the Institution has failed to commence such cure within said thirty-day period and thereafter diligently pursued such cure to completion.

(b) Any warranty, representation or statement made by the Institution in the Lease is incorrect or misleading in any material respect on the date made.

Remedies of the University.

Upon the occurrence of an Event of Default under the Lease by the Institution, the University shall have the remedies described in the section "Cure by the University" below, which shall be the University's sole and exclusive remedies at law or in equity.

Cure by the University.

If the Institution fails to perform any obligation, agreement or condition of the Lease on its part to be performed, including but not limited to, failing to make any required repairs or provide any Building services, and if such failure shall interfere with the University's use or occupancy of the Premises in the University's reasonable judgment, and if the Institution shall not cure such failure within thirty days after written notice from the University specifying the failure, (or, for those failures which are incapable of being cured within such thirty-day period, if the Institution has failed to commence such cure within said thirty-day period and thereafter diligently pursued such cure to completion), the University may, at its sole option and without waiving or limiting any claim for damages, at any time thereafter perform such obligation for the Institution; provided that the University may cure any such failure prior to the expiration of the waiting period described above (but after notice to the Institution, which may be by telephone) if the curing of such failure prior to the expiration of the waiting period is reasonably necessary to prevent injury to persons or property. If the University makes any expenditure or incurs any obligation for the payment of money in order to cure a failure to perform by the Institution as aforesaid, such monies paid or obligations incurred, to the extent they are reasonable, shall be deemed paid or incurred on behalf of the Institution, and the Institution agrees to reimburse the University therefor or save the University harmless therefrom. The

University shall deliver to the Institution an itemized statement of all costs incurred by the University to cure the Institution's failure to perform, together with copies of all bills, invoices, receipts and other documents evidencing such costs. The Institution shall pay any outstanding bills for labor or materials promptly, and shall reimburse the University within thirty days of demand for any amount paid by the University on behalf of the Institution. The University shall not under any circumstances have any right to set off any amount due from the Institution to the University against Lease Rent or any other payment or obligation from the University to the Institution thereunder.

Remedies Cumulative.

Any and all rights the Institution may have under the Lease, and at law and equity, shall be cumulative and shall not be deemed inconsistent with each other, and any two or more of such rights and remedies may be exercised at the same time insofar as permitted by law.

Subordination.

Upon request of the Institution in writing, the University will subordinate the Lease and the lien thereof to the lien of any future mortgage(s) upon the Premises held by a bank, insurance company, governmental agency, or other financial institution, provided that the Institution and the holder of such mortgage(s) shall execute and deliver to the University the *Commonwealth of Massachusetts Standard Subordination, Non-Disturbance and Attornment Agreement*. The word "mortgage" as used herein includes mortgages, deeds of trust and all similar instruments, and all modifications, extensions, renewals and replacements thereof.

Holding Over By the University.

If the University or anyone claiming under the University shall remain in possession of the Premises or any part thereof after the expiration of the term of the Lease thereof, without any agreement in writing between the Institution and the University with respect thereto, prior to acceptance of Lease Rent by the Institution the person remaining in possession shall be deemed a tenant at sufferance. After acceptance of Lease Rent by the Institution, the person remaining in possession shall be deemed a tenant from month-to-month, subject to the provisions of the Lease insofar as the same may be made applicable to a tenant from month-to-month. Notwithstanding the foregoing, the University agrees that the Institution may accept any Lease Rent tendered by the University after the expiration or earlier termination of the Lease without prejudice to any claim that the Institution may have for a higher fair market rent for the Premises, provided the Institution shall give the University written notice of such claim prior to acceptance of such Lease Rent. Nothing in this section shall be construed to give the University a right to remain in possession of the Premises after the Expiration Date.

Liability of the University.

No official, employee or consultant of the Commonwealth of Massachusetts shall ever be personally liable to the Institution or to any successor in interest to the Institution or to any person claiming through or under the Institution for or on account of any Event of Default under the Lease by the University or failure by the University to perform any of its obligations thereunder, or for or on account of any amount which may be or become due under the Lease, or for the satisfaction of any judgment against the University under the Lease, or on any claim, cause or obligation whatsoever under the terms of the Lease.

Liability of the Institution.

No trustee, beneficiary, partner, director, officer, shareholder or employee of the Institution shall ever be personally liable to the University or to any successor in interest to the University or person claiming through or under the University for or on account of any Event of Default under the Lease by the Institution or failure by the Institution to perform any of its obligations hereunder, or for or on account of any amount which may be or become due under the Lease, or for the satisfaction of any judgment against the Institution under the Lease or on any claim, cause or obligation whatsoever under the terms of the Lease. The University shall look solely to the Institution's interest in the Premises and Buildings and the Institution's interest in the legal parcel upon which the Buildings are located and to the rents and profits therefrom for the satisfaction of any claim or judgment against the Institution under the Lease. Notwithstanding the foregoing, nothing in this paragraph shall limit any right that the University may otherwise have to obtain injunctive relief against the Institution, or to claim the proceeds of any insurance maintained by the Institution for the University's benefit or any condemnation proceeds to which the University may be entitled thereunder. In addition nothing in this paragraph shall limit the recourse of the University on account of willful fraudulent conduct by an individual, provided that only the individual who actually engaged in the willful, fraudulent conduct shall have liability for such conduct.

Force Majeure.

In any case where either party to the Lease is required to do any act (specifically excluding, however, the payment by the University of Lease Rent or any other charge to be paid by the University under the Lease), delays caused by or resulting from war, fire, flood or other casualty, strikes, extraordinary governmental regulation, unusually severe weather, or other causes beyond such party's reasonable control ("Force Majeure Causes"), shall not be counted in determining the time during which such act shall be completed, whether such time be designated by a fixed date, a fixed time or "a reasonable time," and such time shall be deemed to be extended by the period of the delay.

Extension; Option to Purchase.

The Institution and the University may extend the Lease for a term or terms not to exceed five years in the aggregate upon such terms and conditions as may be mutually agreed upon. This provision shall not be construed as granting the Institution or the University an exclusive option to extend the Lease, and no extension of the Lease shall be effective unless and until a written amendment to the Lease extending the term hereof is duly executed and delivered by the Institution and the University.

The Institution grants to the University the right to purchase all or any portion of the Premises for $10.00, effective upon the expiration of the term of the Lease. The University may exercise such option by giving the Institution written notice of the University's desire to do so, such notice to be given not earlier than 60 days, and not later than 45 days, prior to the last day of the term of the Lease. If the University duly exercises such option, then on the day immediately after the last day of the term of the Lease, the Institution shall convey all of the Institution's right, title and interest in and to the Premises (including all improvements and buildings thereon) to the University, and the University shall pay the purchase price therefor.

Changes in Lease.

None of the provisions or terms of the Lease shall be deleted, amended or modified in any manner except by a written instrument signed, sealed and mutually agreed upon by all the parties to the Lease, and approved as required by law. Such instrument shall not be void for want of consideration.

Binding Agreement.

The Lease shall bind and inure to the benefit of the parties thereto and their respective representatives, successors and assigns. All covenants, agreements, terms and conditions of the Lease shall be construed as covenants running with the land.

Governing Law.

The Lease shall be construed and governed by the laws of the Commonwealth of Massachusetts. The Institution and the University agree to bring any Federal or State legal proceedings arising under the Lease, in which the Commonwealth of Massachusetts, the User Agency or DCAM is a party, in a court of competent jurisdiction within the Commonwealth of Massachusetts.

Waiver.

The failure of either party to seek redress for violation or to insist upon the strict performance of any covenant or condition of the Lease shall not prevent a subsequent act, which would have originally constituted a violation, from having all the force and effect of a violation. No provision of the Lease shall be deemed to have been waived by either party unless such waiver be in writing and signed by a duly authorized representative of the party to be bound by such waiver.

Rights and Remedies Not Exclusive.

Unless otherwise expressly stated in the Lease, no mention in the Lease of any specific right or remedy shall preclude the Institution or the University from exercising any other right, or from having any other remedy, or from maintaining any action to which it may otherwise be entitled either at law or in equity.

Accord and Satisfaction.

No acceptance by the Institution of a lesser sum than the Lease Rent then due shall be deemed to be other than on account of the earliest installment of such Lease Rent due, nor shall any endorsement or statement on any check of the Institution or the University or any letter accompanying any check or payment from either the Institution or the University to the other be deemed an accord and satisfaction, and the Institution and the University may accept such check or payment without prejudice to such party's right to recover any balance due with respect to such payment or pursue any other remedy provided in the Lease.

Debarred Contractors.

The Institution agrees that it shall not, during the term of the Lease, knowingly accept bids or proposals from or enter into any contract with any person or firm for the construction, repair or maintenance of the Premises if such person or firm is debarred or suspended from contracting with the Commonwealth of Massachusetts under any applicable debarment statute or regulation.

Time of Essence.

Time is of the essence of the Lease and each of its provisions.

Non-Discrimination in Employment.

The Institution shall not discriminate against any qualified employee, applicant for employment, contractor, or person or firm seeking to provide goods or services to the Institution because of race, color, national origin, ancestry, age, sex, religion, physical or mental handicap, or sexual orientation. The Institution shall comply with all applicable federal and state statutes, rules, and regulations prohibiting discrimination in employment.

Severability.

If any provision of the Lease is declared to be illegal, unenforceable, or void, then the Institution and the University shall be relieved of all obligations under that provision (or the application of that provision under circumstances in which it is illegal or unenforceable) provided, however, that the remainder of the Lease shall be enforced to the fullest extent permitted by law.

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PROPOSED FORM OF OPINION OF BOND COUNSEL

[Date of Closing]

Massachusetts Health and Educational Facilities Authority
99 Summer Street
Boston, Massachusetts 02110

Re: Massachusetts Health and Educational Facilities Authority ("Authority") $____________ Revenue Bonds, University of Massachusetts Issue, Series D (2007) (the "Series D Bonds"), $____________ Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series E (2007) (the "Series E Bonds") and $____________ Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project), Series F (2007) (the "Series F Bonds," and, together with the Series D and the Series E Bonds, the "Bonds").

We have acted as bond counsel to the Authority in connection with the issuance by the Authority of the Bonds pursuant to Chapter 614 of the Massachusetts Acts of 1968, as amended (the "Act"), a Loan and Trust Agreement dated as of September 12, 2006 (the "Series D Agreement") among the Authority, the University of Massachusetts (the "University") and Chittenden Trust Company, as trustee (the "Trustee"), relating to the Series D Bonds, a Loan and Trust Agreement dated as of September 12, 2006 (the "Series E Agreement") among the Authority, Worcester City Campus Corporation (the "Institution") and the Trustee relating to the Series E Bonds and a Loan and Trust Agreement dated as of September 12, 2006 (the "Series F Agreement," and, collectively with the Series D Agreement and the Series E Agreement, the "Trust Agreements") among the Authority, the Institution and the Trustee relating to the Series F 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 September 12, 2006 (the "Financing Agreement") between the University, acting in the name of and on behalf of the Commonwealth of Massachusetts (the "Commonwealth"), and the Authority relating to the Series E Bonds and the Lease dated as of April 12, 2002, as amended as of the date hereof (the "Lease"), between the Institution, as landlord, and the University, as tenant, relating to the Series F Bonds.

Pursuant to the Series D Agreement, the proceeds from the sale of the Series D Bonds will be used by the Authority to make a loan to the University, and pursuant to the Series E Agreement and the Series F Agreement, the proceeds from the sale of the Series E Bonds and the Series F Bonds, respectively, will be used by the Authority to make loans to the Institution. Pursuant to the Financing Agreement, the University has agreed to make, from the payment sources specified therein, payments to the Authority to the extent the Institution's payments under the Series E Agreement are insufficient. Pursuant to the Series F Agreement, the Institution has agreed to make payments on the Bonds from revenues derived by the Institution from the project being financed by the Series F Bonds, including without limitation payments received pursuant to the Lease and insurance and condemnation payments. Payment when due of the principal of and interest on the Bonds has been insured by a municipal bond insurance policy (the "Insurance Policy") issued by Financial Guaranty Insurance Company.

In order to secure the payment of the principal of and interest on the Bonds, the Authority has pledged and assigned to the Trustee (i) the rights of the Authority under the Trust Agreements and the Financing Agreement, as applicable, including its rights to receive the amounts payable by the University under the Series D Agreement and by the Institution under the Series E Agreement and the Series F Agreement but excluding certain administrative fees, indemnities and reimbursements, (ii) the rights of the Authority under the Insurance Policy, (iii) all funds held under the applicable Trust Agreements, except the Rebate Fund under any of the Trust Agreements, and

(iv) proceeds of all of the foregoing. In order to secure its obligations under the Series F Agreement, the Institution has pledged and assigned to the Trustee its rights under the Lease.

As to questions of fact material to our opinion, we have relied upon the representations of the Authority, 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 Authority 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 Agreement have been duly authorized, executed and delivered by the Authority and constitute valid and binding obligations of the Authority enforceable upon the Authority.

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 Authority and are valid and binding special obligations of the Authority, payable solely from the sources provided therefor pursuant to the applicable Trust Agreement. Neither the Commonwealth nor any political subdivision thereof nor the Authority 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 Authority is pledged to the payment of the principal of or interest on the Bonds.

5. (a) Interest on the Bonds will not be included in the gross income of holders of the Bonds for federal income tax purposes. This opinion is rendered subject to the condition that certain requirements of the Internal Revenue Code of 1986, as amended, be met subsequent to the date of issuance of the Bonds in order that interest be and remain excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds.

(b) While interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed under federal tax law on individuals and corporations, interest on the Bonds will be included in the “adjusted current earnings” of corporate holders of the Bonds and therefore will be taken into account in computing the alternative minimum tax imposed on certain corporations.

(c) 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, their transfer and the income therefrom, including any profit made on the sale thereof, under the laws of states other than Massachusetts.

7. For federal and Massachusetts tax purposes, interest includes original issue discount allocable to the holder of a Bond. 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 the Bonds. 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.

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,

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.

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FORM OF 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 Chittenden Trust Company, as trustee (the "Trustee"), in connection with the issuance of the Revenue Bonds, University of Massachusetts Issue, Series D (2007) (the "Series D Bonds"), Worcester City Campus Corporation Issue (University of Massachusetts Project) Series E (2007) (the "Series E Bonds") and Worcester City Campus Corporation Issue (University of Massachusetts Project) Series F (2007) (the "Series F Bonds" and collectively with the Series D Bonds and the Series E Bonds, the "Bonds"). The Series D Bonds are being issued pursuant to a Loan and Trust Agreement dated as of September 12, 2006 (the "Series D Trust Agreement") among the Massachusetts Health and Educational Facilities Authority (the "Authority"), the University and the Trustee. The Series E Bonds are being issued pursuant to a Loan and Trust Agreement dated as of September 12, 2006 (the "Series E Trust Agreement") among the Authority, the Institution and the Trustee. The Series F Bonds are being issued pursuant to the provisions of the Loan and Trust Agreement dated as of September 12, 2006 (the "Series F Trust Agreement" and collectively with the Series D Trust Agreement and the Series E Trust Agreement, the "Trust Agreement") among the Authority, the Institution and the Trustee. The proceeds of each series of Bonds are being loaned by the Authority to the Institution 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 Underwriters (defined below) in complying with the Rule (defined below). The Institution, the University and the Trustee acknowledge that the Authority 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 Authority a written acceptance of such designation. The same entity may serve as both Trustee and Dissemination Agent. Initially, the Trustee shall serve as the Dissemination Agent.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories as of the date of execution of this Agreement are listed in Exhibit B.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"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.

"State Repository" shall mean any public or private repository or entity designated by The Commonwealth of Massachusetts as a state repository for the purpose of the Rule.

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, 2007 (the "Filing Deadline"), shall provide to each Repository 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 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 each Repository as soon as practicable thereafter. The Institution and the University shall provide copies of their Annual Report to the Authority and the Trustee.

(b) The Dissemination Agent shall:

(i) determine each year within ten days of the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any (insofar as determinations regarding National Repositories are concerned, the

Dissemination Agent, the Trustee, the Institution or the University, as applicable, may rely conclusively on the list of National Repositories maintained by the United States Securities and Exchange Commission); and

(ii) file a report with the Institution, the University, the Authority and the Trustee certifying that the Annual Report has been provided pursuant to this Agreement, stating the date it was provided and listing all the Repositories to which 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 Municipal Securities Rulemaking Board and the State Repository in substantially in the form of Exhibit A.

(d) If the Dissemination Agent has not provided the Annual Report to the Repositories 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 December __, 2006 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 FTE undergraduates and graduates at each campus of the University as of the fall of the prior fiscal year (pp. 2-3) an;

2. Degrees and programs offered at each campus of the University (pp. 2-3);

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.

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 or events affecting the tax-exempt status of the Bonds.

7. Modifications to the rights of the Bondowners.

8. Bond calls (the giving of notice of regularly scheduled mandatory sinking fund redemption shall not be deemed material for this purpose under clause (b) of this Section 5.).

9. Defeasances.

10. Release, substitution or sale of property securing repayment of the Bonds.

11. Rating changes.

(b) Whenever the Institution or the University obtains knowledge of the occurrence of a Listed Event, if such Listed Event is material, the Institution or the University, as the case may be, shall, in a timely manner, direct the Dissemination Agent to file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository. The Institution and the University shall provide a copy of each such notice to the Authority 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. Termination of Reporting Obligation. 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 7. Dissemination Agent. The Institution or the University may, from time to time with notice to the Trustee and the Authority, 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 Authority, 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 Authority.

SECTION 8. Amendment; Waiver. 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 8, 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 9. 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 10. 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, 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.

SECTION 11. 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 any Repository 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 12. 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 ii any other person or entity.

SECTION 13. 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.

IN WITNESS WHEREOF, the parties hereto have executed this instrument this __ day of January, 2007.

WORCESTER CITY CAMPUS CORPORATION

By______________________________
President

THE UNIVERSITY OF MASSACHUSETTS

By_______________________________

CHITTENDEN TRUST COMPANY, as Trustee

By______________________________

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Massachusetts Health and Educational Facilities Authority

Name of Bond Issues:

Revenue Bonds, University of Massachusetts Issue, Series D (2007)

Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project) Series E (2007)

Revenue Bonds, Worcester City Campus Corporation Issue (University of Massachusetts Project) Series F (2007)

Name of Obligated Persons:

Date of Issuance: _______________, 2007

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 January __, 2007 by and among Worcester City Campus Corporation, University of Massachusetts and Chittenden Trust Company, as trustee.

Dated: ___________________

[Name of Party________________________]

[cc: Massachusetts Health and Educational Facilities Authority]

EXHIBIT B

NRMSIRs

Bloomberg Municipal Repositories
100 Business Drive
Skillman, NJ 08558
Telephone: (609) 279-3225
Fax: (609) 279-5962
E-mail: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ07024
Telephone: (201) 346-0701
Fax: (201) 947-0107
E-mail: nrmsir@dpcdata. com

Standard & Poor's J.J. Kenny Repository
55 Water Street, 45th Floor
New York, New York 10041
Telephone: (212) 438-4595
Fax: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

FT Interactive Data
Attn.: NRMSIR
100 William Street
New York, New York 10038
Telephone: (212) 771-6999
Fax: (212) 771-7390 (Secondary Market Information)
(212) 771-7391 (Primary Market Information)E-mail: NRMSIR@FTID.com

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FGIC

Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
T 212-312-3000
T 800-352-0001

Municipal Bond
New Issue Insurance Policy

Issuer:	**Policy Number:**
	Control Number: 0010001
Bonds:	**Premium:**

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to U.S. Bank Trust National Association or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all

FGIC

Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
T 212·312·3000
T 800·352·0001

Municipal Bond
New Issue Insurance Policy

---

principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date: **Authorized Representative**

U.S. Bank Trust National Association, acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

Authorized Officer

FGIC

Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
T 212·312·3000
T 800·352·0001

Endorsement
To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:** 0010001

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent

FGIC

Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
T 212-312-3000
T 800-352-0001

Endorsement
To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:** 0010001

Notwithstanding the terms and provisions contained in this Policy, it is further understood that the term "Bondholder" shall not include the ___________ [Conduit Obligor] (as such term is defined in the bond documentation).

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent

APPENDIX K

TABLES OF REFUNDED BONDS

Massachusetts Health and Educational Facilities Authority, Revenue Bonds, University of Massachusetts Issue, Series B (2001)

Interest Rate	Maturity Date	Par Amount	CUSIP	Refunded
4.600%	10/1/2012	$ 290,000	57585KRH(3)	$ 290,000
4.750%	10/1/2013	305,000	57585KRJ(9)	305,000
4.850%	10/1/2014	320,000	57585KRK(6)	320,000
4.900%	10/1/2015	335,000	57585KRL(4)	335,000
5.000%	10/1/2016	350,000	57585KRM(2)	350,000
5.000%	10/1/2017	370,000	57585KRN(0)	370,000
5.100%	10/1/2018	385,000	57585KRP(5)	385,000
5.125%	10/1/2019	405,000	57585KRQ(3)	405,000
5.125%	10/1/2020	425,000	57585KRR(1)	425,000
5.125%	10/1/2021	450,000	57585KRS(9)	450,000
5.125%	10/1/2022	470,000	57585KRT(7)	470,000
5.125%	10/1/2023	495,000	57585KRU(4)	495,000
5.250%	10/1/2031	5,030,000	57585KRV(2)	5,030,000

Massachusetts Health and Educational Facilities Authority, Revenue Bonds, Worcester City Campus Corporation Issue, Series B (2001)

Interest Rate	Maturity Date	Par Amount	CUSIP	Refunded
4.600%	10/1/2012	$ 1,260,000	57585KSG(4)	550,000
5.250%	10/1/2013	1,315,000	57585KSH(2)	575,000
5.250%	10/1/2014	1,385,000	57585KSJ(8)	600,000
5.250%	10/1/2015	1,460,000	57585KSK(5)	640,000
5.000%	10/1/2016	1,535,000	57585KSL(3)	670,000
5.000%	10/1/2017	1,610,000	57585KSM(1)	700,000
5.100%	10/1/2018	1,690,000	57585KSN(9)	740,000
5.125%	10/1/2019	1,780,000	57585KSP(4)	775,000
5.125%	10/1/2020	1,870,000	57585KSQ(2)	815,000
5.125%	10/1/2021	1,965,000	57585KSR(0)	855,000
5.125%	10/1/2022	2,065,000	57585KSS(8)	900,000
5.125%	10/1/2023	2,170,000	57585KST(6)	945,000
5.250%	10/1/2031	22,000,000	57585KSU(3)	22,000,000

APPENDIX K

Massachusetts Health and Educational Facilities Authority, Revenue Bonds, Worcester City Campus Corporation Issue, Series C (2002)

Interest Rate	Maturity Date	Par Amount	CUSIP	Refunded
4.000%	10/1/2007	$ 1,370,000	57585KYL(6)	$ 1,370,000
4.150%	10/1/2008	1,425,000	57585KYM(4)	1,425,000
4.300%	10/1/2009	1,485,000	57585KYN(2)	1,485,000
4.400%	10/1/2010	1,550,000	57585KYP(7)	1,550,000
4.400%	10/1/2011	50,000	57585KYQ(5)	50,000
5.000%	10/1/2011	1,570,000	57585KYR(3)	1,570,000
4.500%	10/1/2012	1,700,000	57585KYS(1)	1,700,000
4.650%	10/1/2013	300,000	57585KYT(9)	300,000
5.250%	10/1/2013	1,475,000	57585KYU(6)	1,475,000
5.500%	10/1/2014	1,865,000	57585KYV(4)	1,865,000
4.850%	10/1/2015	175,000	57585KYW(2)	175,000
5.500%	10/1/2015	1,795,000	57585KYX(0)	1,795,000
5.500%	10/1/2016	2,075,000	57585KYY(8)	2,075,000
5.000%	10/1/2017	2,190,000	57585KYZ(5)	2,190,000
5.500%	10/1/2018	2,300,000	57585KZA(9)	2,300,000
5.500%	10/1/2019	2,425,000	57585KZB(7)	2,425,000
5.125%	10/1/2020	2,560,000	57585KZC(5)	2,560,000
5.200%	10/1/2021	2,690,000	57585KZD(3)	2,690,000
5.250%	10/1/2022	2,830,000	57585KZE(1)	2,830,000
5.250%	10/1/2031	33,190,000	57585KZF(8)	33,190,000

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Massachusetts Health and Educational Facilities Authority • Revenue Bonds University of Massachusetts Issue Series D and Worcester City Campus Corporation Issue Series E and F

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