

**NEW ISSUE - BOOK ENTRY ONLY**

**RATING: STANDARD & POOR'S: "A"**  
(See "Rating" herein)

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2016 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2016 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, the Series 2016 Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, will be exempt from taxes directly imposed thereon by The State of New Hampshire and the municipalities and other political subdivisions of The State of New Hampshire. See "TAX MATTERS" herein.*



**\$34,000,000\***  
**NEW HAMPSHIRE HEALTH AND  
EDUCATION FACILITIES AUTHORITY**  
**Revenue Bonds**  
**Southern New Hampshire University Issue, Series 2016**

**Dated: Date of Delivery**

**Due: January 1, as shown on the inside cover**

The Series 2016 Bonds will initially be maintained in book-entry form registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. Payments of the principal of and premium, if any, and interest on the Series 2016 Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as trustee and paying agent (the "Bond Trustee"), to DTC in accordance with the Bond Indenture described herein and the Bond Trustee shall have no obligation to make payments to any beneficial owner of any Series 2016 Bond. Individual purchases will be made in book-entry form only. Purchasers of Series 2016 Bonds will not receive physical delivery of bond certificates. See "THE SERIES 2016 BONDS - Book-Entry Only System" herein.

The Series 2016 Bonds will bear interest at the fixed rates and mature in the years and in the principal amounts set forth on the inside cover hereof. Interest on the Series 2016 Bonds from their date of delivery is payable on January 1, 2017 and semiannually thereafter on July 1 and January 1. **The Series 2016 Bonds are subject to redemption prior to maturity, as described herein.**

The Series 2016 Bonds are special obligations of the New Hampshire Health and Education Facilities Authority (the "Authority") payable solely from the revenues of the Authority assigned therefor by the Authority pursuant to the Bond Indenture, including payments to be made to the Bond Trustee for the account of the Authority by Southern New Hampshire University (the "Institution") in accordance with the provisions of a Loan Agreement and Mortgage, as described herein. The Series 2016 Bonds will be issued on a parity with the mortgage lien granted by the Institution on certain of its facilities and the security interest in its gross receipts and equipment granted with respect to the Authority's Series 2012 Bonds and Series 2014 Bonds (each as defined herein), that will remain outstanding following the issuance of the Series 2016 Bonds. **The mortgage lien on the Facility (as defined herein) and the security interest in the Equipment (as defined herein) may be released under certain circumstances, as described herein.**

**Neither the State of New Hampshire nor any municipality or political subdivision thereof shall be obligated to pay the principal of or premium, if any, or interest on the Series 2016 Bonds except from the sources described herein, and neither the faith and credit nor the taxing power of the State of New Hampshire or of any municipality or political subdivision thereof is pledged to the payment of the Series 2016 Bonds. The Authority has no taxing power.**

The Series 2016 Bonds are offered when, as and if issued by the Authority and received by the Underwriter, subject to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by its counsel, Wadleigh, Starr & Peters PLLC, Manchester, New Hampshire; for the Institution by its counsel, Sheehan Phinney Bass + Green, Professional Association, Manchester, New Hampshire; and for the Underwriter by its counsel, Hinckley, Allen & Snyder LLP, Boston, Massachusetts. Ice Miller LLP, Chicago, Illinois, is serving as disclosure counsel to the Institution. It is expected that the Series 2016 Bonds will be available for delivery to DTC in New York, New York on or about June \_\_, 2016.

**TD Securities**

Dated: May \_\_, 2016

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to change without notice and completion or amendment in a final Official Statement. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Series 2016 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

**\$34,000,000\***  
**New Hampshire Health and Education Facilities Authority**  
**Revenue Bonds**  
**Southern New Hampshire University Issue, Series 2016**

\$ \_\_\_\_\_ \* Serial Bonds

<u>Maturity</u> (January 1)*	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>CUSIP</u> †
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\$ \_\_\_\_\_ \* \_\_\_\_\_ % Term Bond Due January 1, \_\_\_\_\_ \* at \_\_\_\_\_ % - CUSIP† \_\_\_\_\_

\$ \_\_\_\_\_ \* \_\_\_\_\_ % Term Bond Due January 1, \_\_\_\_\_ \* at \_\_\_\_\_ % - CUSIP† \_\_\_\_\_

\$ \_\_\_\_\_ \* \_\_\_\_\_ % Term Bond Due January 1, \_\_\_\_\_ \* at \_\_\_\_\_ % - CUSIP† \_\_\_\_\_

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\* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association (“ABA”). CUSIP data herein are provided by CUSIP Global Services, operated on behalf of the ABA by S&P Capital IQ, a division of McGraw-Hill Financial, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Series 2016 Bonds and none of the Authority, the Institution nor the Underwriter makes any representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2016 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2016 Bonds.

No dealer, broker, salesman or other person has been authorized by the Authority, the Institution, DTC or the Underwriter to give any information or to make any representations with respect to this offering, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2016 Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinions contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the Institution since the date hereof.

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

The Authority makes no representation with respect to the information in this Official Statement, other than under the heading "THE AUTHORITY" and information concerning the Authority under the headings "INTRODUCTION" and "LITIGATION."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2016 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE SERIES 2016 BONDS TO CERTAIN DEALERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE SERIES 2016 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

**In making an investment decision investors must rely on their own examination of the issuer and the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.**

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**NEW HAMPSHIRE HEALTH AND EDUCATION  
FACILITIES AUTHORITY**

**OFFICIAL STATEMENT**

**RELATING TO**

**\$34,000,000\***

**NEW HAMPSHIRE HEALTH AND EDUCATION  
FACILITIES AUTHORITY**

**REVENUE BONDS,**

**SOUTHERN NEW HAMPSHIRE UNIVERSITY ISSUE, SERIES 2016**

**INTRODUCTION**

The purpose of this Official Statement, including the cover page and the Appendices hereto, is to set forth certain information concerning the New Hampshire Health and Education Facilities Authority (the "Authority"), and its \$34,000,000\* Revenue Bonds, Southern New Hampshire University Issue, Series 2016 (the "Series 2016 Bonds"). Certain terms used in this Official Statement have the meanings set forth in Appendix C - "CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS - Definitions."

The Series 2016 Bonds are being issued by the Authority pursuant to a Bond Indenture dated as of May 1, 2016 (the "Bond Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Bond Trustee").

The Authority will loan the proceeds of the Series 2016 Bonds to Southern New Hampshire University (the "Institution") pursuant to a Loan Agreement and Mortgage dated as of May 1, 2016, (the "Agreement") by and between the Authority and the Institution.

A portion of the proceeds of the Series 2016 Bonds will be used to finance certain capital improvements of the Institution more specifically set forth herein under "THE SERIES 2016 PROJECT." Proceeds of the Series 2016 Bonds also will be used to pay certain costs related to the issuance of the Series 2016 Bonds. See ESTIMATED SOURCES AND USES OF FUNDS" herein.

Simultaneously with the issuance of the Series 2016 Bonds and in consideration of the Authority's loan to the Institution of the proceeds of the Series 2016 Bonds under the Agreement, the Institution will issue and deliver to the Trustee its note dated as of May 1, 2016 in the principal amount of the Series 2016 Bonds (the "Series 2016 Note"). The Series 2016 Note will be pledged and assigned by the Authority to the Bond Trustee under the Bond Indenture to be held for the sole benefit of the holders of the Series 2016 Bonds. The Institution's obligations to make payments under the Agreement and the Series 2016 Note constitute general obligations of the Institution and will be secured by a security interest granted by the Institution on its Gross Receipts and Equipment and a mortgage lien granted by the Institution on its Facility. The security interest granted by the Institution on its Gross Receipts and Equipment and the mortgage lien granted by the Institution on its Facility will be secured equally and ratably with the security interest and mortgage lien granted by the Institution to secure its obligations under the Authority's (i) Revenue Bonds, Southern New Hampshire University Issue, Series 2012, currently outstanding in the principal amount of \$61,445,000 (the "Series 2012 Bonds") and (ii) Revenue Bonds, Southern New Hampshire University Issue, Series 2014, currently outstanding in the aggregate principal amount of \$62,514,000 (the "Series 2014 Bonds" and, with the Series 2012 Bonds, collectively, the "Prior Bonds" and with the Series 2016 Bonds, the "Bonds") and any Additional Bonds and Alternate Debt and will be equally and ratably secured with respect to such security interests and mortgage lien to the extent provided in the Bond Indenture and the Agreement. Additional Bonds may be issued and Alternate Debt may be incurred as described herein under "SECURITY FOR THE SERIES 2016 BONDS - Additional Bonds," Appendix C -

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\* Preliminary, subject to change.

“CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS - Certain Provisions of the Bond Indenture - Additional Bonds,” and “- Certain Provisions of the Agreement - Alternate Debt.”

Pursuant to the Agreement, and to secure the Institution’s obligations under the Agreement and the Series 2016 Note, substantially all of the Institution’s Land, Buildings and Equipment located in Manchester and Hooksett, New Hampshire (collectively, the “Facility”) will be subject to a mortgage lien and security interest, subject only to Permitted Encumbrances incurred pursuant to the terms of the Agreement, which mortgage lien and security interest equally and ratably secure the Institution’s obligations with respect to the Prior Bonds and the Series 2016 Bonds. See “SECURITY FOR THE SERIES 2016 BONDS – General,” “THE SERIES 2016 PROJECT” and Appendix A - “INFORMATION CONCERNING SOUTHERN NEW HAMPSHIRE UNIVERSITY - Facilities.” **Upon the occurrence of certain conditions, as described in the Agreement, the mortgage lien on the Facility and the security interest in the Equipment securing the Bonds may be released. Those conditions include the first to occur (if at all) of the following: (a) the consent of the holders of a majority in principal amount of each series of the Bonds then outstanding, other than the Series 2016 Bonds, to such release; or (b) the refunding or other defeasance of the Prior Bonds.**

The Series 2016 Bonds are special obligations of the Authority payable solely from the revenues and property pledged and assigned therefor by the Authority to the Bond Trustee pursuant to the Bond Indenture, which include: (a) the Series 2016 Note, (b) the Authority’s rights under the Agreement (excluding the right of the Authority to grant approvals, consents or waivers, to receive notices, or for indemnification or reimbursement of costs and expenses), including the pledge thereunder of the Institution’s Gross Receipts, (c) the mortgage on and security interest in the Facility and (d) moneys held by the Bond Trustee under the Bond Indenture. See “SECURITY FOR THE SERIES 2016 BONDS” herein.

THE SERIES 2016 BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY. NEITHER THE STATE OF NEW HAMPSHIRE (THE “STATE”) NOR ANY MUNICIPALITY OR POLITICAL SUBDIVISION THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2016 BONDS, EXCEPT FROM THE PLEDGED REVENUES, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR OF ANY MUNICIPALITY OR POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2016 BONDS. THE AUTHORITY HAS NO TAXING POWER.

For a discussion of certain investment considerations in connection with the purchase of Series 2016 Bonds, see “BONDHOLDER CONSIDERATIONS” herein.

## THE AUTHORITY

The Authority has been created as a public body corporate and agency of the State of New Hampshire for the purpose of exercising the powers conferred on it by virtue of the Act. The purpose of the Authority is to assist certain New Hampshire nonprofit educational institutions and nonprofit health care institutions in the construction, financing and refinancing of projects to be undertaken in relation to educational and health care and related facilities, and to assist qualified entities in the financing of student loan programs. The Authority achieves these purposes by the issuance of its bonds and by making available through its Capital Loan Program and Direct Loan Program monies to its qualified borrowers at below-market rates of interest.

### Authority Membership and Organization

The Act provides that the Authority shall be comprised of a Board of Directors consisting of seven members who shall be appointed by the Governor and Council of the State. All members of the Authority’s Board of Directors serve without compensation but are entitled to reimbursement for necessary expenses incurred in the performance of their duties under the Act. The Authority annually elects one member to serve as Chairman.

The Board of Directors of the Authority is as follows:

PETER F. IMSE, Chairman, term expires June 30, 2016. Mr. Imse, a resident of Bow, has been a member of the Board of the Authority since 1981. Mr. Imse is a member of the law firm of Sulloway & Hollis, P.L.L.C., Concord, New Hampshire and his practice includes the representation of businesses and non-profit organizations and commercial financing. The clients of Sulloway & Hollis include the New Hampshire Higher Education Assistance Foundation and Granite State Management & Resources, as well as numerous health care institutions and health care providers. Mr. Imse is also a member of the Board of Corporators of New Hampshire Mutual Bancorp.

BRUCE R. BURNS, Vice Chairman; term expires June 30, 2019. Mr. Burns, a resident of Hopkinton, is the Senior Vice President of Finance, Chief Financial Officer and Treasurer for Concord Hospital and its parent corporation, Capital Region Health Care and sits on various Boards of Hospital-affiliated joint ventures. Prior to joining the Hospital in 1993, Mr. Burns held various finance and accounting positions at Danbury Hospital, Danbury, Connecticut. Mr. Burns is a Fellow in the Healthcare Financial Management Association, the Treasurer and a Board member of Capitol Center for the Arts in Concord and former Finance Chair, Treasurer and Board member of University of New Hampshire School of Law.

JILL A. DUNCAN, term expires June 30, 2018. Ms. Duncan, a resident of Meredith, is Director of Finance for New Hampton School, New Hampton and also has a background in hospital finance. Ms. Duncan is a current member of the Board of Directors for the National Business Officers Association (NBOA) and serves on the National Advisory Council for TIAA-CREF. She is actively involved with the Independent School Association of Northern New England (ISANNE), most recently serving as Treasurer and is on the Executive Board of Directors.

TODD C. EMMONS, term expires June 30, 2016. Mr. Emmons, a resident of New London, is the Vice President of Finance & Operations and Treasurer for Colby-Sawyer College in New London, NH. He has served in that position for four years. Mr. Emmons has been involved in higher education administration for over 30 years, and has previously worked in New Hampshire at both Saint Anselm College and Daniel Webster College. He is a board member of the New Hampshire Higher Education Assistance Foundation (NHHEAF) where he also serves on the Investment Committee. He is also a board member and Treasurer of the Lake Sunapee Region Chamber of Commerce.

DEANNA S. HOWARD, term expires June 30, 2020. Ms. Howard, a resident of Etna, is the Vice President of Regional Development for Dartmouth-Hitchcock, Lebanon, New Hampshire. Additionally, Ms. Howard is the past Chairman of the New Hampshire Hospital Association, is a current member of the Board of Trustees of Mt. Ascutney Hospital, Crotched Mountain Foundation and Valley Regional Hospital. Deanna is the former Chief Executive Officer of Upper Connecticut Valley Hospital, Colebrook, New Hampshire.

MARY W. MCLAUGHLIN, term expires June 30, 2017. Ms. McLaughlin, a resident of Bedford, is Senior Vice President–Healthcare Finance for TD Bank, N.A. Additionally, she is a Trustee of the Havenwood-Heritage Heights Trust Fund Board, a Council member of the NH State Council on the Arts, a Board Member of the Capital Regional Development Council, the Immediate Past Chair and Board Member of the New Hampshire Institute of Furniture Making and Co-Chair of Creative Concord, a committee of the Greater Concord Chamber of Commerce.

ALLAN M. MOSES, term expires June 30, 2020. Mr. Moses, a resident of Bow, is the Senior Vice President and Chief Financial Officer for Riverbend Community Mental Health, Inc. in Concord, NH. He has served in that position for the previous 35 years. Mr. Moses is also the President of the Board of the John H. Whitaker Place Assisted Care Community in Penacook, NH and has served in that capacity for the last 16 years. Mr. Moses has also served as the former President for four terms of the NH Assisted Living Association (ARCH) and the former Treasurer and Vice-President of the Temple Beth Jacob.

Senior management of the Authority is as follows:

DAVID C. BLISS is the Executive Director and Secretary of the Authority and is responsible for the general management of the Authority's affairs. Mr. Bliss worked for two large New Hampshire trust departments prior to joining the Authority. Mr. Bliss is also a member of the bars of New Hampshire and Massachusetts.

BONNIE PAYETTE is the Director of Operations and Finance of the Authority. Ms. Payette is a graduate of the University of Vermont.

Wadleigh, Starr & Peters PLLC, Manchester, New Hampshire, is serving as counsel to the Authority. Hawkins Delafield & Wood LLP, New York, New York, is serving as Bond Counsel to the Authority. The Act provides that the Authority may employ such other consulting engineers, architects, attorneys, accountants, construction and financial experts, superintendents, managers and such other employees and agents as are necessary in its judgment and fix their compensation.

#### Powers of the Authority

Under the Act, the Authority is authorized and empowered, among other things: to issue bonds, bond anticipation notes and other obligations and to refund the same; to charge and collect rates, rents, fees and charges for the use of projects or for services furnished by a project; to construct, reconstruct, maintain, repair, operate, lease or regulate projects for participating educational institutions and participating health care institutions; to enter into contracts for the management or operation of projects; to establish rules and regulations for the use of projects; to receive, in relation to projects, loans or grants from any public agency or other source; to make loans to participating educational institutions and participating health care institutions for the cost of projects, including the refinancing of existing indebtedness incurred for projects; to mortgage any projects for the benefit of the holders of bonds issued to finance such projects; to provide working capital loans to participating institutions; and to do all things necessary or convenient to carry out the purposes of the Act.

#### Procedure Before Issuance of Bonds

The Act provides that the Authority is not empowered to undertake any projects unless, prior to the issuance of any bonds, the Governor and Council of the State, or their designee, after public hearing, has found, among other things, that: (a) such project will be owned by a financially responsible participating institution, (b) adequate provision has been made for the payments of the cost of such project and all costs of its operation, maintenance and upkeep so that in no circumstances will the State be obligated, directly or indirectly, for such costs, (c) the construction of such project and its financing are within the authority conferred by the Act, and (d) such construction serves a need presently not fulfilled in providing health care or educational facilities in the State and is of public use and benefit. The Act provides further that, in the case of refinancing of existing indebtedness, it must be found that such refinancing will assist in reducing the cost of providing such facilities within the State or is in connection with a project being provided by the participating institution. The hearing as required under the Act with respect to the Series 2016 Bonds was held on April, 2016, and the findings as required by the Act were made. Such findings were ratified by the Governor and Council at a meeting held on May 4, 2016.

#### Bond Financing Program of the Authority

The Authority has heretofore authorized and issued various series of its revenue bonds for nonprofit colleges, universities, hospitals and other qualified entities in the State. As of December 31, 2015, the Authority had issued 527 different series of bonds and notes in the aggregate principal amount of \$9,947,589,637. As of December 31, 2015, bonds and notes had been issued on behalf of 24 hospitals, 14 nursing homes, 1 health maintenance organization, 3 home health care providers, 2 ambulatory care clinics, 13 colleges and universities, 18 secondary schools, 4 student loan programs, 11 institutions providing educational programs and 9 institutions providing healthcare programs.

The Authority intends to enter into separate agreements in the future with educational institutions, health care institutions and qualified entities in the State for the purpose of financing additional projects or student loan programs for such institutions or entities through the issuance of other series of bonds and notes. Each such series of bonds and notes, other than the Series 2012 Bonds, the Series 2014 Bonds, the Series 2016 Bonds and any Additional Bonds issued under the Indenture, have been and will be issued and secured pursuant to resolutions, indentures and agreements separate and apart from the Indenture and the Loan Agreement.



## SECURITY FOR THE SERIES 2016 BONDS

### General

The Series 2016 Bonds will be issued by the Authority pursuant to the Bond Indenture. The Bond Indenture provides that the Series 2016 Bonds shall be special obligations of the Authority, payable solely from and secured by the Pledged Revenues and the funds provided therefor under the Bond Indenture. As security for its obligations under the Bond Indenture, the Authority will pledge and assign to the Bond Trustee for the benefit of the Bondholders (i) all of the Authority's rights and interest in and under the Agreement, including, but not limited to, the Series 2016 Note and the payments of the Institution received or receivable by the Authority pursuant to the Agreement (except the right of the Authority to grant approvals, consents or waivers, to receive notices, or for indemnification or reimbursement of costs and expenses); (ii) all amounts on deposit in the funds held by the Bond Trustee under the Bond Indenture, and all income derived from the investment of such funds, subject to the provisions of the Bond Indenture permitting the application thereof for the purposes and on the terms set forth therein; and (iii) all right and title of the Authority in and to (a) substantially all the real property, buildings and improvements comprising the Institution's Facility in Hooksett and Manchester, New Hampshire that are subject to the mortgage lien (including the facilities to be financed with proceeds of the Series 2016 Bonds), (b) the Equipment constituting a part of the Facility, and (c) the Institution's Gross Receipts, now or hereafter received. The mortgage lien on the Facility and the security interests in the Gross Receipts and Equipment also secure on a parity basis the Authority's obligations with respect to the Prior Bonds and any additional bonds which may be issued under a prior indenture, any Additional Bonds that may be issued under the Bond Indenture, and any Alternate Debt incurred pursuant to the Agreement. As described below, under certain circumstances the mortgage lien and security interest in Equipment securing the Bonds may be released.

The Institution will secure its obligation to repay the loan of proceeds of the Series 2016 Bonds under the terms of the Agreement. Pursuant to the Agreement, the Institution, in consideration of the Authority's loan of the proceeds of the Series 2016 Bonds, agrees to pay amounts sufficient, together with available funds held under the Bond Indenture, to provide for the timely payment of all debt service requirements on the Series 2016 Bonds and to perform certain other obligations set forth therein. The Agreement constitutes the general obligation of the Institution.

As security for the payment of the Series 2016 Bonds and the interest thereon, the Institution agrees in the Agreement to issue and cause to be delivered to the Bond Trustee the Series 2016 Note to evidence the loan of the proceeds of the Series 2016 Bonds made pursuant to the Agreement. The term of the Series 2016 Note will require payments by the Institution to the Bond Trustee in amounts sufficient to pay the principal of and premium, if any, and interest on the Series 2016 Bonds, as well as certain other payments required by the Bond Indenture. The Series 2016 Note will be issued under and pursuant to the Agreement. The amount of the Series 2016 Note will be in the same face amount as the Series 2016 Bonds and will have terms and conditions to provide payments thereon sufficient to pay all amounts due on the Series 2016 Bonds.

### Security Interest in Gross Receipts; Mortgage

*Gross Receipts.* To secure its obligations to make the Note Payments required by the Agreement, the Institution will grant to the Authority a security interest in all of its Gross Receipts, which security interest will be assigned by the Authority to the Bond Trustee pursuant to the Bond Indenture for the benefit of the Bondholders. "Gross Receipts" means all receipts, revenues, income and other moneys received by or behalf of the Institution, including, but without limiting the generality of the foregoing, revenues derived from the ownership or operation of the Property (as defined in the Agreement) of the Institution, including insurance and condemnation proceeds with respect to the Property or any portion thereof, and all rights to receive the same, whether in the form of accounts, accounts receivable, contract rights or other rights, and the proceeds of such rights, and whether now owned or held on the date of the issuance of the Series 2016 Bonds or thereafter coming into existence; provided, however, that gifts, grants, bequests, donations and contributions designated or specified by the granting authority, donor or maker thereof as being for specified purposes (other than payment of debt service on Indebtedness (as defined in the Agreement)) and the income derived therefrom to the extent required by such designation or specification shall be excluded from Gross Receipts.

*Mortgage.* As further security for its obligation to make the Note Payments required under this Agreement, the Institution by the Agreement has granted to the Authority a security interest in its Equipment and a mortgage lien on the Facility (including the facilities financed with the proceeds of the Series 2016 Bonds), which lien and security interest have been pledged and assigned to the Bond Trustee under the Bond Indenture for the benefit of the Bondholders. The mortgage lien and security interest created by the Agreement will be subject only to Permitted Encumbrances incurred pursuant to the terms of the Agreement. **Upon the occurrence of certain conditions, as described in the Agreement, the mortgage lien on the Facility and the security interest in the Equipment securing the Bonds may be released. Those conditions include the first to occur (if at all) of the following: (a) the consent of the holders of a majority in principal amount of each series of the Bonds then outstanding, other than the Series 2016 Bonds, to such release; or (b) the refunding or other defeasance of the Prior Bonds.**

*Parity Security.* The security interest in Gross Receipts and Equipment and the mortgage lien on the Facility also secure on a pari passu basis the Institution's obligations to make payments under certain notes issued by the Institution pursuant to the terms of separate loan agreements entered into by the Authority and the Institution (the "Prior Agreements") in connection with the issuance of the Prior Bonds.

*Intercreditor Agreement.* The Bond Trustee is a party to an Amended and Restated Intercreditor Agreement, dated as of May 1, 2016 (the "Intercreditor Agreement"), relating to the Series 2012 Bonds, the Series 2014 Bonds and the Series 2016 Bonds and, with respect to a security interest in certain personal property assets of the Institution, including assets which secure the Series 2012 Bonds, the 2014 Bonds and the Series 2016 Bonds, a revolving credit loan from TD Bank, N.A. of up to \$20,000,000 evidenced by a Loan Agreement dated June 5, 2015. Any actions taken, and exercise of rights by, the Bond Trustee under the Intercreditor Agreement in its capacity as bond trustee for the Series 2012 Bonds and the Series 2014 Bonds shall also be deemed to be taken or exercised by the Bond Trustee in its capacity as Bond Trustee for the Series 2016 Bonds. Under the Bond Indenture, the Bond Trustee and the Authority acknowledge and agree that the rights of the Bond Trustee under the Intercreditor Agreement with respect to the Series 2016 Bonds shall be limited by, and subject to, the provisions of the Indenture, and the Bond Trustee shall have no rights under the Intercreditor Agreement other than the rights given to it by the Indenture.

#### **Additional Bonds and Alternate Debt**

*Additional Bonds.* One or more series of Additional Bonds may be issued under the Bond Indenture to complete or make additions or improvements to the Project; to provide extensions, additions, improvements or repairs to the Project or the Facility; or to refund one or more series of Outstanding Bonds under the Bond Indenture. Additional Bonds will be ratably and equally secured with the Series 2016 Bonds. Prior to the issuance of any Additional Bonds, the Authority and the Institution are required to enter into an amendment to the Agreement or a supplemental agreement to provide that the payments under the Agreement will be increased and computed so as to amortize in full the principal of and interest on such Additional Bonds. In addition, the Authority and Institution must comply with certain other conditions in the Bond Indenture. See Appendix C – CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS."

*Alternate Debt.* Alternate Debt may be incurred by the Institution for the purpose of paying the costs of completing, making additions to, or improving the Project; providing extensions, additions, improvements or repairs to the Project or the Facility or any of the Institution's other Property; or refinancing any outstanding Alternate Debt or Outstanding Bonds. The Institution may incur Alternate Debt by borrowing money from lenders (institutional or otherwise) other than through the Authority under the Agreement or by assuming debt owing to others, subject to the Institution's compliance with certain conditions in the Agreement. Holders of Alternate Debt shall be entitled to a parity position with the Authority as to, but only as to, (i) the full faith and credit of the Institution, (ii) the security interest created by the Agreement in the Gross Receipts, (iii) the security interest created by the Agreement in the Equipment and (iv) the mortgage lien on the Facility and the security interest in the Equipment created by the Agreement. Pursuant to the terms of the Agreement and the Prior Agreements, any security given by the Institution to the holders of Alternate Debt shall also be granted, on a parity, to the Authority as further security for the Series 2016 Bonds and any Additional Bonds issued under the Bond Indenture and the Prior Bonds and any additional bonds issued under a prior indenture, respectively; provided, however, the holders of Alternate Debt shall not be entitled to a parity

position with the Authority with respect to funds on deposit under the Bond Indenture. See Appendix C – CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS.”

### **Rate Covenant**

The Institution agrees that it shall use its best efforts to maintain for each Fiscal Year the ratio of Income Available for Debt Service to Annual Debt Service at least at 1.25. If such ratio, as calculated at the end of any Fiscal Year, is below 1.25, the Institution covenants to retain a Consultant, within sixty (60) days after the end of such Fiscal Year, to make recommendations to increase such ratio for subsequent Fiscal Years of the Institution at least to the required level of 1.25 or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest practicable level. The Institution agrees that it will, to the extent permitted by law, charter, by-laws or contract, follow the recommendations of the Consultant, unless the Governing Body adopts a resolution certifying to the effect that such recommendations are not in the best interests of the Holders of the Bonds, and files a certified copy of such resolution with the Bond Trustee and the Authority. So long as the Institution shall retain a Consultant and the Institution shall follow such Consultant’s recommendations to the extent permitted by law, charter, by-laws or contract, the covenant shall be deemed to have been complied with even if such ratio for any subsequent Fiscal Year of the Institution is below the required level of 1.25, unless such ratio at the end of any Fiscal Year of the Institution is less than 1.00. The Institution shall no longer be required to retain such Consultant if and for so long as in any subsequent Fiscal Year, such ratio is restored and maintained at not less than 1.25. See Appendix C – CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS.”

### **Liquidity Covenant**

The Institution agrees that it shall maintain Unrestricted Net Assets to Long-Term Indebtedness of at least ten percent (10%), calculated in the following manner: Unrestricted Net Assets minus net Property, Plant and Equipment (including the addition of unexpended construction funds) minus Long-Term Indebtedness divided by Long-Term Indebtedness. “Unrestricted Net Assets” shall mean unrestricted net assets as identified on the most recent audited financial statements of the Institution.

## **THE SERIES 2016 BONDS**

### **General**

The Series 2016 Bonds will be dated their date of delivery and will bear interest from such date payable January 1, 2017 and semiannually thereafter on each July 1 and January 1 at the rates, and will mature on the dates and in the principal amounts, set forth on the inside cover page of this Official Statement. Interest on the Series 2016 Bonds shall be calculated based on a 360 day year of twelve thirty-day months.

The Series 2016 Bonds are issuable initially as fully registered bonds in the denomination of \$5,000 or any multiple of \$5,000 in excess thereof. The principal or redemption price of the Series 2016 Bonds shall be payable upon presentation and surrender thereof at the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A., as paying agent (the “Paying Agent”). Other than when registered to a nominee of DTC, as described below, interest shall be payable by check drawn upon the Paying Agent mailed to the registered owners of the Series 2016 Bonds as shown on the registration books kept by the Bond Trustee as registrar (the “Registrar”) as of the close of business on the applicable record dates (June 15 and December 15) or, at the option of the registered owner of at least \$1,000,000 principal amount of the Series 2016 Bonds, by wire transfer to such address as may have been filed with the Bond Trustee.

The Series 2016 Bonds when issued will be registered in the name of Cede & Co., as bondholder and nominee of The Depository Trust Company (“DTC”), New York, New York. So long as DTC, or its nominee, Cede & Co., is the registered owner of all Series 2016 Bonds, all payments on the Series 2016 Bonds will be made directly to DTC and disbursement of such payments to the DTC Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners of the Series 2016 Bonds will be the responsibility of the DTC Participants and Indirect Participants as more fully described hereafter.

## **Book-Entry Only System**

The information in this Section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2016 Bonds. The Series 2016 Bonds will be issued as fully-registered bonds 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 maturity of the Series 2016 Bonds and will be deposited with DTC.

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

Purchases of Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2016 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2016 Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016 Bonds, such as redemptions, tenders, defaults, and

proposed amendments to the Series 2016 Bond documents. For example, Beneficial Owners of Series 2016 Bonds may wish to ascertain that the nominee holding the Series 2016 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2016 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2016 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Series 2016 Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments 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 will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2016 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2016 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor Series 2016 Bonds depository). In that event, Series 2016 Bond certificates will be printed and delivered.

THE AUTHORITY, THE INSTITUTION, THE TRUSTEE, THE PAYING AGENT AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO ITS PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO BENEFICIAL OWNERS OF THE SERIES 2016 BONDS (I) PAYMENTS OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE SERIES 2016 BONDS, OR (II) CONFIRMATION OF OWNERSHIP INTERESTS IN THE SERIES 2016 BONDS, OR (III) REDEMPTION OR OTHER NOTICES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SEC AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH ITS PARTICIPANTS ARE ON FILE WITH DTC,

NONE OF THE AUTHORITY, THE INSTITUTION, THE TRUSTEE, THE PAYING AGENT OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OF THE SERIES 2016 BONDS WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT, (II) THE PAYMENT BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF, OR INTEREST ON, ANY SERIES 2016 BONDS, (III) THE DELIVERY OF ANY NOTICE BY

DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT, (IV) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2016 BONDS, OR (V) ANY OTHER ACTION TAKEN BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT.

**Redemption Provisions**

*Optional Redemption.* All or any number of the Series 2016 Bonds maturing after January 1, 20\_\_ are subject to redemption at the option of the Institution prior to maturity on and after January 1, 20\_\_, in whole or in part at any time by payment of a Redemption Price of the principal amount of each Series 2016 Bond called for redemption plus interest accrued to the date fixed for redemption.

*Sinking Fund Redemption.* The Series 2016 Bonds maturing on January 1, 20\_\_, 20\_\_ and 20\_\_ are subject to mandatory redemption and shall be redeemed on January 1 in the years set forth below (the “Sinking Fund Account Retirement Dates”), in the amount of the unsatisfied portion of the corresponding Sinking Fund Account Requirement for such Series 2016 Bonds by payment from the Sinking Fund Account of a Redemption Price of the principal amount of such Series 2016 Bonds called for redemption plus payment from the Interest Account of the interest accrued to the date fixed for redemption but without premium, as follows:

<u>Series 2016 Bonds Due January 1, 20__</u>			
<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
	\$		\$
			*
<u>Series 2016 Bonds Due January 1, 20__</u>			
<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
	\$		\$
			*
<u>Series 2016 Bonds Due January 1, 20__</u>			
<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
	\$		\$
			*

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\*Final Maturity

*Extraordinary Optional Redemption.* All or any number of the Series 2016 Bonds are subject to redemption prior to maturity at the option of the Institution in whole or in part at any time by payment of a Redemption Price of the principal amount of each Series 2016 Bond so called for redemption plus interest accrued to the date fixed for redemption paid from insurance proceeds, at any time, with respect to casualty losses or condemnation awards in an amount exceeding ten percent (10%) of the aggregate Value of the Facility.

*Purchase in Lieu of Redemption.* Each Holder or Beneficial Owner, by purchase and acceptance of any Series 2016 Bond, irrevocably grants to the Institution the option to purchase such Series 2016 Bond at any time such Series 2016 Bond is subject to optional redemption pursuant to the provisions of Section 3.2 of the Bond Indenture; such Series 2016 Bond to be purchased at a purchase price equal to the then applicable Redemption Price of such Series 2016 Bond. In the event the Institution determines to exercise such option, the Institution shall deliver an Opinion of Bond Counsel to the Bond Trustee, and shall direct the Bond Trustee to provide notice of

mandatory purchase, such notice to be provided, as and to the extent applicable, in accordance with the provisions of Section 3.9 of the Bond Indenture and to select Series 2016 Bonds subject to mandatory purchase in the same manner as Series 2016 Bonds called for redemption pursuant to Section 3.6 of the Bond Indenture. On the date fixed for purchase of any Series 2016 Bond pursuant to the provisions of this Section, the Institution shall pay the purchase price of such Series 2016 Bond to the Bond Trustee in immediately available funds, and the Bond Trustee shall pay the same to the Holders of the Series 2016 Bonds being purchased against delivery thereof. No purchase of any Series 2016 Bond pursuant to the provisions of this Section shall operate to extinguish such Bond or the indebtedness of the Institution evidenced by such Series 2016 Bond. No Holder or Beneficial Owner may elect to retain a Series 2016 Bond subject to mandatory purchase.

*Selection of Series 2016 Bonds to be Redeemed.* In the event of any redemption of less than all Outstanding Bonds, any maturity or maturities, and interest rate within a maturity, as applicable, and amounts within maturities of Bonds to be redeemed shall be selected by the Bond Trustee at the direction of the Institution. If less than all of the Bonds of the same maturity and interest rate are to be redeemed upon any redemption of Bonds hereunder, the Bond Trustee shall select the Bonds to be redeemed by lot in such manner as the Bond Trustee may determine, provided that for so long as the Book - Entry only system is being used, the particular Series 2016 Bonds or portions thereof to be redeemed within a maturity shall be selected by lot by DTC in such manner as DTC and the participants may determine. In making such selection, the Bond Trustee (or DTC) shall treat each Bond as representing that number of Bonds of the lowest authorized denomination as is obtained by dividing the principal amount of such Bond by such denomination.

*Notice of Redemption.* If less than all the Bonds are to be redeemed, the Bonds to be redeemed shall be identified by reference to the issue and series designation, date of issue, serial numbers and maturity dates. Notice of redemption of any Bonds shall be mailed not less than thirty (30) nor more than forty-five (45) days prior to the date set for redemption, to each registered Holder of a Bond to be so redeemed at the address shown on the books of the Registrar but failure to so mail or any defect in any such notice with respect to any Bond shall not affect the validity of the proceedings for the redemption of any other Bond with respect to which notice was so mailed or with respect to which no such defect occurred, respectively. If on the date of mailing of the notice of redemption, the Bond Trustee shall not have received the funds to pay the redemption price for any Bonds called for redemption, such notice shall state that it is conditional and that the redemption of such Bonds is subject to receipt by the Bond Trustee on or prior to the redemption date of funds sufficient to pay the redemption price of such Bonds.

In addition to the notice required by the prior paragraph, further notice of any redemption of Bonds hereunder shall be given by the Bond Trustee concurrently with the notice to Bondholders by publication on the Electronic Municipal Market Access website (<http://emma.msrb.org>); or, in accordance with then-current guidelines of the Securities and Exchange Commission, to such other addresses and/or such other services, as the Authority may designate in a certificate of the Authority delivered to the Bond Trustee. Failure to give all or any portion of such further notice shall not in any manner defeat the effectiveness of a call for redemption if notice thereof is given to the Bondholders as prescribed in the preceding paragraph.

*Acceleration.* Upon the occurrence of a Bond Indenture Event of Default, all Series 2016 Bonds Outstanding shall become and be immediately due and payable, anything in the Series 2016 Bonds or herein to the contrary notwithstanding. In such event, there shall be due and payable on the Series 2016 Bonds an amount equal to the total principal amount of all such Series 2016 Bonds, plus all interest accrued thereon and which accrues to the date of payment. The Bond Trustee shall give written notice of such acceleration to the Authority, the Paying Agent, the Registrar, the Institution, and the Registrar shall give notice to the Bondholders in the same manner as for a notice of redemption stating the accelerated date on which the Series 2016 Bonds shall be due and payable. See Appendix C - "CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – Certain Provisions of Bond Indenture - Defaults and Remedies."

**THE SERIES 2016 PROJECT**

The proceeds of the Series 2016 Bonds, together with other available funds, will be used to: (1) finance and refinance the design, construction and equipping of a residence hall on the main campus of the Institution in Manchester, New Hampshire; (2) fund or reimburse routine capital expenditures and miscellaneous construction, renovation, improvements and equipping of the Institution’s educational facilities; and (3) pay certain costs of issuing the Series 2016 Bonds.

**ESTIMATED SOURCES AND USES OF FUNDS**

Estimated Sources of Funds:

Principal Amount of Series 2016 Bonds	\$
Net Original Issue Premium (Discount)	
Total	<u>\$</u>

Estimated Uses of Funds:

Deposit to Construction Fund	\$
Issuance Expenses <sup>1</sup>	
Total	<u>\$</u>

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\*Preliminary, subject to change

<sup>1</sup> Includes Underwriter’s discount, legal fees and expenses and other costs of issuance.



## DEBT SERVICE REQUIREMENTS

The following table sets forth, the amounts required in each year to be made available for the captioned purposes. The principal amounts of the Series 2016 Bonds are amortized on January 1 (totals may not add due to rounding).

January 1	Principal and Sinking Fund Payments on Series 2016 Bonds	Interest on Series 2016 Bonds	Debt Service on Series 2016 Bonds	Debt Service on Prior Bonds <sup>(1)</sup>	Total Debt Service
2017				\$7,869,633	
2018				7,831,210	
2019				7,834,368	
2020				7,832,378	
2021				7,833,879	
2022				7,831,131	
2023				7,843,142	
2024				7,507,623	
2025				7,535,608	
2026				8,280,639	
2027				7,915,031	
2028				8,115,284	
2029				7,859,631	
2030				7,854,603	
2031				7,854,994	
2032				7,856,096	
2033				7,854,500	
2034				7,863,740	
2035				7,673,580	
2036				7,854,252	
2037				7,954,087	
2038				7,830,437	
2039				7,835,466	
2040				7,987,772	
2041				7,552,000	
2042				7,549,500	
2043					
2044					
2045					
2046					
Total				\$195,764,186	

<sup>(1)</sup> Reflects debt service on the outstanding Series 2012 Bonds and the outstanding Series 2014 Bonds.

## **BONDHOLDER CONSIDERATIONS**

The discussion herein of risks that could affect payments to be made by the Institution with respect to the Series 2016 Bonds is not intended to be comprehensive or definitive, but rather is to summarize certain matters which could affect the ability of the Institution to make such payments.

### **General**

The Series 2016 Bonds are special obligations of the Authority payable solely from and secured by a pledge by the Institution of Pledged Revenues and funds provided therefor under the Indenture.

No representation or assurance can be given that the Institution will generate sufficient revenues to make payments under the Agreement sufficient to pay principal of, redemption price, if any, and interest on the Series 2016 Bonds and to make other payments required by the Agreement. The capabilities of management, future legislation, regulatory actions, economic conditions, changes in demand for education, or other factors could adversely affect the Institution's ability to pay its obligations under the Agreement. For a discussion of the financial condition of the Institution see Appendix A. Certain audited financial statements of the Institution are included in Appendix B.

### **Risk of Redemption**

The Series 2016 Bonds are subject to redemption or acceleration prior to maturity in certain circumstances. (See "THE SERIES 2016 BONDS" herein and see Appendix C.) Bondholders may not realize their anticipated yield on investment to maturity because the Series 2016 Bonds may be redeemed or accelerated prior to maturity at par or at a redemption price that results in the realization of less than the anticipated yield to maturity.

### **Event of Taxability**

If the Institution does not comply with certain covenants of the Institution in the Agreement or if certain representations made by the Institution in the Agreement or the Tax Regulatory Agreement, or certain certificates of the Institution are false or misleading, the interest payable on the Series 2016 Bonds may become subject to federal income taxation retroactive to the date of issuance of the Series 2016 Bonds, regardless of the date on which noncompliance or misrepresentation is ascertained. In the event that interest on the Series 2016 Bonds should become subject to federal income taxation, the Agreement does not provide for the redemption of the Series 2016 Bonds, the acceleration of the payment of debt service on the Series 2016 Bonds, or an increase in interest on the Series 2016 Bonds. Notwithstanding the foregoing, the Institution's failure to comply with such covenant may constitute an Event of Default under the Agreement with the effect of causing an acceleration of payments due on the Series 2016 Bonds.

### **Factors Affecting the Institution's Online Education Program**

The Institution's College of Online and Continuing Education ("Online Education Program") is a significant source of revenues for the Institution. Any one of the factors listed below under "Factors Generally Affecting Educational Institutions" may adversely affect the revenues generated by the Online Education Program and the overall revenues of the Institution. For example, the increase in competition from local area colleges and universities as well as from colleges and universities throughout the United States in the online education area may result in reduced enrollment and corresponding reduction in revenues in the Online Education Program at the Institution.

### **Factors Generally Affecting Educational Institutions**

The following factors, which are not all-inclusive, may adversely affect the operations of educational institutions in the future, including the operations of the Institution, to an extent that cannot be determined at this time.

1. The reduced demand for postsecondary education or other services arising from a change in demographics, or a decline in the economic conditions of the areas from which the Institution draws a significant portion of its enrollment.
2. The Institution could experience increases in its operating expenses that may not be offset by increases in its revenues. Cost increases without corresponding increases in revenue could result from, among other factors, increases in the salaries, wages, and fringe benefits of postsecondary employees and inflation.
3. Future legislation and regulations affecting colleges and universities, their tax-exempt status, financial aid and student loans and educational institutions in general could adversely affect the operations of the Institution.
4. Competition from colleges and universities located throughout the United States, and from alternative or substitute educational programs, may decrease enrollment at the Institution.
5. The fiscal viability of educational institutions is very dependent on the accrual of the target number of students with the appropriate expenditure of financial aid. A decrease of enrollees from that projected or an increase in the financial aid required could have a significant impact on the Institution.
6. The Institution recruits and enrolls a substantial number of foreign students. Changes in the economic conditions of these countries or changes in visa policies could have an impact on the Institution's enrollment.
7. Over the past five years, the Institution has rapidly developed its on-line offerings and has attracted a large number of students to its on-line program, providing substantial revenue to the Institution. Competition could develop from other on-line programs, which could adversely affect the Institution's on-line programs in terms of both enrollments and revenues.
8. From time to time the legislature of the State of New Hampshire considers eliminating or modifying the real estate tax exemption for non-profit corporations.
9. The Internal Revenue Code of 1986, as amended, places certain limitations on the ability of educational institutions to finance certain projects, invest bond proceeds and advance refund prior tax-exempt bond issues. These limitations may increase the interest costs for future borrowings by the Institution.

### **Limitations on the Effectiveness of Security Interest in Gross Receipts**

The effectiveness of the security interest in Gross Receipts granted pursuant to the Agreement may be limited by a number of factors, including: (i) present or future prohibitions against assignment contained in any applicable statutes or regulations; (ii) commingling of Gross Receipts with other moneys of the Institution not so pledged under the Agreement; (iii) statutory liens; (iv) rights arising in favor of the United States of America or any agency thereof; (v) constructive trust, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (vi) federal bankruptcy laws which may affect the enforceability of the security interest in the Institution within 90 days preceding and after any effectual institution of bankruptcy proceedings by or against the Institution; (vii) rights of third parties in Gross Receipts converted to cash and not in the possession of the Bond Trustee; and (viii) claims that may arise if appropriate financing or continuation

statements are not filed in accordance with the New Hampshire Uniform Commercial Code as from time to time in effect. Without limiting the generality of the foregoing, the enforcement of the security interest in Gross Receipts in favor of the Authority and the Bondholders is subject to the exercise of equitable discretion by a court which, under certain circumstances, may have the power to direct the use of such Gross Receipts to meet other expenses of the Institution before paying debt service.

### **Potential Release of Mortgage**

Under the conditions set forth in the Agreement, the mortgage lien on the Facility and the security interest in the Equipment securing the Bonds may be released. Those conditions include the first to occur (if at all) of the following: (a) the consent of the holders of a majority in principal amount of each series of the Bonds then outstanding, other than the Series 2016 Bonds, to such release; or (b) the refunding or other defeasance of the Prior Bonds.

### **Certain Matters Relating to Enforceability of the Agreement**

The enforceability of the obligations of the Institution under the Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws or by equitable principles affecting the enforcement of creditors' rights generally.

### **Market Factors May Affect the Price of the Series 2016 Bonds**

The financial condition of the Institution as well as the market for the Series 2016 Bonds could be affected by a variety of factors, some of which are beyond the Institution's control. There can be no assurance that an adverse event will not occur which might affect the market price of and the market for the Series 2016 Bonds. If a significant event should occur in the affairs of the Institution, the market for and market value of the Series 2016 Bonds could be adversely affected.

### **Special Purpose Facilities**

Many of the structures subject to the mortgage are special purpose educational facilities which may not be suitable for other purposes and, consequently, may not yield sufficient revenues upon foreclosure to repay the Series 2016 Bondholders and the holders of the Prior Bonds issued on a parity therewith.

### **Miscellaneous**

The Institution may be impacted by the cost and the limited availability and sufficiency of insurance for risks such as property damage and general liability.

The occurrence of natural disasters, including earthquakes, may damage the facilities of the Institution, interrupt utility service to the facilities, or otherwise impair the operation of the Institution and the generation of revenues from the facilities. The facilities of the Institution are covered by general property insurance in an amount which management considers to be sufficient to provide for the replacement of such facilities in the event of a natural disaster.

## **TAX MATTERS**

### **Opinion of Bond Counsel**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2016 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2016 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for

purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, the Institution and others in connection with the Series 2016 Bonds, and Bond Counsel has assumed compliance by the Authority and the Institution with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2016 Bonds from gross income under Section 103 of the Code. In addition, in rendering its opinion, Bond Counsel has relied on the opinion of counsel to the Institution regarding, among other matters, the current qualification of the Institution as an organization described in Section 501(c)(3) of the Code.

In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, the Series 2016 Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, will be exempt from taxes directly imposed thereon by The State of New Hampshire and the municipalities and other political subdivisions of The State of New Hampshire.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series 2016 Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2016 Bonds, or under state and local tax law.

#### **Certain Ongoing Federal Tax Requirements and Covenants**

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2016 Bonds in order that interest on the Series 2016 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2016 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2016 Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority and the Institution have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2016 Bonds from gross income under Section 103 of the Code.

#### **Certain Collateral Federal Tax Consequences**

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2016 Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2016 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series 2016 Bonds.

Prospective owners of the Series 2016 Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Series 2016 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

#### **Original Issue Discount**

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Series 2016 Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at

prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Series 2016 Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Series 2016 Bonds is expected to be the initial public offering price set forth on the cover page of this Official Statement. Bond Counsel further is of the opinion that, for any Series 2016 Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Series 2016 Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Series 2016 Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

### **Bond Premium**

In general, if an owner acquires a Series 2016 Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2016 Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Series 2016 Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

### **Information Reporting and Backup Withholding**

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2016 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2016 Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should

occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

### **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2016 Bonds under Federal or state law or otherwise prevent beneficial owners of the Series 2016 Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series 2016 Bonds. For example, budgets proposed by the Obama Administration from time to time have recommended a 28% limitation on certain itemized deductions and other tax benefits, including tax-exempt interest. The net effect of such a proposal, if enacted into law, would be that an owner of a tax-exempt bond with a marginal tax rate in excess of 28% would pay some amount of Federal income tax with respect to the interest on such tax-exempt bond, regardless of issue date.

Prospective purchasers of the Series 2016 Bonds should consult their own tax advisors regarding the foregoing matters.

### **LEGALITY OF SERIES 2016 BONDS FOR INVESTMENT AND DEPOSIT**

The Act provides that bonds of the Authority are securities in which all public officers and public bodies of the State and its political subdivisions, all insurance companies, trust companies, banking associations, credit unions, building and loan associations, investment companies, executors, administrators, trustees and other fiduciaries, pension, profit-sharing and retirement funds may properly invest funds, including capital in their control or belonging to them. The Act further provides that bonds of the Authority are securities which may properly be deposited with and received by any State or municipal officer or any agency or political subdivision of the State for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized by law.

Notwithstanding the foregoing provisions of the Act, other provisions of New Hampshire law limit permissible investments by certain investors, including some or all of the persons, organizations and entities listed in the preceding paragraph, to eligible investments for savings banks. New Hampshire statutes currently provide that bonds of the Authority rated in the four highest rating categories by a nationally recognized bond rating service are eligible investments for New Hampshire savings banks.

### **STATE NOT LIABLE ON SERIES 2016 BONDS**

The State is not liable for the payment of the principal of or premium, if any, or interest on the Series 2016 Bonds, or for the performance of any pledge, mortgage, obligation or agreement of any kind whatsoever which may be undertaken by the Authority, and none of the Series 2016 Bonds nor any of the Authority's agreements or obligations shall be construed to constitute an indebtedness of the State within the meaning of any constitutional or statutory provision whatsoever, nor shall the Series 2016 Bonds directly or indirectly or contingently obligate the State or any municipality or political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment.

### **COVENANT BY THE STATE**

Under the Act, the State pledges and agrees with the holders of any obligations of the Authority that the State will not limit or alter the rights vested in the Authority until such obligations, together with the interest thereon, are fully met and discharged, provided that nothing in the Act shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of such obligations.

## **LEGAL MATTERS**

All legal matters incidental to the authorization and issuance of the Series 2016 Bonds by the Authority are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, whose approving opinion, in substantially the form attached hereto as Appendix E, will be delivered with the Series 2016 Bonds. Certain legal matters are subject to the approval of Wadleigh, Starr & Peters PLLC, Manchester, New Hampshire, counsel to the Authority and Sheehan Phinney Bass + Green, Professional Association, Manchester, New Hampshire, counsel to the Institution. Hinckley, Allen, & Snyder LLP, Boston, Massachusetts, counsel to the Underwriter, will pass upon certain legal matters for the Underwriter. Ice Miller LLP, Chicago, Illinois, is acting as disclosure counsel to the Institution.

## **ABSENCE OF MATERIAL LITIGATION**

To the knowledge of the Authority and the Institution, there is no litigation pending or threatened, seeking to restrain or enjoin the issuance or delivery of the Series 2016 Bonds or questioning or affecting the validity of the Series 2016 Bonds or the proceedings and authority under which they are to be issued or which in any manner questions the right of the Authority to finance the Series 2016 Project in accordance with the provisions of the Act, the Agreement, the Bond Indenture and the Tax Regulatory Agreement. 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.

Neither the creation, organization or existence of the Institution, nor the title of the present members, trustees or other officers of the Institution to their respective offices, is being contested. To the knowledge of the Institution, no litigation is pending or threatened, which in any manner questions the right of the Institution to engage in the transactions relating to the Series 2016 Project or the execution and delivery of the Agreement or the Tax Regulatory Agreement or wherein an unfavorable decision, ruling or finding would materially adversely affect the financial condition or operations of the Institution.

## **RATING**

Standard & Poor's Ratings Group ("S&P") has assigned the Series 2016 Bonds a rating of "A". Any further explanation as to the significance of the above rating may be obtained from the rating agency.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions by the rating agency. The above rating is not a recommendation to buy, sell or hold the Series 2016 Bonds. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. The Underwriter has undertaken no responsibility either to bring to the attention of the Bondholders any proposed revision or withdrawal of the rating of the Series 2016 Bonds or to oppose any such proposed revision or withdrawal. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2016 Bonds.

## **UNDERWRITING**

The Series 2016 Bonds are being purchased for reoffering by TD Securities (USA) LLC (the "Underwriter") pursuant to a Contract of Purchase (the "Contract of Purchase") among the Authority, the Institution and the Underwriter. The Underwriter has agreed to purchase the Series 2016 Bonds at an underwriter's discount of \$\_\_\_\_\_ from the initial public offering prices set forth on the inside cover page of this Official Statement. The Contract of Purchase for the Series 2016 Bonds provides that the Underwriter will purchase all the Series 2016 Bonds, if any are purchased, the obligation to make such purchase being subject to certain term and conditions set forth in the Contract of Purchase. Such Bonds may be offered and sold by the Underwriter to certain dealers (including dealers depositing such Series 2016 Bonds in unit investment trusts or mutual funds, some of which may be managed by the Underwriter) and certain dealer banks and banks acting as agents at prices lower (or yield higher) than the public offering prices (or yields) set forth on the inside cover page of this Official Statement. Subsequent to such initial public offering, the



Underwriter may change the public offering prices (or yields) as it may deem necessary in connection with the offering of such Series 2016 Bonds.

The Underwriter has entered into a negotiated dealer agreement (the TD Dealer Agreement) with TD Ameritrade for the retail distribution of certain securities offerings, including the Series 2016 Bonds at the original issue price. Pursuant to the TD Dealer Agreement, TD Ameritrade may purchase Series 2016 Bonds from the Underwriter at the original issue prices less a negotiated portion of the selling concession applicable to any of the Series 2016 Bonds TD Ameritrade sells.

#### **FINANCIAL ADVISOR**

Public Financial Management, Inc. (“PFM”) has acted as independent financial advisor to the Institution with respect to the issuance of the Series 2016 Bonds. PFM’s fee for services rendered with respect to the issuance of the Series 2016 Bonds is contingent upon issuance and delivery of the Series 2016 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 and the appendices hereto. PFM is an independent financial advisory and consulting firm and is not engaged in the business of underwriting, marketing, trading or distributing municipal securities or any other negotiable instruments.

#### **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 Series 2016 Bonds and the Authority will not provide any such information. The Institution has undertaken through an agreement with the Bond Trustee all responsibilities for any continuing disclosure to Bondholders as described below, and the Authority shall have no liability to the Bondholders or any other person with respect to such disclosures.

The Institution has covenanted with the Bond Trustee for the benefit of Bondholders to provide certain financial information and operating data relating to the Institution by not later than 150 days following the end of the Institution’s fiscal year beginning with the fiscal year ending June 30, 2016 (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events (“Material Events”). The Annual Report will be filed on behalf of the Institution with the Municipal Securities Rulemaking Board (the “MSRB”) and with the appropriate State Repository, if such repository is established. The notices of Material Events will be filed on behalf of the Institution with the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of Material Events is summarized in “APPENDIX D - FORM OF CONTINUING DISCLOSURE AGREEMENT.”

#### **Prior Compliance**

Pursuant to the issuance of the New Hampshire Health and Education Facilities Authority Revenue Bonds, Southern New Hampshire University Issue, Series 2003 (the “Series 2003 Bonds”), the New Hampshire Health and Education Facilities Authority Revenue Bonds, Southern New Hampshire University Issue, Series 2005 (the “Series 2005 Bonds”), the New Hampshire Health and Education Facilities Authority Revenue Bonds, Southern New Hampshire University Issue, Series 2006 (the “Series 2006 Bonds”) and the Series 2012 Bonds the Institution entered into continuing disclosure agreements as an obligor for purposes of S.E.C. Rule 15c2-12 (the “Rule”). In the past five years, the Institution filed its annual report (comprised of is audited financial statements and certain operating data) on the MSRB’s Electronic Municipal Market Access (“EMMA”) website; however, certain portions of the annual reports were filed outside of covenanted timeframes. In connection with the Series 2006 Bonds, the audited financial statements were not filed for fiscal years 2012 and 2013.

In the last five years, the Institution experienced several rating changes reported by S&P. Most recently, the Institution was rated “A” by S&P. Prior to 2014, the Institution failed to file notice of such rating changes.

The Series 2003 Bonds, Series 2005 Bonds and Series 2006 Bonds have since been fully redeemed, thus the Institution was discharged of the requirements under each respective continuing disclosure agreement.

In order to assist the Underwriter in complying with the Underwriter's obligations pursuant to the Rule, the Institution represents that it has conducted what it believes to be a reasonable review of the Institution's compliance with its existing continuing disclosure obligations. Based upon such review and except as otherwise noted above, the Institution is not aware of any instances, other than those described in the prior 3 paragraphs, in the previous five years in which the Institution has failed to comply in any material respects with previous undertaking agreements.

On November 26, 2014, the Institution filed an application for participation in the Municipalities Continuing Disclosure Cooperation Initiative of the Securities and Exchange Commission (the "SEC") in connection with certain prior disclosures of its compliance with prior continuing disclosure undertakings contained in official statements for previously issued bonds for which the Institution acted as obligor. On April 15, 2016 the SEC made an offer of settlement (the "Settlement") to the Institution regarding the prior disclosures described in its application. The SEC has alleged that such prior disclosures constituted untrue statements of a material fact in violation of Section 17(a)(2) of the Securities Act of 1933. Pursuant to the Settlement offer, without admitting or denying the allegations and findings of the SEC, the Institution has signed a cease and desist order from committing or causing any violations and any future violations of Section 17(a)(2) of the Securities Act. In addition, the Institution has agreed to comply with the following undertakings: (1) Establish appropriate written policies and procedures and periodic training regarding continuing disclosure obligations pursuant to the Rule to ensure compliance with the federal securities laws, including designating an individual or officer to be responsible for ensuring such compliance, (2) Comply with existing continuing disclosure undertakings, including updating past delinquent filings, (3) Cooperate with any subsequent investigation by the SEC regarding such false statements, (4) Disclose in a clear and conspicuous fashion the terms of the Settlement in any final official statement for an offering by the Institution through April 15, 2021 and (5) Certify to the SEC in writing the Institution's compliance with its undertakings, as described above. The Institution has developed written policies and procedures and establishing periodic training regarding continuing disclosure obligations pursuant to the Rule. The Institution has executed the Settlement and expects to receive the SEC's final executed Settlement within the next two months.

#### MISCELLANEOUS

The references herein and in the Appendices hereto to the Series 2016 Bonds, the Act, the Agreement and the Bond Indenture are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to such statutes and documents for full and complete statements therein. The agreements of the Authority with the holders of the Series 2016 Bonds are fully set forth in the Bond Indenture, and neither any advertisement of the Series 2016 Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Series 2016 Bonds. So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the documents mentioned in this paragraph are on file at the office of the Authority and the Bond Trustee.

Information relating to DTC and the book-entry system described herein under the heading "THE SERIES 2016 BONDS - Book-Entry Only System" has been furnished by DTC and is believed to be reliable, but none of the Authority, the Institution or the Underwriter make any representations or warranties whatsoever with respect to such information.

Attached hereto as Appendix A is a description of the Institution which contains certain information relating to the Institution and the Series 2016 Project. While the information contained therein is believed to be reliable, neither the Authority nor the Underwriter make any representations or warranties whatsoever with respect to the information contained therein. The Authority and the Underwriter have relied on the information contained in Appendix A.

Attached hereto as Appendix B are the financial statements of the Institution as of June 30, 2015 and 2014, and for the years then ended, which have been audited by KPMG LLP, independent certified public accountants, as stated in their report thereon. KPMG LLP, the Institution's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Official Statement.

Attached hereto as Appendix C is "CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS" prepared by Hawkins Delafield & Wood LLP, Bond Counsel to the Authority. The Form of Continuing Disclosure Agreement attached hereto as Appendix D has been prepared by Hinckley, Allen & Snyder LLP, Underwriter's Counsel.

The proposed form of legal opinion contained in Appendix E has been prepared by Hawkins Delafield & Wood LLP, Bond Counsel.

The Authority has participated only in that portion of this Official Statement captioned "THE AUTHORITY."

The execution and delivery of this Official Statement has been duly authorized by the Authority.

**NEW HAMPSHIRE HEALTH AND  
EDUCATION FACILITIES AUTHORITY**

By: \_\_\_\_\_

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**APPENDIX A**  
**INFORMATION CONCERNING**  
**SOUTHERN NEW HAMPSHIRE UNIVERSITY**

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## **APPENDIX A**

May 18, 2016

The following information is submitted by Southern New Hampshire University (the "University" or "SNHU") to the New Hampshire Health and Education Facilities Authority (the "Authority") for inclusion in the Authority's Official Statement relating to its Revenue Bonds, Southern New Hampshire University Issue, Series 2016 (the "Series 2016 Bonds"). As used herein, and unless otherwise indicated by the narrative, all academic and financial data for any year refers to the fiscal year ended June 30. Unless otherwise indicated, all cities and towns referred to herein are located in the State of New Hampshire.

### **GENERAL**

The University, founded in 1932, was granted university status in 2001. For the reporting period fall 2015, the University had a total headcount enrollment of approximately 60,000 students which corresponds to a full-time equivalent ("FTE") enrollment of approximately 36,000 students. A majority of the University's students receive their education via online courses, however approximately 2,000 students reside in the University's dormitories with additional traditional students attending as commuters.

The University is a private, not-for-profit university located in the City of Manchester, New Hampshire approximately 60 miles north of Boston, Massachusetts. The University's main campus is sited on approximately 350 acres in Manchester and the adjoining town of Hooksett, New Hampshire. Approximately 200 of these acres contain 39 major education buildings, with the remaining acreage available for campus expansion. Beyond the main campus, the University maintains five continuing education centers in Nashua, Portsmouth and Salem, New Hampshire, Burlington, Vermont and Brunswick, Maine. Programs include an undergraduate college, graduate and continuing education, and online courses. The University is divided into three distinct divisions: Center for Online and Continuing Education (COCE); University College (UC); and College for America (CfA).

### **HISTORY AND MISSION**

The University was founded in 1932 by H.A.B. Shapiro as the New Hampshire School of Accounting and Secretarial Science. The University was originally located in downtown Manchester and remained relatively small until 1961 when it was incorporated and renamed New Hampshire College of Accounting and Commerce. The University became a not-for-profit institution under a board of trustees in September 1968. In 1969, the name was shortened to New Hampshire College. In 1971, the University moved from its downtown site to a new 200-acre campus on the Merrimack River in north Manchester.

In 1974, the University introduced a Master of Business Administration (MBA) program. In 1978, the University assumed the degree programs in human services previously operated by Franconia College. These two programs later became the Graduate School of Business and the School of Human Services. The School of Human Services was later transferred to Springfield College.

During the spring of 1981, the New Hampshire legislature authorized New Hampshire College to award the master of human services degree and the Master of Science degree in business-related subjects. The same year, to accommodate the two rapidly expanding programs, the University purchased the former Mount Saint Mary College in Hooksett, approximately five miles from the Manchester campus. This property was eventually sold when the University acquired more property adjacent to its main campus.

In 1983, the University established the Culinary Institute, which offers a two-year degree program to prepare students for career opportunities in the hospitality field. In 1992, new liberal arts and teacher education majors were added at the undergraduate level. Over the years, the University extended its academic programs to several off-campus locations to better serve adult students.

In 1995, the University launched its Internet-based distance education program, which ultimately became the College of Online and Continuing Education. COCE is one of the largest not-for-profit online-degree providers in the United States. New student enrollment in COCE continues to be strong. Undergraduate new student enrollment has recently experienced 34% year over year growth, while new student enrollment in graduate programs has grown by approximately 12% year over year. These growth rates continue to outpace the market growth of total online enrollment, which has been estimated by Eduventures at less than 5%.

In 1997, the University added the Doctor of Business Administration and Doctor of Philosophy degrees. Subsequently, the University achieved university status and has been recognized as such by the New Hampshire Post-Secondary Commission. In connection with this change in status, the University changed its name to Southern New Hampshire University on July 1, 2001.

With the advent of university status on July 1, 2001, the former Division of Academic Affairs was organized into the Schools of Business, Arts and Sciences, Hospitality, Tourism and Culinary Management. In 2003, the School of Community Economic Development was established as an independent unit, separate from its previous affiliation within the School of Business. The School of Education opened in 2003, a result of the education programs that were acquired by the University upon the closing of Trinity College (Vermont) in 2000 and Notre Dame College (New Hampshire) in 2002. In 2010 Academic Affairs was reorganized under a Provost (formerly the Vice President of Academic Affairs), and the School of Liberal Arts was renamed "Arts and Sciences", recognizing its growing role in the University. The 2013-17 University Strategic Plan reaffirmed SNHU's commitment to excellence in career preparation, general education, and student learning through educational innovation.

Through additional restructuring, the University's on-campus program, University College, now has three schools: Arts and Sciences, Business, and Education. The UC division has seen steady



enrollment growth since 2010. Fall headcount has grown consistently from approximately 1,800 undergraduates in 2007, to approximately 2,200 undergraduates in 2010 and to in excess of 3,000 undergraduates in 2015. The University has fully leveraged its student-facing assets: classroom space, residence halls, and full-time instructional staff are fully optimized. UC plans to slow its headcount growth rate to focus on reducing tuition discount and refining admission criteria to admit students with a high propensity to persist and graduate. Projections by the University indicate that the quantity and quality of applications for the fall 2016 class are on the rise, which will support the goal of an increase in total net revenue as well as net revenue per student.

In 2013, SNHU created College for America, a business-to-business, competency-based model that brings opportunities for education to a large number of working employees who lack post-secondary degrees. CfA continues to experience significant year over year growth, from just under 1,500 new students enrolled in the full year of FY 2014 to over 2,300 new students enrolled in the first half of FY2015. The University's primary student enrollment model remains the partnerships with employers to serve their frontline, working adults who are seeking higher education. The number and size of these employer partnerships provides ample opportunity to continue the growth rates in SNHU's student enrollments and admissions projections through FY2016. CfA is also actively pursuing non-employer partnerships (i.e. with other educational institutions) to supplement this enrollment growth, though most such efforts are still in pilot status.

In June 2014, the University formed, and subsequently spun-off as a for-profit subsidiary, Motivis Learning Systems, Inc. Motivis is a majority owned software development and consulting firm that focuses on the development and implementation of competency-based learning environments.

## **THE PROJECT**

The Project consists of the design, construction and equipping of a residence hall to be located on the main campus of the University located at 2500 North River Road, Manchester, New Hampshire; funding or reimbursement of routine capital expenditures and miscellaneous construction, renovation, improvements and equipping of the University's facilities and payment of certain costs of issuing the 2016 Bonds.

## **GOVERNANCE AND ADMINISTRATION**

The University is governed by a 12-member Board of Trustees, excluding Emeritus Trustees (the "Board"). Trustees serve for staggered three-year terms, and can serve up to three consecutive terms. They can be reappointed after a one-year hiatus from the Board.

Standing committees of the Board include the Executive and Nominating Committees. Other Committees are established by the Board and appointed by the Chair, such as the Audit and Compliance Committee. The full Board meets three times each year in February, May and October. The Executive Committee is authorized to act with the power of the full board between meetings or the full Board may act through specially called meetings.

Executive officers of the University are elected annually and include the Chairman of the Board, Vice Chairman of the Board, President, Treasurer, and Secretary of the Board. The President is an ex-officio member of the Board with the power to vote. Pursuant to an agreement with the Board, one member of Southern New Hampshire University Professional Employees Association (SNHUPEA) and an alumni representative from the Alumni Association are nominated by these organizations, to serve as representatives to the Board. In addition, a student observer to the Board is elected by the student government.

The following is a list of the 2015-16 members of the Board, the year of their initial election, the year their term expires and their professional affiliation.

<b>Board Member</b>	<b>Year of Initial Election</b>	<b>Year Term Expires</b>	<b>Professional Affiliation/Location</b>
Paul LeBlanc President/ CEO	2003		President, Southern New Hampshire University Manchester, New Hampshire
Kusum Ailawadi	2009	2018	Professor of Marketing, Tuck School Hanover, New Hampshire
Janet Breslin-Smith	2013	2016	President, Crosswinds Strategic Washington, DC
Howard Brodsky	2000	2016	Chairman and CEO, CCA Global Partners Manchester, New Hampshire
Robert Freese Secretary	2009	2018	Senior Vice President Marketing Globe Manufacturing Company Pittsfield, New Hampshire
Lisa Guertin	2013	2016	President, Anthem Blue Cross Blue Shield Manchester New Hampshire
Andre Hawaux	2011	2017	Executive Vice President and COO, Dick's Sporting Goods Coraopolis, Pennsylvania
Winnie Lerner	2015	2018	Managing Director/Head of NY Office The Glover Park Group New York, New York
Rick Loeffler	2011	2017	Former Owner/CEO, Shorty's Management Group Bedford, New Hampshire
Mark Ouellette Chairman	1996	2018	SVP Global Operations, Pitney Bowes Stamford, Connecticut
Ed Wolak	2012	2018	President/CEO – The Wolak Group Falmouth, Maine
Peter Worrell	2012	2018	Managing Director/CEO, Bigelow LLC Portsmouth New Hampshire

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<b>Board Representatives</b>	
Doug Blais SNHUPEA Representative	Southern New Hampshire University Manchester, New Hampshire
Caroline Fleming SGA Student Observer	Southern New Hampshire University Manchester, New Hampshire
Timothy J. Gerardi Alumni Representative	Southern New Hampshire University Manchester, New Hampshire
<b>Trustee Emeriti</b>	
Clayton M. Christensen	Harvard Business School Boston, Massachusetts
Richard Courtemanche	Retired Executive Consultant – IBM Hampton, New Hampshire
John Miles	Retired VP of Finance, SNHU Manchester, New Hampshire
Raymond Truncellito, C.L.U.	Truncellito Life Insurance Planning Manchester, New Hampshire
* Emeritus Trustee - serves for life without voting rights	

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The President, Treasurer, and Secretary of the University are elected annually by the Board. The President, as Chief Executive Officer, is charged with the primary responsibility for the administration of the University. Subject to the Board's approval, the President appoints the other executive administrators of the University. Executive Administrators of the University include the Senior Vice President, Institutional Advancement; Senior Vice President and General Counsel; Senior Vice President, College for America; Senior Vice President, Technology and Transformation; Executive Vice President and University College Provost; Executive Vice President, College of Online and Continuing Education; Senior Vice President, External Affairs and Communications; Executive Vice President, University Finance and Administration and Chief Financial Officer; Senior Vice President and Chief Human Resource Officer; Senior Vice President, Strategy and University Chief of Staff; Senior Vice President, Academic Quality and Assurance.

A brief description of each of these University officials follows:

Paul J. LeBlanc (Dr.), President /CEO - Dr. LeBlanc is President of Southern New Hampshire University. Under the ten years of Dr. LeBlanc's direction, SNHU has more than tripled its enrollment in size and is the largest provider of online higher education in New England, one of the five largest in the country, and the first to have a full competency-based degree program (untethered to credit hours or classes) approved by a regional accreditor and the U.S. Department of Education. In 2012 the University was #12 on Fast Company magazine's "World's Fifty Most Innovative Companies" list and was the only university included. Dr. LeBlanc won a New

England Higher Education Excellence Award in 2012 and was named one of "New Hampshire's Most Influential People" by New Hampshire Business Review. In 2012 Forbes Magazine listed Dr. LeBlanc as one of its 15 "Classroom Revolutionaries," and he was featured on Bloomberg TV's "Innovators" series. He speaks frequently to industry leaders, national policy makers, and other higher education stakeholders and often appears in the media.

Dr. LeBlanc immigrated to the United States as a child, was the first person in his extended family to attend college, and is a graduate of Framingham State University (BA), Boston College (MA), and the University of Massachusetts (Ph.D). From 1993 to 1996 Dr. LeBlanc directed a technology start-up for Houghton Mifflin Publishing Company, was President of Marlboro College (Vermont) from 1996 to 2003, and became President of SNHU in 2003.

Don Brezinski, Senior Vice President, Institutional Advancement - Mr. Brezinski currently serves as Vice President of Institutional Advancement, overseeing the University's development, grant writing, and alumni relations activities. Immediately prior to coming to SNHU in 2007, Mr. Brezinski was the Executive Director for Corporate Relations at Bentley College (Massachusetts) from 2002 through 2007, overseeing corporate fund-raising and outreach, grant writing, and career services. He has also worked in similar roles at American University, Boston University, and Babson College, as well as in business-to-business sales roles in the for-profit sector. He holds a Master's Degree in International Affairs from American University, along with a Bachelor's Degree in History from Boston College.

R. Yvette Clark, Senior Vice President and General Counsel - Ms. Clark serves as Senior Vice President and General Counsel. Prior to becoming General Counsel at SNHU in November 2014, she practiced law as a general counsel in higher education for over 22 years, including at Cambridge College in Massachusetts and Stephen F. Austin State University in Texas. Ms. Clark was appointed to the Texas Guaranteed Student Loan Corporation Board of Directors by former Texas Governor Ann Richards. She served as President of the Texas Association of Chicanos in Higher Education, a Hispanic advocacy organization promoting access to higher education. Ms. Clark is a native of San Antonio, Texas, attended Yale University where she received a B.A. and the University of Texas School of Law receiving a J.D.

Kris Clerkin, Senior Vice President, College for America - Ms. Clerkin joined SNHU in 2012 and serves as Senior Vice President of CfA. As Senior Vice President, Ms. Clerkin leads the team of dedicated professionals building CfA. Her previous employment includes President of Houghton Mifflin's Higher Education Division and General Manager of the Legal Education Division of Wolters Kluwer where she was employed until 2012. Ms. Clerkin has a B.A. from the University of Wisconsin and an M.P.A. in 2010 from the John F. Kennedy School of Government at Harvard University.

Thomas Dionisio, Senior Vice President, Technology and Transformation - Mr. Dionisio currently serves as Senior Vice President of Technology and Transformation at the University. Prior to joining the University in 2016, he served as Chief Information Officer of the Boston Consulting Group, charged with overseeing all IT for the global management consulting firm. Mr. Dionisio joined the Boston Consulting Group in 1998 and held various positions of

increasing responsibility, ultimately rising to Partner and Managing Director. Prior to joining the Boston Consulting Group, Mr. Dionisio - a 1976 graduate of New Hampshire College - held various technology roles in the financial services sector.

Patricia A. Lynott Ph.D., Executive Vice President and University College Provost - Dr. Lynott joined the University in 2007. She previously served as the Dean of the School for Advanced Learning at Elmhurst College (Illinois) from 1999 to 2006. While serving as Dean, Dr. Lynott was also the Executive Director of Elmhurst Partners, a for-profit training and development arm established by Elmhurst College in 2001. She was an associate professor at Elmhurst College prior to joining Elmhurst Partners. Dr. Lynott received a Ph.D. in Educational Leadership and Policy Studies from Loyola University of Chicago in 1995, a M.A. in Communication Studies from Northern Illinois University in 1992, and a B.A. in Communication from Trinity College in 1990.

Amelia Manning, Executive Vice President, College of Online and Continuing Education - Ms. Manning started her employment at SNHU in 2004 and has been the Executive Vice President of COCE since August, 2015. Ms. Manning's primary function is ensuring that the University delivers upon both its vision and mission. Her team includes Marketing and Student Recruitment, Admissions, Millyard Creative, One Stop, Advising and Student Success, and Academics. Ms. Manning has a Bachelor's degree from Saint Michael's College in Vermont and a Master's in Counseling from the University of New Hampshire.

Libby May, Senior Vice President, External Affairs and Communications - Ms. May joined SNHU in April 2015 as Vice President of Communications. Previously, Ms. May worked at a communications firm specializing in nonprofit communications where she created the higher education department and managed all higher education clients, including several major foundations, universities and national initiatives. Ms. May has also worked at the National Association of Independent Colleges and Universities (NAICU), where she specialized in media relations, social media and government relations. Ms. May is a graduate of Ohio Wesleyan University where she earned a Bachelors in Political Science and Sociology, and holds a Certificate in communications from the University of Virginia.

Joseph Sergi, Executive Vice President, University Finance and Administration and Chief Financial Officer - Mr. Sergi has served as the Chief Financial Officer by Southern New Hampshire University since January 2013. He has over twenty years of experience in the Higher Education, Finance and Administration industry and is an innovator in his field. Prior to joining SNHU, Mr. Sergi was the Vice President of Finance and Administration at Mount Washington College. He was also employed by the University of Massachusetts Medical School and the Massachusetts Community College system, and by Massachusetts Bay Community College from 1993-2005 achieving the title of Assistant Vice President, Administration from 2003-2005. Mr. Sergi received a Bachelor's Degree and MBA in Finance from Bentley University.

Danielle Stanton, Senior Vice President and Chief Human Resource Officer – Ms. Stanton has more than 15 years of human resources leadership experience in various industries including financial services and higher education. She has supported high growth organizations in the

private sector as well as a Fortune 100 public organization. Ms. Stanton graduated Summa Cum Laude from Villanova University earning a Master of Science in Human Resources Development. She also holds a bachelor’s degree from Notre Dame College and a Master’s of Science from Villanova University.

Wil Zemp, Senior Vice President, Strategy and University Chief of Staff - Mr. Zemp joined Southern New Hampshire University in 2014 after retiring as a Colonel in the United States Army and currently serves as the Senior Vice President, Strategy and University Chief of Staff. Mr. Zemp holds a Doctorate of World Politics and certificates in Advanced Strategic Studies and Portfolio Management. He graduated with a Masters of Arts in International Relations from the Catholic University of America, and has earned additional master’s degrees from The US Army War College in Advanced Strategic Arts; the Naval War College in US National Security and Strategic Studies; and the USMC University in Operational Studies and Military Studies..

**FACULTY AND STAFF**

As of fall 2015, the University's faculty was composed of 123 full-time and 3,244 part-time members. The number of full-time faculty has essentially remained constant over the past several years with the number of part-time faculty growing significantly. This is attributable to the growth in enrollment in the online programs, which are generally taught by part-time faculty.

The following chart shows the number of full-time and part-time faculty for the period 2011 to 2015:

**Southern New Hampshire University Faculty (Fall Count)**

<b>Year</b>	<b>Number of Full-Time Faculty</b>	<b>Number of Part-Time Faculty</b>	<b>Total</b>
2011	117	757	874
2012	122	1,047	1,169
2013	126	1,638	1,764
2014	121	2,417	2,538
2015	123	3,244	3,367

As of March 1, 2016, the University employed 2,275 full-time and 5,312 part-time faculty and staff. The University has an independent collective bargaining agreement with its internal association, Southern New Hampshire University Professional Employees Association. This association represents approximately 1,100 full-time faculty and professional staff. In September 2015, a new five year agreement was ratified with SNHUPEA members. The University has never experienced a strike or work stoppage and introduced language in the newly ratified agreement to protect the University, its students and employees from any such occurrences. Southern New Hampshire University has been recognized as a Great College to Work For by the Chronicle of Higher Education for the past eight years, a recognition which is based on feedback from the University’s employees.

## FACILITIES

The following table identifies the buildings owned by the University, the approximate net square footage of each, the date of construction, and the principal use of each building. In addition, University buildings are maintained and periodically renovated as necessary.

<b>BUILDING</b>	<b>MUNICIPALITY</b>	<b>TOTAL SQ FT</b>	<b>YEAR BUILT</b>	<b>PRINCIPAL USE</b>
<b>MAIN CAMPUS</b>				
ACADEMIC CENTER	HOOKSETT	35,500	2009	Academic/Faculty/Offices/Auditorium
ATTITASH	HOOKSETT	5,928	1976	Townhouse/Residence
CENTRAL RECEIVING	HOOKSETT	6,800	1976	Warehouse/Offices
CONWAY	HOOKSETT	34,000	2004	Apartment/Residence
CRANMORE	HOOKSETT	6,669	1975	Townhouse/Residence
DINING HALL	HOOKSETT	47,700	2010	Student Café/ Academic Support/Storage
FORD PROPERTY	HOOKSETT	3,500	Existing House*	Academic Support
HAMPTON	HOOKSETT	43,100	2006	Dorm Pods/Residence
HILLSBORO	HOOKSETT	5,928	1978	Townhouse/Residence
HOSPITALITY	HOOKSETT	30,000	1996/1997	Classrooms/Culinary School/Offices
LIBRARY LEARNING COMMONS	HOOKSETT	51,250	2014	Library/Academic
LINCOLN	HOOKSETT	34,000	2004	Apartment/Residence
MADISON HOUSE	HOOKSETT	2,190	Existing House*	Faculty Offices
MORRISEY HOUSE	HOOKSETT	1,928	Existing House*	Administrative Offices
OPERATIONS CENTER	HOOKSETT	32,824	2011	Warehouse/Offices
ROBERT FROST HALL	HOOKSETT	58,800	2001	Academic/Faculty Offices/Auditorium
ROCKINGHAM	HOOKSETT	4,806	1978	Townhouse/Residence
SHAPIRO	HOOKSETT	30,216	1971	Library/Audio Visual Studio
STARK HALL	HOOKSETT	13,067	1971	Faculty Offices/Classrooms
SUNAPEE	HOOKSETT	6,669	1975	Townhouse/Residence
TUCKERMAN	HOOKSETT	80,120	2013	Residence Hall
WASHINGTON HALL	HOOKSETT	50,000	1996	Dormitory/Residence
WEBSTER HALL	HOOKSETT	40,000	1996	Classrooms/Faculty Offices

WEBSTER HOUSE	HOOKSETT	4,480	Existing House*	Facilities Management Offices
WINDSOR	HOOKSETT	43,100	2006	Dorm Pods/Residence
BELKNAP HALL	HOOKSETT/ MANCHESTER	21,183	1997	Administrative & Faculty Offices/Classrooms
STUDENT CENTER	HOOKSETT/ MANCHESTER	35,160	1971	Administrative/Student Offices/Wellness Center
ATHLETICS	MANCHESTER	71,963	1971	Athletics/Administrative
CHOCORUA	MANCHESTER	16,348	1971	Dormitory/Residence & Office suites
EXETER	MANCHESTER	27,882	1971	Administrative Offices
GREELY	MANCHESTER	8,640	1972	Dormitory/Residence
KEARSARGE	MANCHESTER	16,429	1972	Dormitory/Residence
MERRIMACK	MANCHESTER	15,783	1977	Dormitory/Residence & Administrative Offices
NEW CASTLE	MANCHESTER	43,074	2000	Dormitory/Residence
OSSIPEE	MANCHESTER	14,282	1977	Dormitory/Residence
SPAULDING	MANCHESTER	9,771	1972	Dormitory/Residence
WHITTIER	MANCHESTER	17,235	1972	Dormitory/Residence
WINNIPESAUKE	MANCHESTER	15,658	1977	Dormitory/Residence
WINNISQUAM	MANCHESTER	16,736	1971	Dormitory/Residence

#### OFF CAMPUS PROPERTIES

15 WEST ALICE	HOOKSETT	41,232	Existing Building*	empty
19 WEST ALICE	HOOKSETT	30,000	Existing Building*	empty
16 LEONARD AVE	HOOKSETT	1,673	Existing House*	empty residence
38 LEONARD AVE	HOOKSETT	n/a	Land only	land only
53 MARTINS FERRY ROAD	HOOKSETT	2,000	Existing House*	Martin House guest house
546 AMHERST ST	NASHUA	17,000	1965	Academic /Administrative

\*Existing buildings on property pre-date acquisition by the University.

#### ACADEMIC PROGRAMS

The University offers more than 200 different academic programs at the Associates, Bachelors, Masters, and Doctoral levels. These academic programs are offered through the three major academic/business units:

- University College: the foundational, traditional unit of the University, with a campus located in Manchester, New Hampshire. This unit has three schools: the School of Business; the School of Arts & Sciences; and the School of Education. Included in this unit are all educational



programs directed to a predominately residential undergraduate student population, low-residency graduate programs, and the residential graduate programs, including the Ph.D. and Ed.D.

- College of Online & Continuing Education: the predominantly online division for both graduate and undergraduate programs. This unit also provides some face-to-face courses for adult learners in Manchester and in satellite centers in Nashua, Salem and Portsmouth, New Hampshire, Burlington, Vermont and Brunswick, Maine.
- College for America: The newest unit at SNHU, it delivers competency-based degree programs in partnership with businesses and organizations.

While there is provision for COCE and CfA to create academic programs through their own governance structures, their processes follow very conventional models: new academic programs are vetted through an extensive and exhaustive review process with the Provost having final sign-off on all academic programs.

The University requires all students to take a core Liberal Arts program, which includes courses in oral and written communication, mathematics, and various areas of human knowledge. Every student is required to complete a major in a specialized field along with additional requirements, as determined by the student's school. In addition, each of the programs has additional core requirements. Students who complete their program of study will receive either a Bachelor of Science (B.S.) degree or a Bachelor of Arts (B.A.) degree.

A three-year baccalaureate program was approved for the University by the U.S. Department of Education in March 1997. The three-year program is designed to provide students with an undergraduate degree in a shorter period of time without accelerated courses. The program is designed to reduce the cost of tuition by 25 percent, compared to the traditional four-year program. It achieves this by "integrating rather than merely accelerating" student learning, and without demanding summer, intersession or weekend classes. While other institutions allow students to complete four years of course requirements in three years, the University's program eliminates standard redundant courses and teaches on a module system of highly concentrated exposure to material. The University is one of several institutions in the United States selected to offer this type of program. In the fall of 2015, 350 students were enrolled in this program.

In addition to its bachelor's degree programs, SNHU offers two-year associates degrees in various programs: Accounting, Business Administration, Baking and Pastry Arts, Computer Information Technology, Culinary Arts, Fashion Merchandising, Justice Studies, Arts and Sciences, General Studies, and Marketing.

Historically, the University has attracted a sizeable international population and has developed a variety of academic and non-academic programs to serve these students. The Institute for Language Education ("ILE") offers numerous levels of intensive full-time English Language and Communication skills training programs, which emphasize college readiness. English is taught through subject matter in areas such as: business, marketing, advertising, and career training. Students have the flexibility to enroll in a single class, or in the English as a Second Language

Program, which is a full-time program with a minimum of 17 hours per week of language instruction and guidance. At the end of each term, students are given the Test of English as a Foreign Language examination. As students reach appropriate proficiency levels, they are advised to enter the transitional English language classes, or full-time academic study at the undergraduate or graduate level. Approximately 250 undergraduate students participated in the ILE program in 2015.

SNHU's graduate programs have grown significantly in recent years. In 2015, there were approximately 15,000 enrollments. Graduate programs were first developed and introduced by the School of Business. Currently, graduate programs are offered by all three schools and include two doctoral degrees: a Ph.D. in International Business and an Ed.D in Educational Leadership.

The School of Arts and Sciences currently offers a field-based M.Ed. degree in education through the University's Vermont Center (Burlington, Vermont), which was established after the acquisition of programs from Trinity College (Vermont), in 2000. This program serves teachers in their local environment and is offered in collaboration with school districts throughout the state. The school also offers an M.S. degree in Community Mental Health. This is a well-established program that is offered in the cohort model which brings 20 to 25 community mental health professionals together to work on their master's degree in a one-weekend-per-month program, spread over two or more years. Cohorts are currently located in Wisconsin, Vermont, Alaska, and New Hampshire.

The University also offers the M.Ed. degree in Teaching English as a Second/Foreign Language through the Center for Language Education. This program prepares faculty to teach English to non-English speakers. In 2015, there were approximately 450 students in graduate programs in Education.

In September 1998, the SNHU Graduate School of Business began offering programs leading to Doctor of Business Administration (D.B.A.) in International Business; in 2011 this program was changed to a Ph.D in International Business. The University's academic, research, and professional foundations in the areas of international business and community economic development led the University to implement these doctoral level programs. The University currently enrolls approximately 20 students in the Ph.D. program and 34 students in the Ed.D.

The Ph.D in International Business is intended to prepare individuals for a career in academics, in consulting environments, or in multinational corporations, which require a theoretical understanding of global business operations, combined with a strong interest in applied research.

In the last decade, SNHU has made major strides in increasing the percentage of its full-time faculty who hold terminal degrees. This has produced many positive consequences, not the least of which is improving capacity to provide graduate-level education. SNHU has also improved its scholarly and research contributions, but the University remains predominately a teaching institution. The Master of Science in Teaching English as a Foreign Language (MS-TEFL), MFA, Community Mental Health Programs (PCMH), and Vermont Field-based Graduate Program in Education are practice-oriented programs. The MBA and MS programs in a variety of business fields have explicitly defined their learning goal as the delivery of more advanced

theory and applications (relative to the University's BS program). These degrees are intended to allow graduates to master business disciplines and assume corporate leadership positions. The emphasis is on application of existing knowledge, teaching, methodology, and professionalism (to create educators, writers, and community mental health workers, as well as business people). A number of programs, such as accounting, prepare students for professional certification.

## **ACCREDITATION**

The University and all of its academic programs are accredited by the New England Association of Schools and Colleges ("NEASC"). The University has maintained its accreditation since 1973. There are also numerous programs that have maintained program accreditation. Similarly, the university maintains Council of Higher Education Accreditation Standards (CHEA) standards of compliance by reporting institutional information.

## **STUDENT ENROLLMENTS**

The University had a total full-time equivalent enrollment of approximately 36,000 in 2015-16 (estimated based on fall 2015 enrollments), a 32% increase from the roughly 27,000 FTE enrollment in 2014-15.

The table below depicts applications, acceptances, matriculation and enrollment for academic years 2013 through 2015:

Graduate/Doctoral students include UC and COCE graduate students (both online and on campus graduate figures are represented here). Non-Traditional Undergraduates include COCE undergraduates and CfA students. Traditional Undergraduates are all remaining UC undergraduate students. Applications received are total applications for the academic year (including incomplete applications). Acceptances and matriculations are coded as such and represent total acceptances and matriculations for the academic year.

## Applications, Acceptances, Matriculation and Enrollment Data

	2012-2013	2013-2014	2014-2015
Applications Received (Academic Year)			
Traditional Undergraduate:	5,494	5,593	5,996
Non-Traditional Undergraduate:	12,303	23,210	38,853
Graduate/Doctorate:	7,546	11,945	15,591
Acceptances (Academic Year)			
Traditional Undergraduate:	4,270	4,270	4,509
Non-Traditional Undergraduate:	9,828	20,818	38,834
Graduate/Doctorate:	7,234	11,278	15,154
Matriculation (Academic Year)			
Traditional Undergraduate:	1,085	1,273	1,225
Non-Traditional Undergraduate:	9,634	20,588	38,240
Graduate/Doctorate:	4,648	9,080	13,250
Total Student Enrollment (Fiscal Year)			
All Degree and Non-Degree Programs:	33,899	55,683	84,881

The table below presents the enrollment headcount of the University's major programs academic years 2011-12 through 2015-16.

### Undergraduate, Graduate and Continuing Education Headcount Enrollment

	2011-12	2012-13	2013-14	2014-15	2015-16
Undergraduate School*	2,435	2,562	2,913	2,984	3,030
Undergraduate Continuing Education & Online	4,315	7,682	13,936	24,523	36,926
Graduate Programs**	4,256	6,332	10,090	14,029	17,436
<b>Total</b>	<b>11,006</b>	<b>16,576</b>	<b>26,939</b>	<b>41,536</b>	<b>57,392</b>

*\*Students enrolled in the day programs on a full- or part-time basis*

*\*\*Students enrolled on a full- or part-time basis*

The table below presents the programs that SNHU offers other than the programs described in the table above from the academic year 2011-12 to 2015-16.

### **Enrollments in Other SNHU Offered Programs**

	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
College for America	-	-	324	1,140	1,778
UC, Developmental / Non-Degree Seeking	594	659	872	1,067	1,044
UC, International Locations	309	371	443	372	135
<b>Total</b>	<b>903</b>	<b>1,030</b>	<b>1,639</b>	<b>2,579</b>	<b>2,957</b>

### **Undergraduate School**

SNHU' s undergraduate recruitment focuses on traditional college-age students who will benefit from the University's value-added educational approach. These students have average scholastic records, but are career-oriented and motivated. The University begins its recruiting efforts with sophomores and juniors in high school through personalized letters, advertising in recruitment publications and college guidebooks, participating in college fairs, distributing University material to high schools, and publishing on the internet. The University follows up on inquiries with a variety of personal and targeted contacts.

The following table illustrates undergraduate UC day applications and enrollment information from the academic year 2011-12 through 2015-16.

### **Freshman Applications, Acceptances, and Enrollments**

	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
Applications*	3,896	4,180	3,929	4,190	3,800
Acceptances	3,458	3,515	3,471	3,528	3,482
Enrollments	812	688	831	781	828
Acceptances / Applications*	88.76%	84.09%	88.34%	84.20%	91.63%
Enrollments / Acceptances	23.48%	19.57%	23.94%	22.14%	23.78%

\*Completed applications

### **Graduate Program**

The Graduate Programs, comprised of a full-time day program and a part-time evening program, attract a wide variety of students. The full-time program tends to draw students in a younger age range and with less professional experience than the part-time program.

The table below presents the annual headcount based on academic year for graduate students enrolled by site from the academic year 2011-12 through the academic year 2015-16.

### **Graduate Student Enrollment by Site**

	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Manchester	1,548	1,592	1,506	1,520	1,343
Online Education	1,604	3,712	7,628	11,699	15,353
Nashua	138	101	107	82	52
Portsmouth	185	150	123	96	47
Salem	114	128	120	88	46
Brunswick, ME	163	151	134	102	80
Burlington	448	436	412	389	465
Vietnam	56	62	60	53	50

### **International Student Geographic Distribution**

The University has a long-standing history of recruiting and admitting foreign students. The University believes its success in attracting these students comes from its focus on global business and the depth of its programs designed specifically for international students.

The table below presents the international students enrolled in undergraduate UC day programs from the academic year 2011-12 through the academic year 2015-16.

### **International Student Population by Country**

<b>Country</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
China	150	131	141	178	183
India	4	3	13	9	10
Japan	6	4	3	6	4
Malaysia	2	3	20	54	28
Saudi Arabia	122	254	411	579	377
Taiwan	38	51	19	17	10
Thailand	6	5	4	2	
Turkey	10	4	2	2	2
Vietnam	16	17	12	3	
Other	79	96	94	111	105
<b>Total</b>	<b>433</b>	<b>568</b>	<b>719</b>	<b>961</b>	<b>719</b>

The following table displays a history of the course enrollments in the Division of the College of Online and Continuing Education for the academic years 2011-12 through 2015-16.

**Division of College of Online and Continuing Education Course Enrollments\***  
**As of June 30,**

	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16**</b>
<b>Enrollments</b>	61,281	108,129	189,052	313,695	377,609
<b>% Enrollments Increase</b>	41%	76%	75%	66%	20%

\*Measures each course enrollment by all students (e.g. a student enrolling in four different courses is four course enrollments).

\*\*Based on enrollments through March 22, 2016

**TUITION AND FEES**

The table below presents the tuition, room and board and mandatory fees for the University's undergraduate school and for those peer institutions with which it regularly competes for students.

**Comparative 2015-16 Undergraduate Tuition Costs**

<b>Institution</b>	<b>Tuition and Fees</b>	<b>Room and Board</b>	<b>Total</b>
SNHU	\$30,386	\$11,798	\$42,184
University of New Hampshire (out of state)	\$30,256	\$10,618	\$40,874
U Mass Lowell (out of state)	\$20,540	\$11,670	\$32,210
Keene State (out of state)	\$21,408	\$9,712	\$31,120
Plymouth State (out of state)	\$21,208	\$10,868	\$32,076
Merrimack College	\$37,270	\$13,875	\$51,145
Saint Anselm College	\$37,694	\$13,334	\$51,028

\*Source for above is compiled from Chronicle of Higher Education

The table below presents the tuition per class for the University's COCE Undergraduate Program and the tuition per class for those schools with which it regularly competes for students.

**Comparative 2015-16 Costs for COCE Undergraduate Programs**

<b>Institution</b>	<b>Tuition per 3 credit course</b>	<b>Duration</b>
SNHU – COCE	\$960	9 weeks
Kaplan University**	\$915 - \$1,113	6 - 10 weeks
Liberty University	\$1,125	8 weeks
Univ. of Phoenix	\$1,230	5 weeks

\*Source: Above data derived from Institution’s websites.  
Access date: 3/28/16.

\*\*Tuition and Duration of term vary for Undergraduate Programs.

The table below depicts the tuition per class for the University's Graduate Program and the tuition per class for those schools with which it regularly competes for students.

**Comparative 2015-16 Costs for MBA Graduate Programs**

<b>Institution</b>	<b>Tuition per 3 credit course</b>	<b>Duration</b>
SNHU – COCE	\$1,881	10 weeks
Kaplan University	\$1,323	6 weeks
Liberty University	\$1,620	8 weeks
Univ. of Phoenix	\$2,220	6 weeks

\*Source: Above data derived from Institution’s websites.  
Access date: 3/28/16.

**FINANCIAL AID**

The University's financial aid program places primary emphasis on expected family contribution in awarding need based grants; academic performance is recognized with merit scholarships; and various discretionary scholarships are also awarded (e.g. resident assistant, special presidential); all other aid includes athletics, Supplemental Education Opportunity Grant (SEOG) and housing. The University strives to provide 100% of need using a combination of grants, loans, work-study, and scholarships. Approximately 94% of SNHU's full-time fall day undergraduate students received financial assistance ranging from \$1,464 to full cost in FY2015. Merit and discretionary aid increased in FY2015 due to a Title IV reconstruction which resulted in the



University awarding additional institutional grants. The University participates in the Federal College Work-Study Program, the Perkins Loan Program, and the Supplemental Education Opportunity Grant Program. It also is an eligible institution under the Stafford Student Loan Program and Pell Grant Program, Academic Competitiveness Grant and Smart Grants. The following table includes information on the amount of financial assistance provided to all SNHU students for the fiscal years 2013 through 2015.

**The below includes University College, COCE and College for America**

<b>Fiscal Year</b>	<b>Total Unduplicated Headcount*</b>	<b>Total Aid Recipients</b>	<b>Need Based Grants</b>	<b>Merit &amp; Discretionary</b>	<b>All Other</b>	<b>Total Awarded Amount**</b>	<b>Overall Discount Rate</b>
2013	30,218	4,247	\$7.33 M	\$18.93 M	\$5.2 M	\$31.46 M	15.3%
2014	58,145	7,377	\$7.47 M	\$26.77 M	\$6.43 M	\$40.67 M	11.6%
2015	85,401	17,120	\$6.04 M	\$47.56 M	\$8.48 M	\$62.09 M	13.6%

\*Invoiced, not necessarily enrolled.

\*\*Does not include contracted discounts (e.g. military).

## **FUNDRAISING AND DEVELOPMENT PROGRAM**

Over the course of the past year SNHU's Office of Institutional Advancement has shifted much of its emphasis on alumni engagement from a fund raising mission to one where alumni are instead being asked to assist students in their career development. Going forward, alumni engagement will be measured not simply in terms of dollars raised, but also in terms of engagement as it contributes to overall student success. This has contributed to a 98% placement rate for UC undergraduates, based on a response rate of 76%, which the Admissions Office is using to enhance future enrollments. The University's fund raising efforts are now largely focused on major gift development, planned giving, and grants.

## **FINANCIAL INFORMATION**

The following summaries and discussions of financial matters should be read in conjunction with the FY2014 and FY2015 audited financial statements of the University, related notes, and independent auditors' report as included in Appendix B in the Official Statement. Financial statements have been audited by KPMG, LLP, Independent Certified Public Accountants. KPMG LLP, the Institution's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the consolidated financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to the Official Statement of which this Appendix A is a part.

The University operates on a fiscal year ending June 30. The following table summarizes the Statements of Unrestricted Revenues and Expenses and Changes in Unrestricted Net Assets for the three years ended June 30, 2015, 2014 and 2013, respectively. Results are derived from the audited financial statements of the University.

**SOUTHERN NEW HAMPSHIRE UNIVERSITY**

Consolidated Unrestricted Statements of Activities

Year ended June 30,

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating:			
Revenues and other support:			
Tuition and fees	\$ 470,421,605	321,422,040	212,762,050
Residence and dining	20,541,114	20,273,934	16,802,539
Less student financial aid	<u>(49,417,170)</u>	<u>(44,645,766)</u>	<u>(32,523,776)</u>
Tuition and fees, net	441,545,549	297,050,208	197,040,813
Other auxiliary enterprises	1,989,722	1,841,399	2,021,334
Contributions	274,579	276,586	302,665
Grants and contracts	2,057,350	1,405,933	1,383,149
Other interest income	1,611,384	926,985	771,856
Other income	<u>1,814,056</u>	<u>3,026,106</u>	<u>1,740,735</u>
Total operating revenues	449,292,640	304,527,217	203,260,552
Net assets released from restrictions	<u>1,058,000</u>	<u>1,521,620</u>	<u>1,381,085</u>
Total operating revenues and other support	<u>450,350,640</u>	<u>306,048,837</u>	<u>204,641,637</u>
Expenses:			
Education and general:			
Instruction	76,310,367	65,789,884	47,083,201
Academic support	68,212,179	40,033,093	25,341,578
Student services	167,750,607	111,396,834	57,035,451
Institutional support	55,156,425	34,270,360	33,515,842
Auxiliary enterprises	<u>20,490,949</u>	<u>19,830,407</u>	<u>15,400,326</u>
Total operating expenses	<u>387,920,527</u>	<u>271,320,578</u>	<u>178,376,398</u>
Increase (decrease) in net assets from operations	<u>62,430,113</u>	<u>34,728,259</u>	<u>26,265,239</u>
Nonoperating:			
Investment return, net	<u>(879,146)</u>	6,595,829	3,526,920
Loss on extinguishment of debt	<u>(1,899,726)</u>	—	—
Other	<u>(738,023)</u>	<u>(321,027)</u>	<u>(164,551)</u>
(Decrease) Increase from nonoperating activity	<u>(3,516,895)</u>	<u>6,274,802</u>	<u>3,362,369</u>
Increase (decrease) in net assets	58,913,218	41,003,061	29,627,608
Net assets at beginning of year	<u>130,939,693</u>	<u>89,936,632</u>	<u>60,309,024</u>
Net assets at end of year	\$ <u>189,852,911</u>	<u>130,939,693</u>	<u>89,936,632</u>

**SOUTHERN NEW HAMPSHIRE UNIVERSITY**

Consolidated Statements of Financial Position

June 30,

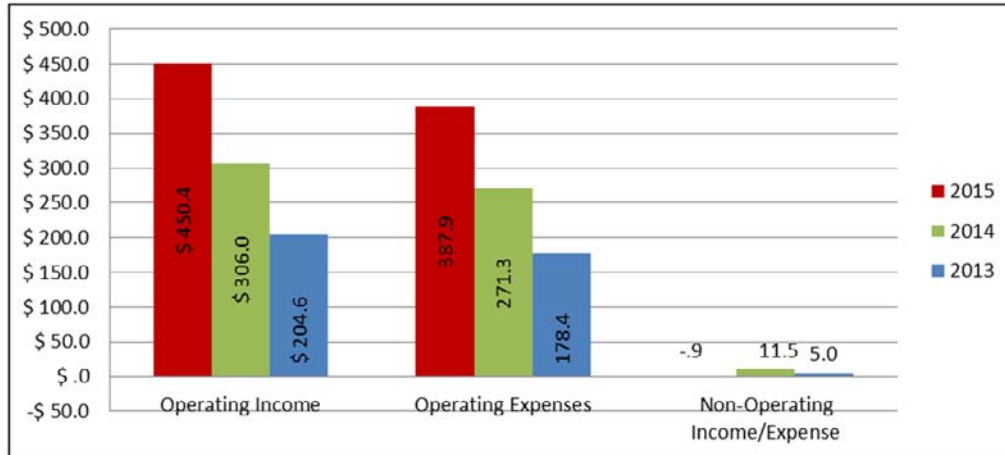
<b>Assets</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Cash and cash equivalents	\$ 124,584,099	57,678,766	30,103,077
Student accounts receivable, net	10,075,743	4,357,962	1,485,980
Other assets, net	9,103,897	26,761,360	10,856,353
Deposits with trustees	33,340,624	27,802,379	45,697,965
Investments, at fair value	75,041,621	75,927,902	65,107,014
Property and equipment, net	<u>147,245,662</u>	<u>133,610,019</u>	<u>111,245,699</u>
Total assets	\$ <u>399,391,646</u>	<u>326,138,388</u>	<u>264,496,088</u>
 <b>Liabilities and Net Assets</b>			
Liabilities:			
Accounts payable and accrued expenses	\$ 39,587,267	41,867,535	20,054,333
Student deposits and advance payments	16,117,369	12,780,916	14,048,957
Bonds payable	127,823,948	116,251,729	119,941,031
Refundable advances – U.S. government grants	<u>3,486,425</u>	<u>3,334,322</u>	<u>3,228,749</u>
Total liabilities	<u>187,015,009</u>	<u>174,234,502</u>	<u>157,273,070</u>
Net assets:			
Unrestricted	189,852,911	130,939,693	89,936,632
Temporarily restricted	6,229,083	7,408,485	5,268,385
Permanently restricted	<u>16,294,643</u>	<u>13,555,708</u>	<u>12,018,001</u>
Total net assets	<u>212,376,637</u>	<u>151,903,886</u>	<u>107,223,018</u>
Total liabilities and net assets	\$ <u>399,391,646</u>	<u>326,138,388</u>	<u>264,496,088</u>

Management’s Discussion and Analysis of Recent Performance:

Southern New Hampshire University has a long history of positive operations with a solid overall financial position that has grown even stronger in recent years. The growth in enrollments and focus on fiscal responsibility has resulted in an increase from operations of approximately \$61.6 million for FY2015 with an operating margin of 13.7%. The overall change in net assets was \$60.5M with a margin of 13%. Management reviews the University’s discount rate by business unit on an ongoing basis throughout the year. The results of this analysis are reviewed with the Board in order to ensure that the financial needs of SNHU’s mission-appropriate students are being adequately addressed.

Tuition and Fees, net of student aid, comprised 98% of SNHU’s unrestricted operating revenues in FY2015, which was up slightly from FY2014 (97.3%). Net Tuition Revenue was \$441M in FY2015 versus \$297M in FY2014, an increase of 49%, with a three year average growth rate of 50%. Overall operating revenues for FY2015 increased by \$144M, or 47%, over FY2014. The University has continued to carefully monitor operating expenditures in order to maintain the student experience. Total operating expenditures were \$388M in FY2015, an increase of \$116M or 43% over the prior year. Non-operating revenues decreased between FY2014 and FY2015 as a result of unusually high investment returns in FY2014 compared with losses and less favorable

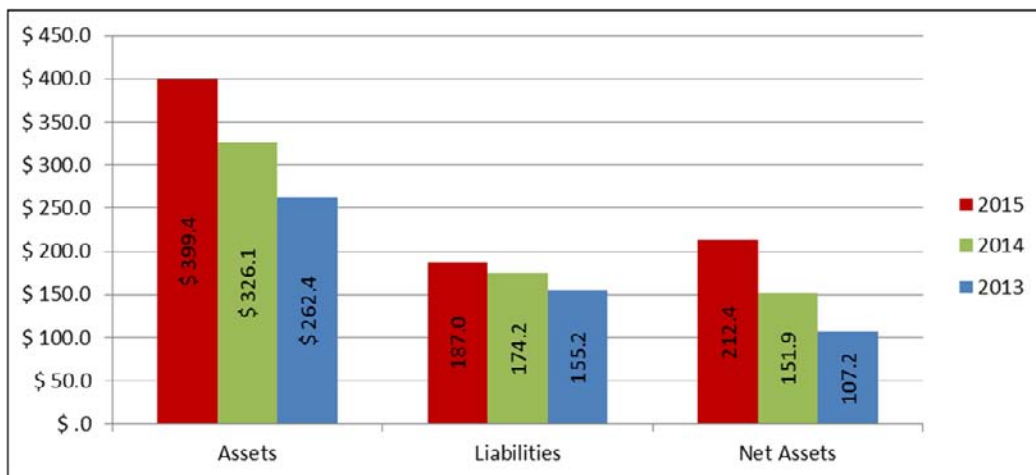
market conditions in FY2015. Overall, non-operating revenues decreased from \$11M to a loss of \$900k year over year. These results are reflected in the table below:



The table below displays the increase in Unrestricted Net Assets from Operations for the past three years.

Fiscal Year	Unrestricted Increase in Net Assets from Operations	% Increase Year over Year
FY2013	\$26,265,239	108%
FY2014	\$34,728,259	32%
FY2015	\$62,430,113	80%

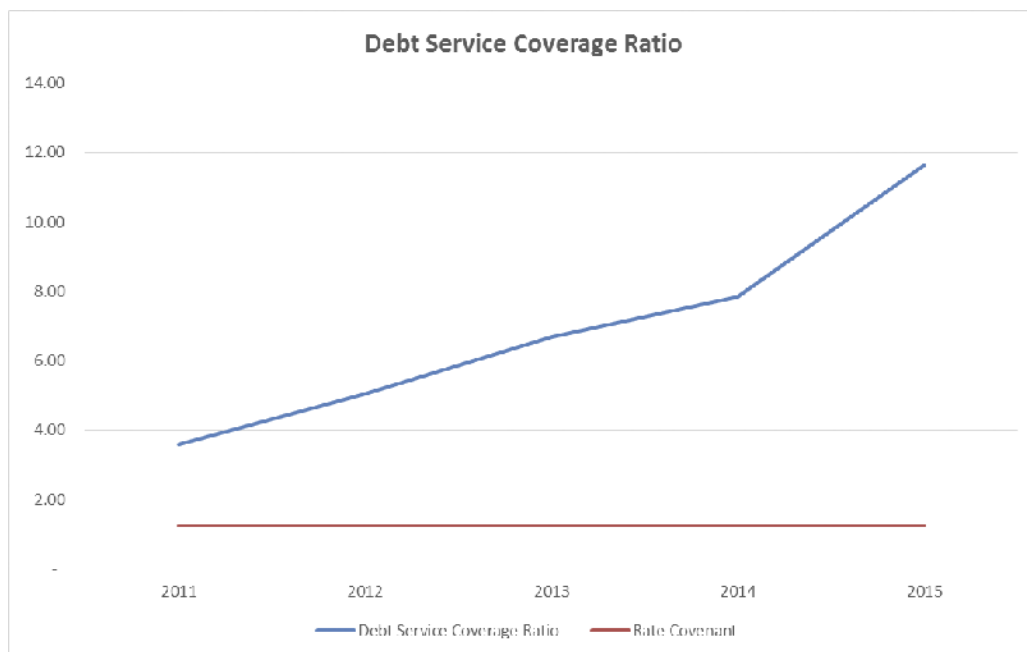
The Statement of Financial Position reflects the University’s strong growth and diligent oversight of the University’s assets. Net Assets has increased from \$152M in FY2014 to \$212M in FY2015, an increase of 39%.

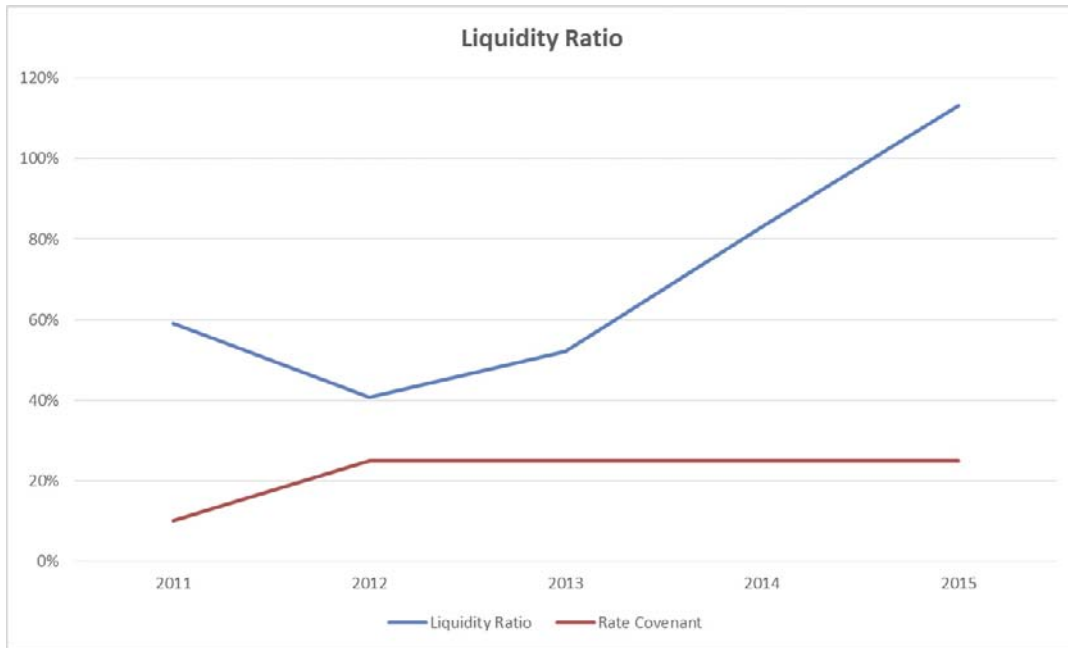


## PLANT ASSETS

	<u>Estimated useful lives</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Land	—	\$ 9,875,071	9,875,071	9,875,071
Land improvements	10 – 15 years	9,115,700	8,028,397	4,959,234
Buildings, building improvements & leasehold improvements	10 – 50 years or term of lease	143,125,156	120,984,507	101,962,026
Furniture and equipment	3 – 20 years	29,720,882	21,380,101	20,593,142
Motor vehicles	3 – 7 years	1,141,109	750,671	710,689
Construction in process	—	12,599,211	21,874,868	19,596,171
Total		<u>205,577,129</u>	<u>182,893,615</u>	<u>157,696,333</u>
Less accumulated depreciation		<u>(58,331,467)</u>	<u>(49,283,596)</u>	<u>(46,450,634)</u>
Property and equipment, net		<u>\$ 147,245,662</u>	<u>133,610,019</u>	<u>111,245,699</u>

The University has continued to invest in its campus operations with the additions of a new academic center, dining hall, library, and dormitory. In August 2014, the University issued taxable and tax-exempt bonds with a par amount of \$66M through the Authority. The bonds were used to defease and/or refund the previously issued Series 2005, 2006 and 2008 bonds as well as to finance new capital projects and costs of issuance. SNHU continues to maintain favorable bond covenant ratios. The two ratios include: the Debt Service Coverage Ratio, currently at 11.66 for FY2015 up from 7.86 in FY2014 with a minimum requirement of 1.25; the Minimum Liquidity ratio of 113% in FY2015 up from 83% in FY2014 with a minimum of 25%. Additional debt ratios also continue to be favorable as interest expense and total debt service make up a small portion of total operating expenses. At the end of the most recent fiscal year, the University had a credit rating, issued by S&P, of BBB with a positive outlook. In February 2016 S&P raised the credit rating to A with a stable outlook. The below graphs depict the University’s historic Debt Service Coverage Ratio and Liquidity Ratio to Debt and associated covenant minimums.





## CASH AND INVESTMENTS

The objective of the long term investment pool of the University is to invest its assets in a prudent manner to achieve a long term rate of return sufficient to fund a portion of its spending and to increase investment value after inflation. In September 2015 the Board engaged an outsourced chief investment office (OCIO) manager to manage, invest and reinvest the University’s long-term investments on a discretionary basis in accordance with the University’s Investment Policy Statement. The University's long-term investments consist of global public equity funds, private equity funds, hedge funds, inflation hedging (commodities and inflation-linked bond) funds, and deflation hedging (U.S. government bond) funds. The University's cash and cash equivalents consist of cash balances at financial institutions and investments collateralized by repurchase agreements.

### THIRD PARTY DEBT

As of June 30, 2015, the University had \$127,823,948 in total bonds payable collateralized by a mortgage on the campus, gross receipts, and equipment. The following is a summary of outstanding long-term indebtedness as of June 30, 2015.

	<u>2015</u>
Bonds payable:	
Fixed Rate Revenue Bonds issued June 2012 through the New Hampshire Health and Education Facilities Authority with semi-annual installments of principal and interest from 2015 to 2042: weighted average rate of 4.89%	\$62,165,000
Fixed Rate Revenue Bonds issued August 2014 through the New Hampshire Health and Education Facilities Authority with monthly installments of principal and interest from 2014 to 2039: weighted average rate of 2.94%	<u>64,602,000</u>
Total bonds payable	126,767,000
Issuance costs on bonds:	
Deferred costs	(997,080)
Premiums received on bonds:	
Premium	<u>2,054,028</u>
Total bonds payable	<u><u>\$127,823,948</u></u>

In addition, The University has a \$20,000,000 revolving line of credit, on parity with the institution's other debt, secured by accounts, inventory and gross receipts. No borrowings on the line of credit were outstanding at any time during the fiscal year ended June 30, 2015. Advances on the line of credit bear interest at the prime interest rate plus 1% (effectively 4.25% at June 30, 2015).

### BUDGET PROCEDURES

The University's Office of Financial Planning and Analysis conducts comprehensive budget planning on an annual basis. This process entails working with relevant constituencies to develop a comprehensive and realistic budget. The budgets are all vetted through senior leadership in order to ensure appropriate planning for resources and technology needed for University initiatives. Annual budgets are approved by the University's Board. The Board is provided with reports and analysis at University and business unit levels. The reports include head count data including new positions, the capital budget, long term debt analysis, bond covenant ratios and cash analysis. Management has developed a cash forecasting tool which anticipates any changes in the financial outlook of the University in order to provide consistency in the quality of student experience and maintenance of mission. Forecasts are also provided to

the Board on a quarterly basis. Southern New Hampshire University is projecting continued solid growth in the next three years in alignment with its strategic plan. As of Q3 2016, the University is anticipating an increase in net unrestricted operating assets of \$48M.

The University begins to prepare the budget for its next fiscal year during February of the current fiscal year. The budget process is an annual planning effort in which requests are received and discussed at a series of formal meetings with the business units and university leadership. The budget is then developed by the President and Treasurer for approval at the May Board meeting. The University has started each fiscal year since 1987 with a balanced operating budget; revenue increases and savings in operating costs have produced a surplus during each of these years. Expected budget surpluses are booked to the reserve fund, and at the end of the year are rolled into a change in net assets.

## **EMPLOYEE BENEFITS AND PENSION PLAN**

The University offers a full benefits package to all of its full-time employees including medical, dental, disability, and life insurance. Certain tuition benefits are also available to employees and their spouses and children.

The University has a defined contribution plan for all employees who work for at least 1,000 hours yearly. After three years of 1,000 or more hours of service (during the plan year), each qualifying employee becomes vested in the plan. The University currently contributes 9% of the employee's base salary to the plan on an annual basis. The University is in compliance with the Employee Retirement Income Security Act of 1974 (ERISA), and the retirement plan is fully qualified by the Internal Revenue Service. There are no unfunded past service liabilities. The total pension expense to the plan was \$7,403,259 in 2015.

## **STRATEGIC PLANNING**

The University is currently proceeding under a strategic plan that covers fiscal years 2016 - 2020. The plan is based on the educational and non-profit principles of student success and focuses on the following objectives:

- Expanding Online offerings;

- Improvements associated with quality of student experience;

- Improved career services; and

- Improved student services.

The following initiatives are underway to support these objectives:

The University hired a third party consultant to assist with collecting, organizing and formatting market data associated with the University's needs in the labor market. The University will use this data to assist in the planning and execution of expanding Online programs in support of its mission. In addition, the University is making investments in technology, plant and equipment and personnel to improve the student experience and ensure the appropriate investments are



made to support this growth. In support of career services, the University is currently building a new career services center on the main campus and has been performing outreach services to the University's alumni to provide internships and job placement opportunities for its students and recent graduates. Due to the rapid changes that are taking place within higher education, the University is currently on a three, rather than five, year review cycle with regard to its strategic plan.

## **LITIGATION**

The University is engaged in routine civil litigation, including employment, personal injury and other claims. The University is not aware of any litigation that is pending or threatened in which an unfavorable decision would materially adversely affect the ability of the University to enter into the Loan Agreement with the Authority relating to the Series 2016 Bonds or carry out its obligations thereunder or which would have a material adverse effect on the University's operations or finances.

## **INSURANCE**

The University obtains risk management advice from qualified consultants and maintains comprehensive coverage for all significant insurable risks. Property insurance is provided on a blanket basis for an agreed amount at replacement cost. General liability and automobile insurance are maintained in conjunction with a \$40,000,000 commercial umbrella policy. In addition, the University has appropriate directors' and officers' errors and omissions coverage, workmen's compensation insurance and other miscellaneous coverages. The University's coverage has been benchmarked with other similar institutions and maintains coverage that meets or exceeds industry standards.

This letter and the information contained herein are submitted to the Authority for inclusion in its Official Statement relating to the Authority's Revenue Bonds, Southern New Hampshire University Issue, Series 2016. The use of this letter by the Authority in connection with the initial sale of the Bonds and the execution and delivery thereof by its President / CEO and Executive Vice President Administration & Finance / CFO have been authorized by the Board of Trustees of Southern New Hampshire University.

## **SOUTHERN NEW HAMPSHIRE UNIVERSITY**

By: /s/ Paul J. LeBlanc, Ph.D.  
President / CEO

By: /s/ Joseph A. Sergi  
Executive Vice President Administration & Finance / CFO

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**APPENDIX B**  
**FINANCIAL STATEMENTS OF**  
**SOUTHERN NEW HAMPSHIRE UNIVERSITY**

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**SOUTHERN NEW HAMPSHIRE UNIVERSITY**

Consolidated Financial Statements

June 30, 2015

(with comparative information for June 30, 2014)

(With Independent Auditors' Report Thereon)

# SOUTHERN NEW HAMPSHIRE UNIVERSITY

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Consolidated Statements of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6



KPMG LLP  
Two Financial Center  
60 South Street  
Boston, MA 02111

## Independent Auditors' Report

The Board of Trustees  
Southern New Hampshire University:

We have audited the accompanying consolidated financial statements of Southern New Hampshire University (the University), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities and cash flows for the year ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Southern New Hampshire University and its subsidiaries as of June 30, 2015, the changes in their net assets and their cash flows for the year ended in accordance with U.S. generally accepted accounting principles.



***Report on Summarized Comparative Information***

We have previously audited the University's 2014 consolidated financial statements, and expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 17, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited consolidated financial statements from which it was derived.

KPMG LLP

October 6, 2015



**SOUTHERN NEW HAMPSHIRE UNIVERSITY**

Consolidated Statement of Financial Position

June 30, 2015

(with comparative information as of June 30, 2014)

<b>Assets</b>	<b>2015</b>	<b>2014</b>
Cash and cash equivalents	\$ 124,584,099	57,678,766
Student accounts receivable, net	10,075,743	4,357,962
Other assets, net	9,103,897	26,761,360
Deposits with trustees	33,340,624	27,802,379
Investments, at fair value	75,041,621	75,927,902
Property and equipment, net	147,245,662	133,610,019
Total assets	<u>\$ 399,391,646</u>	<u>326,138,388</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 39,587,267	41,867,535
Student deposits and advance payments	16,117,369	12,780,916
Bonds payable	127,823,948	116,251,729
Refundable advances – U.S. government grants	3,486,425	3,334,322
Total liabilities	<u>187,015,009</u>	<u>174,234,502</u>
Net assets:		
Unrestricted	189,852,911	130,939,693
Temporarily restricted	6,229,083	7,408,485
Permanently restricted	16,294,643	13,555,708
Total net assets	<u>212,376,637</u>	<u>151,903,886</u>
Total liabilities and net assets	<u>\$ 399,391,646</u>	<u>326,138,388</u>

See accompanying notes to financial statements.

**SOUTHERN NEW HAMPSHIRE UNIVERSITY**

Consolidated Statement of Activities

Year ended June 30, 2015

(with summarized information for 2014)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2015</u>	<u>2014</u>
Operating:					
Revenues and other support:					
Tuition and fees	\$ 470,421,605	—	—	470,421,605	321,422,040
Residence and dining	20,541,114	—	—	20,541,114	20,273,934
Less student financial aid	<u>(49,417,170)</u>	<u>—</u>	<u>—</u>	<u>(49,417,170)</u>	<u>(44,645,766)</u>
Tuition and fees, net	441,545,549	—	—	441,545,549	297,050,208
Other auxiliary enterprises	1,989,722	—	—	1,989,722	1,841,399
Contributions	274,579	195,053	—	469,632	954,187
Grants and contracts	2,057,350	45,700	—	2,103,050	1,650,545
Other interest income	1,611,384	—	—	1,611,384	926,985
Other income	<u>1,814,056</u>	<u>—</u>	<u>—</u>	<u>1,814,056</u>	<u>3,026,106</u>
Total operating revenues	449,292,640	240,753	—	449,533,393	305,449,430
Net assets released from restrictions	<u>1,058,000</u>	<u>(1,058,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total operating revenues and other support	<u>450,350,640</u>	<u>(817,247)</u>	<u>—</u>	<u>449,533,393</u>	<u>305,449,430</u>
Expenses:					
Education and general:					
Instruction	76,310,367	—	—	76,310,367	65,789,884
Academic support	68,212,179	—	—	68,212,179	40,033,093
Student services	167,750,607	—	—	167,750,607	111,396,834
Institutional support	55,156,425	—	—	55,156,425	34,270,360
Auxiliary enterprises	<u>20,490,949</u>	<u>—</u>	<u>—</u>	<u>20,490,949</u>	<u>19,830,407</u>
Total operating expenses	<u>387,920,527</u>	<u>—</u>	<u>—</u>	<u>387,920,527</u>	<u>271,320,578</u>
Increase (decrease) in net assets from operations	<u>62,430,113</u>	<u>(817,247)</u>	<u>—</u>	<u>61,612,866</u>	<u>34,128,852</u>
Nonoperating:					
Contributions for long-term investment	—	—	2,738,935	2,738,935	1,537,707
Investment return, net	(879,146)	(362,155)	—	(1,241,301)	9,335,336
Loss on extinguishment of debt	(1,899,726)	—	—	(1,899,726)	—
Other	<u>(738,023)</u>	<u>—</u>	<u>—</u>	<u>(738,023)</u>	<u>(321,027)</u>
(Decrease) increase from nonoperating activity	<u>(3,516,895)</u>	<u>(362,155)</u>	<u>2,738,935</u>	<u>(1,140,115)</u>	<u>10,552,016</u>
Increase (decrease) in net assets	58,913,218	(1,179,402)	2,738,935	60,472,751	44,680,868
Net assets at beginning of year	<u>130,939,693</u>	<u>7,408,485</u>	<u>13,555,708</u>	<u>151,903,886</u>	<u>107,223,018</u>
Net assets at end of year	<u>\$ 189,852,911</u>	<u>6,229,083</u>	<u>16,294,643</u>	<u>212,376,637</u>	<u>151,903,886</u>

See accompanying notes to financial statements.

**SOUTHERN NEW HAMPSHIRE UNIVERSITY**

Consolidated Statement of Cash Flows

Year ended June 30, 2015

(with comparative information as of June 30, 2014)

	<b>2015</b>	<b>2014</b>
Cash flows from operating activities:		
Increase in net assets	\$ 60,472,751	44,680,868
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	9,909,240	7,506,461
Realized and unrealized loss (gain) on investments, net	2,223,497	(8,854,067)
Loss on disposal of property and equipment	57,459	274,859
Contributions for long-term investments	(2,738,935)	(1,537,707)
Gain on termination of interest rate swap	—	(385,197)
Loss on extinguishment of debt	1,899,726	—
Change in operating assets	11,380,881	(20,946,195)
Change in operating liabilities	(1,818,775)	18,372,566
Net cash provided by operating activities	81,385,844	39,111,588
Cash flows from investing activities:		
Purchase of property and equipment	(21,959,889)	(27,605,711)
Proceeds from sales of property and equipment	13,000	18,000
Purchase of investments	(21,099,979)	(17,502,125)
Proceeds from sale of investments	19,762,763	15,535,304
Change in deposits with trustees	(5,538,245)	17,895,586
Issuance of Perkins loans	(444,938)	(800,083)
Repayment of Perkins loans	1,003,739	839,850
Net cash used in investing activities	(28,263,549)	(11,619,179)
Cash flows from financing activities:		
Payments on bonds payable	(55,456,000)	(1,560,000)
Proceeds from issuance of bonds payable	66,348,000	—
Change in refundable advances – U.S. Government grants	152,103	105,573
Contributions for long-term investments	2,738,935	1,537,707
Net cash provided by financing activities	13,783,038	83,280
Net increase in cash and cash equivalents	66,905,333	27,575,689
Cash and cash equivalents at beginning of year	57,678,766	30,103,077
Cash and cash equivalents at end of year	\$ 124,584,099	57,678,766
Supplemental disclosure:		
Increase in accounts payable from capital acquisitions	\$ 1,613,676	2,651,644

See accompanying notes to financial statements.

# SOUTHERN NEW HAMPSHIRE UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2015

(with comparative information for June 30, 2014)

### (1) Background

Southern New Hampshire University (the Institution) is a private, nonprofit coeducational institution of higher education, established in 1932. The Institution provides associate, baccalaureate, master, and doctoral programs for both liberal arts and professional disciplines in resident and online formats. The Institution's programs seek to educate intellectually and culturally enriched individuals to be successful in their careers and contribute to their community. The Institution is accredited by the New England Association of Schools and Colleges. The affairs of the Institution are governed by the Board of Trustees.

These consolidated financial statements include Southern New Hampshire University and Motivis Learning Systems, Inc., (collectively, the University) a majority owned software development and consulting firm formed in June 2014 and that focuses on the development and implementation of competency based learning environments. All significant intercompany balances have been eliminated in preparing these consolidated financial statements (financial statements).

### (2) Summary of Significant Accounting Policies

#### (a) *Basis of Statement Presentation*

The accompanying financial statements, which are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

**Permanently Restricted Net Assets** – Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. The University classifies the following portions of donor-restricted endowment funds as permanently restricted net assets: (a) the original value of assets contributed to permanently restricted net assets, (b) subsequent contributions to such funds valued at the date of contribution, and (c) reinvested earnings on permanent endowment when specified by the donor.

**Temporarily Restricted Net Assets** – Net assets subject to donor-imposed stipulations as to the timing of their availability or use for a particular purpose. Investment returns on donor-restricted endowment funds are classified as changes in temporarily restricted net assets and are generally available for appropriation to support operational needs in accordance with the University's endowment spending policy and any restrictions on use imposed by donors.

**Unrestricted Net Assets** – Net assets not subject to donor imposed stipulations and available for the general operations of the University. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

## SOUTHERN NEW HAMPSHIRE UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2015

(with comparative information for June 30, 2014)

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions as follows:

- Student fees are recorded at established rates, net of financial aid and scholarships provided directly to students.
- Contributions, including unconditional promises to give reported as contributions receivable, are recognized as revenues in the period received. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at the appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as net assets released from restrictions on the statement of activities. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.
- Contributions of land, buildings, or equipment are reported as unrestricted nonoperating support unless the donor places restrictions on their use. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as increases in temporarily restricted net assets until the assets are acquired and placed into service.
- Dividends, interest, and net gains on investments of endowments are reported as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund; as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the current use of the income or net gains; and as increases in unrestricted net assets in all other cases.

Expenses are reported as decreases in unrestricted net assets. Expenses associated with the operation and maintenance of the University's plant assets, including interest and depreciation expense are allocated on the basis of square footage utilized by the functional categories. For the year ended June 30, 2015, the University modified the functional expense allocations in accordance with FASB ASC 958-720-45. As a result, management reallocated certain balances for the year ended June 30, 2014 within the consolidated statement of activities to better reflect the functional expenses categories.

The financial statements include certain prior year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2014 from which the summarized information was derived.

#### **(b) Operations**

The statements of activities report the change in net assets from operating and nonoperating activities. Operating revenues consist of those items attributable to the University's academic programs, related auxiliary activities, contributions to support current activities and activity related to grants and

## SOUTHERN NEW HAMPSHIRE UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2015

(with comparative information for June 30, 2014)

contracts. Nonoperating revenues include net investment returns, nonrecurring gains and losses pertaining to physical plant assets and long-term debt refinancing, and permanently restricted contributions received.

Expenses associated with fundraising activities of the University were \$1,223,327 and \$1,527,805 in 2015 and 2014, respectively, and are included in the general institutional category on the statements of activities.

**(c) Cash Equivalents**

For the purpose of the statements of cash flows, the University considers cash equivalents as investments with maturities at date of purchase of three months or less, except that any such investments purchased by external investment managers are classified as long-term investments. The University maintains cash balances at financial institutions which, at times, may exceed federally insured limits. The University has purchased a \$10,000,000 private depositor bond that provides for additional coverage above the FDIC limits, renewed annually. Available balances above \$10,000,000 in the University's operating account are invested via a tri-party repurchase agreement in obligations that are fully guaranteed as to principal and interest by the United States government or any agency thereof. The University has not experienced any loss in such accounts.

**(d) Accounts Receivable**

Accounts receivable are carried at their net realizable value. Management estimates the allowance for doubtful accounts based on the history of uncollected accounts. Recoveries of accounts receivable previously written off are recorded as revenue when received. Accounts receivable are considered past due if any portion of the receivable balance is outstanding for more than 90 days or the student no longer attends the institution. Interest and late fees are recorded monthly on past due accounts.

**(e) Contributions Receivable**

Unconditional promises to give are recorded at fair value when initially pledged. Initial recording for pledges expected to be collected in one year or more is arrived at by considering actual expected payments and by discounting the pledge to its present value by a risk adjusted rate to account for the inherent risk associated with the expected future cash flows. Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful collections. Management estimates the allowance by a review of historical experience and a specific review of collection trends that differ from plans on individual accounts. Conditional promises to give are not included as support until the conditions are substantially met.

**(f) Deposits with Trustees**

Deposits with trustees represent funds held in trust that are associated with the University's bond agreements. The use of these funds is limited to construction and debt service requirements.

## SOUTHERN NEW HAMPSHIRE UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2015

(with comparative information for June 30, 2014)

**(g) *Property and Equipment***

Constructed and purchased property and equipment are carried at cost. Long-lived fixed assets, with the exception of land, are depreciated using the straight-line method over their estimated useful lives, which range from three to fifty years. Interest incurred on tax-exempt debt used to finance building construction is added to the costs of the asset, net of any income earned on temporarily invested proceeds during construction.

**(h) *Impairment of Long-Lived Assets***

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated discounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. No impairments were recognized for the years ended June 30, 2015 and 2014.

**(i) *Student Deposits and Advance Payments***

Students' reservation deposits along with advance payments for tuition, room and board, and certain other revenues are deferred and will be reported as unrestricted revenue in the year in which the revenue is earned.

**(j) *Perkins Loans Receivable and Refundable Advances***

The University makes uncollateralized loans to students based on financial need. Student loans are funded through Federal Government loan programs or institutional resources. The University holds certain amounts advanced by the U.S. government under the Federal Perkins Loan Program (the Program). Such amounts may be re-loaned by the University after collection; however, in the event that the University no longer participates in the Program, the amounts are generally refunded to the U.S. government.

**(k) *Fair Value***

The University reports required types of assets and liabilities at fair value on a recurring and nonrecurring basis depending on the underlying accounting policy for that particular item. Recurring fair value measures include deposits with trustees and investments. Nonrecurring measures include pledges. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. The University reports certain investments using the net asset value per share as determined by investment managers as a practical expedient for fair value. Fair value standards require the University to classify these financial instruments into a three level hierarchy, based on the priority of inputs to the valuation technique.

## SOUTHERN NEW HAMPSHIRE UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2015

(with comparative information for June 30, 2014)

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Valuation based on quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Valuations based on inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3 – Valuations based on unobservable inputs are used in situations in which little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The University utilizes valuation techniques that maximizes the use of observable inputs and minimizes the use of unobservable inputs to the extent possible. Transfers between categories occur when there is an event that changes the inputs used to measure the fair value of an asset or liability. Transfers between fair value categories are recognized at the end of the reporting period.

**(l) Use of Estimates**

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

**(m) Tax Status**

The University is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally exempt from federal and state income taxes under Section 501(a) of the IRC and applicable state laws. The University believes it has no significant uncertain tax positions.

**(n) Advertising**

Advertising and marketing costs are expensed as incurred and amounted to \$93,829,062 and \$61,536,138 for the years ended June 30, 2015 and 2014, respectively.

**(o) Recently Adopted Accounting Standards**

In April 2015, the FASB issued ASU 2015-03, *Interest – Imputation of Interest (Subtopic 835-30), Simplifying the Presentation of Debt Issuance Costs*. The ASU simplifies the presentation of debt issuance costs and more closely aligns the presentation of those costs under U.S. GAAP with the presentation under comparable IFRS standards. The debt issuance costs related to a recognized debt liability will be presented on the consolidated statement of financial position as a direct deduction from the debt liability, similar to the presentation of debt premiums and discounts. The ASU is effective for



**SOUTHERN NEW HAMPSHIRE UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2015

(with comparative information for June 30, 2014)

fiscal years beginning after December 15, 2015, with early adoption permitted and applied retrospectively. Management has elected to adopt the ASU effective for the year ended June 30, 2015.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820), Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The ASU eliminates the requirement to categorize investments in the fair value hierarchy if their fair value is measured at net asset value per share (or its equivalent) using the practical expedient in the FASB's fair value measurement guidance. The ASU is effective for fiscal years beginning after December 15, 2015, with early adoption permitted and applied retrospectively. Management has elected to adopt the ASU effective for the year ended June 30, 2015.

**(p) Reclassifications**

Certain reclassifications have been made to the prior year financial statements in order to conform to the current year presentation.

**(3) Student Accounts Receivable**

Student accounts receivable are presented net of the following allowance for doubtful accounts:

	<u>2015</u>	<u>2014</u>
Student accounts receivable	\$ 18,075,743	7,857,962
Less allowance for doubtful accounts	<u>(8,000,000)</u>	<u>(3,500,000)</u>
Student accounts receivable, net	<u>\$ 10,075,743</u>	<u>4,357,962</u>

**SOUTHERN NEW HAMPSHIRE UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2015

(with comparative information for June 30, 2014)

**(4) Other Assets**

Other assets consist of the following at June 30:

	<b>2015</b>	<b>2014</b>
Perkins loans receivable:	\$ 4,998,798	5,572,383
Less allowance for doubtful accounts	(199,000)	(247,000)
Perkins loans receivable, net	4,799,798	5,325,383
Grants and contributions receivable:		
Unconditional promises expected to be collected in:		
Less than one year	274,238	266,255
One year to five years	236,000	471,100
Thereafter	—	1,250
	510,238	738,605
Less discount to present value	(2,133)	(12,797)
Grants and contributions receivable, net	508,105	725,808
Other receivables:		
U.S. Department of Education	608,507	16,280,170
Other receivables	540,141	511,815
Other receivables	1,148,648	16,791,985
Other	2,647,346	3,918,184
Other assets	\$ 9,103,897	26,761,360

**(5) Deposits with Trustees**

Deposits with trustees at June 30 are comprised of the following:

	<b>2015</b>	<b>2014</b>
Construction funds	\$ 25,776,449	17,099,785
Debt service reserves	5,678,013	7,670,232
Debt service payments	1,886,162	3,032,362
	\$ 33,340,624	27,802,379

**SOUTHERN NEW HAMPSHIRE UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2015

(with comparative information for June 30, 2014)

**(6) Investments and Fair Value of Financial Instruments**

The valuation of the University's financial assets and liabilities by the fair value hierarchy consisted of the following at June 30, 2015:

<u>Investment Strategy</u>	<u>Investments valued at net asset value</u>	<u>Level 1</u>	<u>Total</u>	<u>Unfunded commitments</u>	<u>Redemption frequency (if currently eligible)</u>	<u>Redemption notice period</u>
Deposits with trustees:						
U.S. treasury obligations	\$ —	33,340,624	33,340,624	—	Daily	N/A
Money market funds	\$ —	1,415,597	1,415,597	—	Daily	N/A
Global equity fund	8,312,319	24,716,570	33,028,889	—	Monthly/Daily	6 days/N/A
Global fixed income fund	3,654,069	7,444,572	11,098,641	—	Monthly/Daily	15 days/N/A
Hedged equity/flexible capital fund of funds:						
Absolute return/multistrategy	8,506,703	—	8,506,703	—	Annually	95 days; lockup period up to 3 years
Multistrategy	5,586,472	—	5,586,472	—	Annually	90 days
Inflation-hedging funds:						
Total return	7,004,503	—	7,004,503	—	Monthly	Notice due by 22nd calendar day
Real estate fund of funds	4,300,665	—	4,300,665	2,605,200	Monthly/Closed	15 days/N/A
Commodities fund of funds	1,121,719	—	1,121,719	615,000	Illiquid	N/A
Other	—	46,473	46,473	—	Daily	N/A
Private equity fund of funds:						
Venture capital	942,780	—	942,780	1,140,000	Illiquid	N/A
Multistrategy	1,989,179	—	1,989,179	3,726,477	Illiquid	N/A
	<u>\$ 41,418,409</u>	<u>33,623,212</u>	<u>75,041,621</u>	<u>8,086,677</u>		

**SOUTHERN NEW HAMPSHIRE UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2015

(with comparative information for June 30, 2014)

The valuation of the University's financial assets and liabilities by the fair value hierarchy consisted of the following at June 30, 2014:

<u>Investment Strategy</u>	<u>Investments valued at net asset value</u>	<u>Level 1</u>	<u>Total</u>	<u>Unfunded commitments</u>	<u>Redemption frequency (if currently eligible)</u>	<u>Redemption notice period</u>
Deposits with trustees:						
U.S. treasury obligations	\$ —	27,344,978	27,344,978	—	Daily	N/A
U.S. treasury notes	—	457,401	457,401	—	Daily	N/A
Total deposits with trustees	\$ —	27,802,379	27,802,379	—		
U.S. equity securities	\$ —	55,192	55,192	—	Daily	N/A
Money market funds	—	6,045,046	6,045,046	—	Daily	N/A
Global equity fund	6,179,669	27,507,921	33,687,590		Monthly/Daily	6 days/N/A
Global fixed income fund	2,391,628	6,325,071	8,716,699		Monthly/Daily	15 days/N/A
Hedged equity/flexible capital fund of funds:						
Absolute return / multistrategy	7,310,235	—	7,310,235	—	Annually	95 days; lockup period up to 3 years
Multistrategy	5,533,326	—	5,533,326	—	Annually	90 days
Inflation-hedging funds:						
Total return	9,538,659	—	9,538,659	—	Monthly	Notice due by 22nd calendar day
Real estate fund of funds	2,388,771	—	2,388,771	1,004,000	Monthly/Closed	15 days/N/A
Commodities fund of funds	858,757	—	858,757	1,055,000	Illiquid	N/A
Other	—	22,717	22,717	—	Daily	N/A
Private equity fund of funds:						
Venture capital	160,000	—	160,000	1,840,000	Illiquid	N/A
Multistrategy	1,610,910	—	1,610,910	1,337,729	Illiquid	N/A
	\$ 35,971,955	39,955,947	75,927,902	5,236,729		

The University's (loss) return on investments for the years ended June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Dividends and interest	\$ 1,391,142	798,760
Investment management fees	(408,946)	(317,491)
Net gain on sale of investments	6,792,799	428,110
Unrealized (loss) gain on investments	(9,016,296)	8,425,957
Total (loss) return on investments	\$ (1,241,301)	9,335,336

Certain investment managers net their fees against returns, and accordingly, such amounts are not included in the above mentioned fees.

**SOUTHERN NEW HAMPSHIRE UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2015

(with comparative information for June 30, 2014)

The investment objective of the University is to invest its assets in a prudent manner to achieve a long term rate of return sufficient to fund a portion of its spending and to increase investment value after inflation. The University's investment strategy incorporates a diversified asset allocation approach that maintains, within defined limits, exposure to global equity, global fixed income, inflation hedging, hedged equity/flexible capital, and private equity funds.

***Fair Value of Other Assets and Liabilities***

Management has assessed that fair value approximates carrying value for cash and cash equivalents, student accounts receivable and other receivables, and accounts payable given the short-term nature of these instruments. Management has no practical or cost effective way of determining fair value for Perkins loans receivable and refundable advances.

Using discounted cash flow analysis, the University estimated fair value of its total indebtedness was approximately \$130,860,112 and \$118,035,178 at June 30, 2015 and 2014, respectively. This was determined using a Level 2 fair value approach.

**(7) Property and Equipment**

Property and equipment at June 30, 2015 and 2014 are comprised of the following:

	<u>Estimated useful lives</u>	<u>2015</u>	<u>2014</u>
Land	—	\$ 9,875,071	9,875,071
Land improvements	10–15 years	9,115,700	8,028,397
Buildings, building improvements and leasehold improvements	10–50 years or term of lease	143,125,156	120,984,507
Furniture and equipment	3–20 years	29,504,731	21,380,101
Motor vehicles	3–7 years	1,141,109	681,369
Art collections	—	216,151	69,302
Construction in process	—	12,599,211	21,874,868
Total		<u>205,577,129</u>	<u>182,893,615</u>
Less accumulated depreciation		<u>(58,331,467)</u>	<u>(49,283,596)</u>
Property and equipment, net		<u>\$ 147,245,662</u>	<u>133,610,019</u>

The University recorded depreciation expense of \$9,867,463 and \$7,600,176 for the years ended June 30, 2015 and 2014, respectively. Art collections are reflected at historical cost and are not amortized.

**SOUTHERN NEW HAMPSHIRE UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2015

(with comparative information for June 30, 2014)

**(8) Bonds Payable**

Bonds payable consist of the following at June 30:

	<b>2015</b>	<b>2014</b>
Bonds payable:		
Fixed Rate Revenue Bonds issued June 2005 to the New Hampshire Health and Education Facilities Authority with monthly installments of principal and interest until 2036; weighted average rate of 4.74%	\$ —	16,625,000
Fixed Rate Revenue Bonds issued July 2006 to the New Hampshire Health and Education Facilities Authority with monthly installments of principal and interest until 2027; weighted average rate of 4.7%	—	6,310,000
Variable Rate Revenue Bonds issued December 2008 to the New Hampshire Health and Education Facilities Authority with monthly installments of principal and interest until 2039; interest rate tied to USD-SIFMA-Municipal Swap Index (rate was 0.05% as of 2014)	—	30,025,000
Fixed Rate Revenue Bonds issued June 2012 to the New Hampshire Health and Education Facilities Authority with semi-annual installments of principal and interest from 2015 to 2042; weighted average rate of 4.89%	62,165,000	62,915,000
Fixed Rate Revenue Bonds issued August 2014 to the New Hampshire Health and Education Facilities Authority with monthly installments of principal and interest from 2014 to 2039; weighted average rate of 2.94%	64,602,000	—
Total bonds payable	126,767,000	115,875,000
Issuance costs on bonds:		
Deferred costs	(997,080)	(2,035,587)
Premiums received on bonds:		
Premium	2,054,028	2,412,316
Total bonds payable	\$ 127,823,948	116,251,729

The amount of cash paid for interest was \$4,030,699 and \$4,216,420 for the years ended June 30, 2015 and 2014, respectively. Total interest expense is recorded net of capitalized interest of approximately \$1,084,056 and \$1,499,069 for the respective years.

The bonds are collateralized by a mortgage on the campus, gross receipts, and equipment.

**SOUTHERN NEW HAMPSHIRE UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2015

(with comparative information for June 30, 2014)

In August 2014, the University issued taxable and tax-exempt bonds with a par amount of \$66,348,000 through the New Hampshire Health and Educational Facilities Authority. The bonds have fixed rates ranging from 2.53% to 3.64% and have principal payments beginning September 2014 and terminating July 2039. The bonds were sold at par and were used to defease and/or refund the previously issued Series 2005, 2006 and 2008 bonds as well as to finance new capital projects and costs of issuance. The defeased bonds resulted in a loss on extinguishment of \$1,899,726.

Scheduled aggregate principal repayments of bonds payable outstanding at June 30, 2015 are as follows:

Fiscal year ending June 30:	
2016	\$ 2,858,000
2017	2,947,000
2018	3,055,000
2019	3,164,000
2020	3,281,000
Thereafter	<u>111,462,000</u>
Total	\$ <u><u>126,767,000</u></u>

The University has a \$20,000,000 revolving line of credit secured by accounts, inventory and gross receipts. No borrowings were outstanding at any time during the year ended June 30, 2015. Advances on the line of credit bear interest at the prime interest rate plus 1% (effectively 4.25% at June 30, 2015).

The University is required to maintain certain financial ratios associated with its bonds and line of credit agreements and is in compliance with these requirements at June 30, 2015 and 2014.

**(9) Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Purpose restrictions:		
Financial aid	\$ 4,404,092	4,889,644
Instructional	1,380,986	1,868,233
Building	—	3,000
	<u>5,785,078</u>	<u>6,760,877</u>
Time restrictions	444,005	647,608
	\$ <u><u>6,229,083</u></u>	<u><u>7,408,485</u></u>

Unspent endowment gains and income are classified as temporarily restricted until the University appropriates and spends such sums in accordance with the terms of the underlying endowment and relevant State law, at which time they will be reclassified to unrestricted revenues.

**SOUTHERN NEW HAMPSHIRE UNIVERSITY**

Notes to Consolidated Financial Statements

June 30, 2015

(with comparative information for June 30, 2014)

**(10) Permanently Restricted Net Assets**

Permanently restricted net assets consist of the following at June 30:

	<b>2015</b>	<b>2014</b>
Endowment funds for:		
Financial aid	\$ 15,761,736	12,946,400
Academic support	532,907	609,308
	\$ 16,294,643	13,555,708

**(11) Net Assets Released from Restrictions**

Net assets released from temporary donor restrictions were as follows for the years ended June 30:

	<b>2015</b>	<b>2014</b>
Purpose restrictions:		
Financial aid	\$ 637,291	882,358
Instructional	316,709	438,612
Building	104,000	200,650
	\$ 1,058,000	1,521,620

**(12) Retirement Plan and Trust**

The University has a defined contribution retirement plan (the Plan) covering substantially all full-time employees. The Master Agreement between the University and its professional employees provides for a Plan contribution by the University equal to 9% of base salary. Total pension expense attributable to the Plan was \$7,403,259 and \$5,475,978 for June 30, 2015 and 2014, respectively. Total employer contributions to the Plan, representing primarily the prior year's expense, were \$5,543,455 and \$4,208,935 during the years ended June 30, 2015 and 2014, respectively.

Contributions are fully vested after attainment of three years of a minimum of 1,000 or more hours of service per year by the participant before reaching normal retirement age. Normal retirement age is 55 years old. After age 55, contributions are fully vested after one year of a minimum of 1,000 hours of service by the participant.

**(13) Operating Leases**

The University leases certain classrooms and office space under various lease agreements which expire at various dates through September 2022. The leases generally require that the University pay for insurance, maintenance, real estate taxes and certain other operating expenses. Rent expense under operating leases was \$5,737,399 and \$3,258,756 in 2015 and 2014, respectively.



**SOUTHERN NEW HAMPSHIRE UNIVERSITY**

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(with comparative information for June 30, 2014)

Scheduled future minimum rental payments under operating leases as of June 30, 2015 are as follows:

Fiscal year ending June 30:	
2016	\$ 4,082,441
2017	3,796,394
2018	2,761,108
2019	2,599,029
2020	1,979,889
Thereafter	1,818,604

**(14) Commitments and Contingencies**

The University is engaged in routine civil litigation, including employment, personal injury, and other claims. Management does not expect any of these matters to have a materially adverse effect on the University.

The University has a collective bargaining agreement for certain faculty and staff that was renewed on September 30, 2015 and is set to expire on June 30, 2020.

The University has a deferred compensation plan under which eligible employees may elect to defer a portion of their annual compensation for payment in future periods. Assets of the plan are recorded at fair value and were \$883,438 and \$640,589 at June 30, 2015 and 2014, respectively, consisting primarily of investments in mutual fund securities.

The University is under an agreement with Sodexo to operate the University's food service operations which expires on August 31, 2022. As part of the contract, the University received \$4,000,000 to assist the University in financing improvements at the discretion of the University in the food service operation which is being amortized over the remaining life of the contract as a reduction of the liability. The unamortized balance under this agreement was \$1,890,378 and \$2,005,208 at June 30, 2015 and 2014, respectively.

The University is obligated for certain future payments under construction and similar agreements of approximately \$4,515,918 at June 30, 2015.

**(15) Endowment Funding**

The University's endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

***Interpretation of Relevant Law and Spending Policy***

The Board of Trustees of the University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), requiring the preservation of the original value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this

## SOUTHERN NEW HAMPSHIRE UNIVERSITY

### Notes to Consolidated Financial Statements

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(with comparative information for June 30, 2014)

interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original gift value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets as defined by donor restrictions or until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the University and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the University
- (7) The investment policies of the University

Distributions from long-term investments are made using the total return method. Under the total return method, distributions consist of interest, dividends, and realized and unrealized gains. The Board of Trustees has approved spending of up to 4% of the three-year rolling average balance of the endowment in 2015 and 2014. The University has adopted this spending policy in order to protect the original corpus of gifts as well as to preserve the purchasing power of these funds into the future.

#### ***Return Objectives and Risk Parameters***

The University's investment portfolio is managed to provide for the long-term support of the University. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flow and spending requirements. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed upon levels of risk. It is the goal of the aggregate long-term investments to generate a long-term target rate of return of at least 5% plus inflation, which would meet the annual spending rate, provide for inflation, fees and real growth.

#### ***Strategies for Achieving Investment Objectives***

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, the University seeks broad diversification among assets

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(with comparative information for June 30, 2014)

having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

Endowment funding consists of the following at June 30:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2015 Total</u>
Donor-restricted endowment funds	\$ —	5,317,072	16,294,643	21,611,715
Board-designated endowment funds	200,000	—	—	200,000
Total funds	<u>\$ 200,000</u>	<u>5,317,072</u>	<u>16,294,643</u>	<u>21,811,715</u>
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2014 Total</u>
Donor-restricted endowment funds	\$ —	6,247,161	13,555,708	19,802,869
Total funds	<u>\$ —</u>	<u>6,247,161</u>	<u>13,555,708</u>	<u>19,802,869</u>

**SOUTHERN NEW HAMPSHIRE UNIVERSITY**

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(with comparative information for June 30, 2014)

Changes in endowment funds for the fiscal years ended June 30, 2015 and 2014 were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment at June 30, 2013	\$ —	4,947,324	12,018,001	16,965,325
Gifts and additions	—	28,947	1,537,707	1,566,654
Investment returns:				
Interest and dividends	—	289,698	—	289,698
Net realized and unrealized gains	—	2,452,218	—	2,452,218
Total investment returns	—	2,741,916	—	2,741,916
Expenditures:				
Amounts utilized for operations	—	(1,471,026)	—	(1,471,026)
Total expenditures	—	(1,471,026)	—	(1,471,026)
Change in investments	—	1,299,837	1,537,707	2,837,544
Endowment at June 30, 2014	—	6,247,161	13,555,708	19,802,869
Gifts and additions	200,000	8,540	2,738,935	2,947,475
Investment returns:				
Interest and dividends	\$ —	322,919	—	322,919
Net realized and unrealized losses	—	(685,074)	—	(685,074)
Total investment returns	—	(362,155)	—	(362,155)
Expenditures:				
Amounts utilized for operations	—	(576,474)	—	(576,474)
Total expenditures	—	(576,474)	—	(576,474)
Change in investments	200,000	(930,089)	2,738,935	2,008,846
Endowment at June 30, 2015	\$ <u>200,000</u>	<u>5,317,072</u>	<u>16,294,643</u>	<u>21,811,715</u>

## **SOUTHERN NEW HAMPSHIRE UNIVERSITY**

### Notes to Consolidated Financial Statements

June 30, 2015

(with comparative information for June 30, 2014)

#### **(16) Related Parties**

Members of the University's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the University. The University's conflict of interest policy requires, among other things, that no member of the Board of Trustees or its committees can participate in any decision in which he or she (or an immediate family member) has a material financial interest. For members of the Board of Trustees and senior management, the University requires an annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with the University. When such relationships exist, measures are taken to address the actual or perceived conflict to protect the best interests of the University and ensure compliance with relevant conflict of interest laws or policy.

An executive for the health insurance company who provides benefits to University employees joined the University's Board of Trustees in October 2013. The University paid \$20,897,517 to this company for these services for the year ended June 30, 2015.

The University has a close affiliation with the Southern New Hampshire University Student Government Association (SGA) which is a separate not for profit legal entity. The University and the SGA have been co-participants in several student-related endeavors and transactions, including contributions for Student Center improvements, insurance coverage, space occupancy and shared employee resources.

#### **(17) Subsequent Events**

The University evaluated subsequent events through October 6, 2015, the date financial statements were issued.

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**SOUTHERN NEW HAMPSHIRE UNIVERSITY**

Financial Statements

June 30, 2014

(with comparative information for June 30, 2013)

(With Independent Auditors' Report Thereon)

# SOUTHERN NEW HAMPSHIRE UNIVERSITY

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**KPMG LLP**  
Two Financial Center  
60 South Street  
Boston, MA 02111

## **Independent Auditors' Report**

The Board of Trustees  
Southern New Hampshire University:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Southern New Hampshire University (the University), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

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

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

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

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern New Hampshire University as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



***Other Matter***

The accompanying financial statements of the University as of and for the year ended June 30, 2013 were audited by other auditors whose report the, dated September 20, 2013, expressed an unmodified opinion.

**KPMG LLP**

October 17, 2014

**SOUTHERN NEW HAMPSHIRE UNIVERSITY**

Statement of Financial Position

June 30, 2014

(with comparative information as of June 30, 2013)

<b>Assets</b>	<b>2014</b>	<b>2013</b>
Cash and cash equivalents	\$ 57,678,766	30,103,077
Student accounts receivable, net	4,357,962	1,485,980
Other receivables	16,791,985	800,356
Other assets, net	5,953,771	4,201,383
Grants and contributions receivable, net	725,808	321,062
Perkins loans receivable, net	5,325,383	5,533,552
Deposits with trustees	27,802,379	45,697,965
Investments, at fair value	75,927,902	65,107,014
Property and equipment, net	133,610,019	111,245,699
Total assets	\$ 328,173,975	264,496,088
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 41,867,535	20,054,333
Student deposits and advance payments	12,780,916	14,048,957
Bonds payable	118,287,316	119,941,031
Refundable advances – U.S. government grants	3,334,322	3,228,749
Total liabilities	176,270,089	157,273,070
Net assets:		
Unrestricted	130,939,693	89,936,632
Temporarily restricted	7,408,485	5,268,385
Permanently restricted	13,555,708	12,018,001
Total net assets	151,903,886	107,223,018
Total liabilities and net assets	\$ 328,173,975	264,496,088

See accompanying notes to financial statements.

**SOUTHERN NEW HAMPSHIRE UNIVERSITY**

Statement of Activities

Year ended June 30, 2014

(with summarized information for 2013)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2014</u>	<u>2013</u>
Operating:					
Revenues and other support:					
Tuition and fees	\$ 321,422,040	—	—	321,422,040	212,762,050
Residence and dining	20,273,934	—	—	20,273,934	16,802,539
Less student financial aid	<u>(44,645,766)</u>	<u>—</u>	<u>—</u>	<u>(44,645,766)</u>	<u>(32,523,776)</u>
Tuition and fees, net	297,050,208	—	—	297,050,208	197,040,813
Other auxiliary enterprises	1,841,399	—	—	1,841,399	2,021,334
Contributions	276,586	677,601	—	954,187	512,550
Grants and contracts	1,405,933	244,612	—	1,650,545	1,383,149
Other interest income	926,985	—	—	926,985	771,856
Other income	<u>3,026,106</u>	<u>—</u>	<u>—</u>	<u>3,026,106</u>	<u>1,740,735</u>
Total operating revenues	304,527,217	922,213	—	305,449,430	203,470,437
Net assets released from restrictions	<u>1,521,620</u>	<u>(1,521,620)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total operating revenues and other support	<u>306,048,837</u>	<u>(599,407)</u>	<u>—</u>	<u>305,449,430</u>	<u>203,470,437</u>
Expenses:					
Instruction	64,041,378	—	—	64,041,378	47,083,201
Academic support	42,715,312	—	—	42,715,312	25,341,578
Student services	100,970,763	—	—	100,970,763	56,844,325
Institutional support	44,718,088	—	—	44,718,088	33,515,842
Auxiliary enterprises	<u>18,875,037</u>	<u>—</u>	<u>—</u>	<u>18,875,037</u>	<u>15,591,452</u>
Total operating expenses	<u>271,320,578</u>	<u>—</u>	<u>—</u>	<u>271,320,578</u>	<u>178,376,398</u>
Increase in net assets from operations	<u>34,728,259</u>	<u>(599,407)</u>	<u>—</u>	<u>34,128,852</u>	<u>25,094,039</u>
Nonoperating:					
Contributions for long-term investment	—	—	1,537,707	1,537,707	333,450
Investment return, net	6,595,829	2,739,507	—	9,335,336	4,623,294
Net loss on sale of assets	(274,859)	—	—	(274,859)	(103,059)
Net unrealized loss on derivatives	<u>(46,168)</u>	<u>—</u>	<u>—</u>	<u>(46,168)</u>	<u>(61,492)</u>
Increase from nonoperating activity	<u>6,274,802</u>	<u>2,739,507</u>	<u>1,537,707</u>	<u>10,552,016</u>	<u>4,792,193</u>
Increase in net assets	41,003,061	2,140,100	1,537,707	44,680,868	29,886,232
Net assets at beginning of year	<u>89,936,632</u>	<u>5,268,385</u>	<u>12,018,001</u>	<u>107,223,018</u>	<u>77,336,786</u>
Net assets at end of year	<u>\$ 130,939,693</u>	<u>7,408,485</u>	<u>13,555,708</u>	<u>151,903,886</u>	<u>107,223,018</u>

See accompanying notes to financial statements.

**SOUTHERN NEW HAMPSHIRE UNIVERSITY**

Statement of Cash Flows

Year ended June 30, 2014

(with comparative information as of June 30, 2013)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Increase in net assets	\$ 44,680,868	29,886,232
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	7,506,461	5,105,837
Realized and unrealized gains on investments, net	(8,854,067)	(3,739,968)
Loss on sale of property and equipment	274,859	103,059
Unrealized gain loss on interest rate swap market valuation	(385,197)	(556,838)
Contributions for long-term investments	(1,537,707)	(333,450)
Change in operating assets	(20,852,343)	(1,115,058)
Change in operating liabilities	18,278,714	2,014,310
Net cash provided by operating activities	<u>39,111,588</u>	<u>31,364,124</u>
Cash flows from investing activities:		
Purchase of property and equipment	(27,605,711)	(32,799,101)
Proceeds from sales of property and equipment	18,000	5,152
Purchase of investments	(17,502,125)	(24,160,660)
Proceeds from sale of investments	15,535,304	20,936,778
Change in deposits with trustees	17,895,586	15,168,942
Issuance of Perkins loans	(800,083)	(852,543)
Repayment of Perkins loans	839,850	890,652
Net cash used in investing activities	<u>(11,619,179)</u>	<u>(20,810,780)</u>
Cash flows from financing activities:		
Payments on bonds payable	(1,560,000)	(1,505,000)
Change in refundable advances – U.S. government grants	105,573	143,157
Contributions for long-term investments	1,537,707	333,450
Net cash provided by (used in) financing activities	<u>83,280</u>	<u>(1,028,393)</u>
Net increase in cash and cash equivalents	27,575,689	9,524,951
Cash and cash equivalents at beginning of year	<u>30,103,077</u>	<u>20,578,126</u>
Cash and cash equivalents at end of year	<u>\$ 57,678,766</u>	<u>30,103,077</u>
Supplemental disclosure:		
Increase in accounts payable from capital acquisitions	\$ 2,651,644	1,414,013

See accompanying notes to financial statements.

# SOUTHERN NEW HAMPSHIRE UNIVERSITY

## Notes to Financial Statements

June 30, 2014

(with comparative information for June 30, 2013)

### (1) Background

Southern New Hampshire University (the University) is a private, nonprofit coeducational institution of higher education, established in 1932. The University provides associate, baccalaureate, master, and doctoral programs for both liberal arts and professional disciplines in resident and online formats. The University's programs seek to educate intellectually and culturally enriched individuals to be successful in their careers and contribute to their community. The University is accredited by the New England Association of Schools and Colleges. The affairs of the University are governed by the Board of Trustees.

### (2) Summary of Significant Accounting Policies

#### (a) *Basis of Statement Presentation*

The accompanying financial statements, which are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

**Permanently Restricted Net Assets** – Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. The University classifies the following portions of donor-restricted endowment funds as permanently restricted net assets: (a) the original value of assets contributed to permanently restricted net assets, (b) subsequent contributions to such funds valued at the date of contribution, and (c) reinvested earnings on permanent endowment when specified by the donor.

**Temporarily Restricted Net Assets** – Net assets subject to donor-imposed stipulations as to the timing of their availability or use for a particular purpose. Investment returns on donor-restricted endowment funds are classified as changes in temporarily restricted net assets and are generally available for appropriation to support operational needs in accordance with the University's endowment spending policy and any restrictions on use imposed by donors.

**Unrestricted Net Assets** – Net assets not subject to donor imposed stipulations and available for the general operations of the University.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions as follows:

- Student fees are recorded at established rates, net of financial aid and scholarships provided directly to students.
- Contributions, including unconditional promises to give reported as contributions receivable, are recognized as revenues in the period received. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at the appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time

# SOUTHERN NEW HAMPSHIRE UNIVERSITY

## Notes to Financial Statements

June 30, 2014

(with comparative information for June 30, 2013)

period has elapsed, are reported as net assets released from restrictions on the statement of activities. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

- Contributions of land, buildings, or equipment are reported as unrestricted nonoperating support unless the donor places restrictions on their use. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as increases in temporarily restricted net assets until the assets are acquired and placed into service.
- Dividends, interest, and net gains on investments of endowments are reported as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund; as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the current use of the income or net gains; and as increases in unrestricted net assets in all other cases.

Expenses are reported as decreases in unrestricted net assets. Expenses associated with the operation and maintenance of the University's plant assets, including interest and depreciation expense are allocated on the basis of square footage utilized by the functional categories.

The financial statements include certain prior year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2013 from which the summarized information was derived.

### **(b) Operations**

The statements of activities report the change in net assets from operating and nonoperating activities. Operating revenues consist of those items attributable to the University's academic programs, related auxiliary activities, contributions to support current activities and activity related to grants and contracts. Nonoperating revenues include investment returns, nonrecurring gains and losses pertaining to physical plant assets and long-term debt refinancing, including changes in value of the interest rate swap, and permanently restricted contributions received.

Expenses associated with fundraising activities of the University were \$1,527,805 and \$1,508,927 in 2014 and 2013, respectively, and are included in the general institutional category on the statements of activities.

### **(c) Cash Equivalents**

For the purpose of the statements of cash flows, the University considers cash equivalents as investments with maturities at date of purchase of three months or less, except that any such investments purchased by external investment managers are classified as long-term investments. The University maintains cash balances at financial institutions which, at times, may exceed federally insured limits. The University has purchased a \$5,000,000 private depositor bond that provides for additional coverage above the FDIC limits, renewed annually. Balances above \$5,000,000 in the University's operating account are invested via a tri-party repurchase agreement in obligations that

# SOUTHERN NEW HAMPSHIRE UNIVERSITY

## Notes to Financial Statements

June 30, 2014

(with comparative information for June 30, 2013)

are fully guaranteed as to principal and interest by the United States government or any agency thereof. The University has not experienced any loss in such accounts.

**(d) *Accounts Receivable***

Accounts receivable are carried at their net realizable value. Management estimates the allowance for doubtful accounts based on the history of uncollected accounts. Recoveries of accounts receivable previously written off are recorded as revenue when received. Accounts receivable are considered past due if any portion of the receivable balance is outstanding for more than 90 days or the student no longer attends the institution. Interest and late fees are recorded monthly on past due accounts.

**(e) *Contributions Receivable***

Unconditional promises to give are recorded at fair value when initially pledged. Initial recording for pledges expected to be collected in one year or more is arrived at by considering actual expected payments and by discounting the pledge to its present value by a risk adjusted rate to account for the inherent risk associated with the expected future cash flows. Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful collections. Management estimates the allowance by a review of historical experience and a specific review of collection trends that differ from plans on individual accounts. Conditional promises to give are not included as support until the conditions are substantially met.

**(f) *Deposits with Trustees***

Deposits with trustees represent funds held in trust that are associated with the University's bond agreements. The use of these funds is limited to construction and debt service requirements.

**(g) *Property and Equipment***

Constructed and purchased property and equipment are carried at cost. Long-lived fixed assets, with the exception of land, are depreciated using the straight-line method over their estimated useful lives, which range from three to fifty years. Interest incurred on tax-exempt debt used to finance building construction is added to the costs of the asset, net of any income earned on temporarily invested proceeds during construction.

**(h) *Impairment of Long-Lived Assets***

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated discounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. No impairments were recognized for the years ended June 30, 2014 and 2013.



# SOUTHERN NEW HAMPSHIRE UNIVERSITY

## Notes to Financial Statements

June 30, 2014

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(i) ***Student Deposits and Advance Payments***

Students' reservation deposits along with advance payments for tuition, room and board, and certain other revenues are deferred and will be reported as unrestricted revenue in the year in which the revenue is earned.

(j) ***Perkins Loans Receivable and Refundable Advances***

The University makes uncollateralized loans to students based on financial need. Student loans are funded through Federal Government loan programs or institutional resources. The University holds certain amounts advanced by the U.S. government under the Federal Perkins Loan Program (the Program). Such amounts may be re-loaned by the University after collection; however, in the event that the University no longer participates in the Program, the amounts are generally refunded to the U.S. government.

(k) ***Fair Value***

The University reports required types of assets and liabilities at fair value on a recurring and nonrecurring basis depending on the underlying accounting policy for that particular item. Recurring fair value measures include deposits with trustees, investments and interest rate swaps. Nonrecurring measures include pledges. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. The University reports certain investments using the net asset value per share as determined by investment managers as a practical expedient for fair value. Fair value standards require the University to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or, in the case of investments measured at net asset value as a practical expedient, the ability to redeem the investment at or near the date of the statement of financial position determines whether is classified as either Level 2 or Level 3 in the hierarchy.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Valuation based on quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Valuations based on inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, as well as those alternative investments that are redeemable on or near the measurement date.

Level 3 – Valuations based on unobservable inputs are used in situations in which little or no market data is available, as well as those alternative investments that are not redeemable near the measurement date.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The University utilizes valuation techniques that maximizes the use of observable inputs and minimizes the use of unobservable inputs to the extent possible. Transfers between categories occur

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when there is an event that changes the inputs used to measure the fair value of an asset or liability. Transfers between fair value categories are recognized at the end of the reporting period.

**(l) Use of Estimates**

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

**(m) Tax Status**

The University is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally exempt from federal and state income taxes under Section 501(a) of the IRC and applicable state laws. The University believes it has no significant uncertain tax positions.

**(n) Advertising**

Advertising and marketing costs are expensed as incurred and amounted to \$61,536,138 and \$30,852,125 for the years ended June 30, 2014 and 2013, respectively.

**(o) Reclassifications**

Certain reclassifications have been made to the prior year financial statements in order to conform to the current year presentation.

**(3) Student Accounts Receivable**

Student accounts receivable are presented net of the following allowance for doubtful accounts:

	<u>2014</u>	<u>2013</u>
Student accounts receivable	\$ 7,857,962	4,526,473
Less allowance for doubtful accounts	<u>(3,500,000)</u>	<u>(3,040,493)</u>
Student accounts receivable, net	<u>\$ 4,357,962</u>	<u>1,485,980</u>

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**(4) Other Receivables**

Other receivables consist of the following at June 30:

	<b>2014</b>	<b>2013</b>
U.S. Department of Education	\$ 16,280,170	545,532
Employees	328,958	12,130
Other	182,857	242,694
Other receivables	\$ 16,791,985	800,356

**(5) Contributions and Grants Receivable**

Contributions and grants receivable are summarized as follows at June 30:

	<b>2014</b>	<b>2013</b>
Unconditional promises expected to be collected in:		
Less than one year	\$ 266,255	112,750
One year to five years	471,100	211,500
Thereafter	1,250	—
	738,605	324,250
Less discount to present value	(12,797)	(3,188)
Contributions and grants receivable, net	\$ 725,808	321,062

**(6) Perkins Loans Receivable**

Perkins loans receivable are presented net of the following allowance for doubtful accounts:

	<b>2014</b>	<b>2013</b>
Perkins loans receivable	\$ 5,572,383	5,558,552
Less allowance for doubtful accounts	(247,000)	(25,000)
Perkins loans receivable, net	\$ 5,325,383	5,533,552

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**(7) Deposits with Trustees**

Deposits with trustees at June 30 are comprised of the following:

	<b>2014</b>	<b>2013</b>
Construction funds	\$ 17,099,785	34,903,533
Debt service reserves	7,670,232	7,806,584
Debt service payments	3,032,362	2,987,848
	\$ 27,802,379	45,697,965

**(8) Investments and Fair Value of Financial Instruments**

The valuation of the University's financial assets and liabilities by the fair value hierarchy consisted of the following at June 30, 2014:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Assets:				
Deposits with trustees:				
U.S. treasury obligations	\$ 27,344,978	—	—	27,344,978
U.S. treasury notes	457,401	—	—	457,401
Total deposits with trustees	\$ 27,802,379	—	—	27,802,379
Investments:				
U.S. equity securities	\$ 55,192	—	—	55,192
Money market funds	6,045,046	—	—	6,045,046
Global equity funds	27,507,921	6,179,669	—	33,687,590
Global fixed income funds	6,325,071	2,391,628	—	8,716,699
Inflation-hedging funds	22,717	11,038,659	1,747,528	12,808,904
Hedged equity/flexible capital funds	—	5,533,326	7,310,235	12,843,561
Private equity funds	—	—	1,770,910	1,770,910
Total investments	\$ 39,955,947	25,143,282	10,828,673	75,927,902

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The valuation of the University's financial assets and liabilities by the fair value hierarchy consisted of the following at June 30, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Deposits with trustees:				
U.S. treasury obligations	\$ 45,224,782	—	—	45,224,782
U.S. treasury notes	473,183	—	—	473,183
Total deposits with trustees	<u>\$ 45,697,965</u>	<u>—</u>	<u>—</u>	<u>45,697,965</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments, net:				
Certificates of deposit	\$ —	7,579,855	—	7,579,855
U.S. equity securities	50,310	—	—	50,310
Corporate bonds	—	32,224	—	32,224
Money market funds	531,961	—	—	531,961
Global equity funds	20,740,914	5,015,517	—	25,756,431
Global fixed income funds	5,419,656	2,289,176	—	7,708,832
Inflation-hedging funds	—	9,239,542	1,024,300	10,263,842
Hedged equity/flexible capital funds	—	5,024,535	6,693,071	11,717,606
Private equity funds	—	—	1,465,953	1,465,953
Total investments, net	<u>\$ 26,742,841</u>	<u>29,180,849</u>	<u>9,183,324</u>	<u>65,107,014</u>
Liabilities:				
Interest rate swap	\$ —	—	385,197	385,197

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The changes in instruments measured at fair value for which the University has used Level 3 inputs to determine fair value are as follows:

	<b>Inflation- hedging funds</b>	<b>Hedged equity/flexible capital funds</b>	<b>Private equity funds</b>	<b>Total</b>
Balance, June 30, 2012	\$ 233,189	5,880,528	1,028,348	7,142,065
Purchases	814,000	—	388,829	1,202,829
Sales	—	—	(102,274)	(102,274)
Realized gains (losses)	(11,811)	—	58,996	47,185
Unrealized gains (losses)	<u>(11,078)</u>	<u>812,543</u>	<u>92,054</u>	<u>893,519</u>
Balance, June 30, 2013	1,024,300	6,693,071	1,465,953	9,183,324
Purchases	838,000	—	651,376	1,489,376
Sales	(94,000)	—	(360,531)	(454,531)
Realized gains	—	—	7,564	7,564
Unrealized gains (losses)	<u>(20,772)</u>	<u>617,164</u>	<u>6,548</u>	<u>602,940</u>
Balance, June 30, 2014	\$ <u>1,747,528</u>	<u>7,310,235</u>	<u>1,770,910</u>	<u>10,828,673</u>

There were no transfers between levels in 2014 or 2013.

The University's return on investments for the years ended June 30, 2014 and 2013 is as follows:

	<b>2014</b>	<b>2013</b>
Dividends and interest	\$ 798,760	1,096,171
Investment management fees	(317,491)	(212,845)
Net gain on sale of investments	428,110	1,300,323
Unrealized gain on investments	<u>8,425,957</u>	<u>2,439,645</u>
Total return on investments	\$ <u>9,335,336</u>	<u>4,623,294</u>

Certain investment managers net their fees against returns, and accordingly, such amounts are not included in the above mentioned fees.

The investment objective of the University is to invest its assets in a prudent manner to achieve a long term rate of return sufficient to fund a portion of its spending and to increase investment value after inflation. The University's investment strategy incorporates a diversified asset allocation approach that maintains, within defined limits, exposure to global equity, global fixed income, inflation hedging, hedged equity/flexible capital, and private equity funds.

Most investments classified in Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying securities, some of which are marketable or not difficult to value. Investments not considered Level 1 are categorized as Level 2 instruments when the University has the

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ability to redeem its investment in the entity at net asset value per share at year-end or within 90 days of year-end. Investments not considered Level 1 are categorized as Level 3 instruments when the University cannot redeem its investment within 90 days of year-end. Management has no intentions or plans to liquidate any investments measured at NAV as a practical expedient. A summary of the significant categories of such investments utilizing the net asset value practical expedient and their attributes are as follows:

<u>Investment Strategy</u>	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency (if currently eligible)</u>	<u>Redemption notice period</u>
Global equity fund	\$ 6,179,669	—	Monthly	6 days
Global fixed income fund	2,391,628	—	Monthly	15 days
Hedged equity/flexible capital fund of funds:				
Absolute return/multistrategy	7,310,235	—	Annually	95 days; lockup period up to 3 years
Multistrategy	5,533,326	—	Annually	90 days
Inflation-hedging funds:				
Total return	9,538,659	—	Monthly	Notice due by 22nd calendar day
Real estate fund of funds	2,388,771	1,004,000	Monthly/Closed	15 days/N/A
Commodities fund of funds	858,757	1,055,000	Illiquid	N/A
Private equity fund of funds:				
Venture capital	160,000	1,840,000	Illiquid	N/A
Multistrategy	1,610,910	1,337,729	Illiquid	N/A
	<u>\$ 35,971,955</u>	<u>5,236,729</u>		

***Fair value of other assets and liabilities***

Management has assessed that fair value approximates carrying value for cash and cash equivalents, student accounts receivable and other receivables, and accounts payable given the short-term nature of these instruments. Management has no practical or cost effective way of determining fair value for Perkins loans receivable, contributions, and refundable advances.

Using discounted cash flow analysis, the University estimated fair value of its total indebtedness was approximately \$118,035,178 and \$118,915,785 at June 30, 2014 and 2013, respectively. This was determined using a Level 2 fair value approach.

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**(9) Property and Equipment**

Property and equipment at June 30, 2014 and 2013 are comprised of the following:

	<u>Estimated useful lives</u>	<u>2014</u>	<u>2013</u>
Land	—	\$ 9,875,071	9,875,071
Land improvements	10 – 15 years	8,028,397	4,959,234
Buildings, building improvements & leasehold improvements	10 – 50 years or term of lease	120,984,507	101,962,026
Furniture and equipment	3 – 20 years	21,380,101	20,593,142
Motor vehicles	3 – 7 years	750,671	710,689
Construction in process	—	21,874,868	19,596,171
Total		182,893,615	157,696,333
Less accumulated depreciation		(49,283,596)	(46,450,634)
Property and equipment, net		\$ <u>133,610,019</u>	<u>111,245,699</u>

The University recorded depreciation expense of \$7,600,176 and \$5,199,553 for the years ended June 30, 2014 and 2013, respectively.



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**(10) Bonds Payable**

Bonds payable consist of the following at June 30:

	<b>2014</b>	<b>2013</b>
Bonds payable:		
Fixed Rate Revenue Bonds issued September 2003 to the New Hampshire Health and Education Facilities Authority with monthly installments of principal and interest until 2014; weighted average rate of 4.5%	\$ —	230,000
Fixed Rate Revenue Bonds issued June 2005 to the New Hampshire Health and Education Facilities Authority with monthly installments of principal and interest until 2036; weighted average rate of 4.74%	16,625,000	16,965,000
Fixed Rate Revenue Bonds issued July 2006 to the New Hampshire Health and Education Facilities Authority with monthly installments of principal and interest until 2027; weighted average rate of 4.7%	6,310,000	6,725,000
Variable Rate Revenue Bonds issued December 2008 to the New Hampshire Health and Education Facilities Authority with monthly installments of principal and interest until 2039; interest rate tied to USD-SIFMA-Municipal Swap Index (rate was 0.05% and 0.06% as of 2014 and 2013, respectively)	30,025,000	30,600,000
Fixed Rate Revenue Bonds issued June 2012 to the New Hampshire Health and Education Facilities Authority with monthly installments of principal and interest from 2015 to 2042; weighted average rate of 4.89%	62,915,000	62,915,000
Total bonds payable	115,875,000	117,435,000
Premiums received on bonds:		
Premium on 2005, 2006 and 2012 Issues	2,412,316	2,506,031
Total notes and bonds payable and premium	\$ 118,287,316	119,941,031

The amount of cash paid for interest was \$4,216,420 and \$3,755,935 for the years ended June 30, 2014 and 2013, respectively. These amounts are net of capitalized interest of approximately \$1,499,069 and \$2,459,850 for the respective years.

The bonds are collateralized by a mortgage on the campus, gross receipts, and equipment.

The New Hampshire Health and Educational Facilities Authority Revenue Bonds, Southern New Hampshire University Issue, Series 2008 may be adjusted periodically by a remarketing agent to the lowest rate of interest which, in the judgment of the remarketing agent, would permit the Series 2008 bonds to be resold at a purchase price equal to the principal amount thereof under prevailing market conditions as of

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the applicable date of determination; provided that if the remarketing agent fails for any reason to determine or notify the paying agent of the weekly rate for any weekly rate period when required under the bond indenture, the weekly rate for such period shall be the weekly rate then in effect for the series 2008 bonds under consideration; provided, however, if the failure to determine a weekly rate shall continue for two consecutive weeks, then the interest rate applicable to the series 2008 bonds shall be an interest rate per annum equal to 110% of the SIFMA Index until the weekly rate is determined or re-determined.

In addition, at the option of the University and upon receipt by the Authority and the bond trustee of a conversion opinion, all, but not a portion of the Series 2008 bonds, may be converted from weekly rate period to another variable or fixed rate period.

In the event that the University receives notice of an optional tender on its variable-rate bonds, or if the bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, the University will have a general obligation to purchase the bonds tendered. The University maintains a standby letter of credit, expiring in 2015, with TD Bank to provide alternative liquidity to support the repurchase of tendered variable-rate bonds in the event they are unable to be remarketed in amounts sufficient to support repayment.

The University is required to maintain certain financial ratios associated with its bonds and line of credit agreements and is in compliance with these requirements at June 30, 2014 and 2013.

Scheduled aggregate principal repayments of bonds payable outstanding at June 30, 2014 are as follows:

Fiscal year ending June 30:	
2015	\$ 1,865,000
2016	2,255,000
2017	2,345,000
2018	2,445,000
2019	2,555,000
Thereafter	<u>104,410,000</u>
Total	<u>\$ 115,875,000</u>

The University has a \$1,000,000 unsecured revolving line of credit. No borrowings were outstanding at any time during the years ended June 30, 2014 or 2013. Advances on the line of credit bear interest at the one month London Interbank Offering Rate (LIBOR) plus 2.5% with a floor rate of 3% (effectively, 3% at both June 30, 2014 and 2013).

#### ***Interest Rate Swap***

The University had an interest rate swap agreement which matured in January 2014 related to the Series 2008 Bonds with a notional amount prior to expiration of \$30,600,000. The swap agreement reduced at approximately the same rate as the outstanding principal amount of the Series 2008 Bonds. The swap provided for the University to pay on a monthly basis a fixed rate of 2.27% in exchange for the financial institution paying a variable rate equal to 100% of the USD SIFMA Municipal Swap index with a

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reference term of one week and a weekly reset frequency on the notional amount. Neither party had an obligation to post collateral with respect to the swap. However, in the event the University's credit ratings were downgraded below a specified level, the counterparty could have elected to terminate the swap which could have required a termination payment to the counterparty. The mark-to-market liability associated with the swap was \$385,197 as of June 30, 2013.

**(11) Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following at June 30:

	<b>2014</b>	<b>2013</b>
Purpose restrictions:		
Financial aid	\$ 4,889,644	3,063,437
Instructional	1,868,233	1,435,039
Building	3,000	448,848
	6,760,877	4,947,324
Time restrictions	647,608	321,061
	\$ 7,408,485	5,268,385

Unspent endowment gains and income are classified as temporarily restricted until the University appropriates and spends such sums in accordance with the terms of the underlying endowment and relevant State law, at which time they will be reclassified to unrestricted revenues.

**(12) Permanently Restricted Net Assets**

Permanently restricted net assets consist of the following at June 30:

	<b>2014</b>	<b>2013</b>
Endowment funds for:		
Financial aid	\$ 12,946,400	11,314,742
Academic support	609,308	609,308
Building	—	93,951
	\$ 13,555,708	12,018,001

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**(13) Net Assets Released from Restrictions**

Net assets released from temporary donor restrictions were as follows for the years ended June 30:

	<b>2014</b>	<b>2013</b>
Purpose restrictions:		
Financial aid	\$ 882,358	241,361
Instructional	438,612	616,777
Building	200,650	522,947
	\$ 1,521,620	1,381,085

**(14) Retirement Plan and Trust**

The University has a defined contribution retirement plan (the Plan) covering substantially all full-time employees. The Master Agreement between the University and its professional employees provides for a Plan contribution by the University equal to 9% of base salary. Total pension expense attributable to the Plan was \$5,475,978 and \$4,424,258 for June 30, 2014 and 2013, respectively. Total employer contributions to the Plan, representing primarily the prior year's expense, were \$4,208,935 and \$3,510,903 during the years ended June 30, 2014 and 2013, respectively.

Contributions are fully vested after attainment of three years of a minimum of 1,000 or more hours of service per year by the participant before reaching normal retirement age. Normal retirement age is 55 years old. After age 55, contributions are fully vested after one year of a minimum of 1,000 hours of service by the participant.

**(15) Operating Leases**

The University leases certain classrooms and office space under various lease agreements which expire at various dates through September 2021. The leases generally require that the University pay for insurance, maintenance, real estate taxes and certain other operating expenses. Rent expense under operating leases was \$3,258,756 and \$2,202,172 in 2014 and 2013, respectively.

Scheduled future minimum rental payments under operating leases as of June 30, 2014 are as follows:

Fiscal year ending June 30:	
2015	\$ 3,118,096
2016	3,253,599
2017	3,068,908
2018	2,539,869
2019	2,382,976
Thereafter	3,174,518

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#### (16) Commitments and Contingencies

The University is engaged in routine civil litigation, including employment, personal injury, and other claims. Management does not expect any of these matters to have a materially adverse effect on the University. During the year ended June 30, 2014, the University determined and self-reported to the U.S. Department of Education that certain students were not eligible for the full amount of Title IV federal student financial aid which they received based on a technical issue related to the determination of student eligibility. The University recorded an accrual of approximately \$8.0 million which represents potential future repayments to the Department of Education of Federal Pell Grant and Federal Direct loan funds (before application of the actual loss calculation to any Direct Loan liabilities) and adjustments.

The University has a collective bargaining agreement for certain faculty and staff that will expire in June 2015.

The University has a deferred compensation plan under which eligible employees may elect to defer a portion of their annual compensation for payment in future periods. Assets of the plan are recorded at fair value and were \$640,589 and \$527,280 at June 30, 2014 and 2013, respectively, consisting primarily of investments in mutual fund securities.

The University is under an agreement with Sodexo to operate the University's food service operations which expires on August 31, 2022. As part of the contract, the University received \$4,000,000 to assist the University in financing improvements at the discretion of the University in the food service operation which is being amortized over the remaining life of the contract as a reduction of the liability. The unamortized balance under this agreement was \$2,005,208 and \$2,480,209 at June 30, 2014 and 2013, respectively.

#### (17) Endowment Funding

The University's endowment consists of approximately 70 individual funds established for a variety of purposes. Its endowment includes only donor-restricted endowment funds. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

##### *Interpretation of Relevant Law and Spending Policy*

The Board of Trustees of the University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), requiring the preservation of the original value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original gift value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets as defined by donor restrictions or until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence

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prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the University and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the University
- (7) The investment policies of the University

Distributions from long-term investments are made using the total return method. Under the total return method, distributions consist of interest, dividends, and realized and unrealized gains. The Board of Trustees has approved spending of up to 4% of the three-year rolling average balance of the endowment in 2014 and 2013. The University has adopted this spending policy in order to protect the original corpus of gifts as well as to preserve the purchasing power of these funds into the future.

#### ***Return Objectives and Risk Parameters***

The University's investment portfolio is managed to provide for the long-term support of the University. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flow and spending requirements. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed upon levels of risk. It is the goal of the aggregate long-term investments to generate a long-term target rate of return of at least 5% plus inflation, which would meet the annual spending rate, provide for inflation, fees and real growth.

#### ***Strategies for Achieving Investment Objectives***

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, the University seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

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Endowment funding consists of the following at June 30:

	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>2014 Total</b>
Donor-restricted endowment funds	\$ 1,369,593	13,555,708	14,925,301
Accumulated unspent earnings	4,877,568	—	4,877,568
Total funds	\$ 6,247,161	13,555,708	19,802,869
	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>2013 Total</b>
Donor-restricted endowment funds	\$ 3,666,017	12,018,001	15,684,018
Accumulated unspent earnings	1,281,307	—	1,281,307
Total funds	\$ 4,947,324	12,018,001	16,965,325

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Notes to Financial Statements

June 30, 2014

(with comparative information for June 30, 2013)

Changes in endowment funds for the fiscal years ended June 30, 2014 and 2013 were as follows:

	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Endowment at June 30, 2012	\$ 4,665,616	11,684,551	16,350,167
Gifts and additions	477,351	333,450	810,801
Investment returns:			
Interest and dividends	177,485	—	177,485
Net realized and unrealized gains	1,007,957	—	1,007,957
Total investment returns	1,185,442	—	1,185,442
Expenditures:			
Amounts utilized for operations	(1,381,085)	—	(1,381,085)
Total expenditures	(1,381,085)	—	(1,381,085)
Change in investments	281,708	333,450	615,158
Endowment at June 30, 2013	4,947,324	12,018,001	16,965,325
Gifts and additions	28,947	1,537,707	1,566,654
Investment returns:			
Interest and dividends	289,698	—	289,698
Net realized and unrealized gains	2,452,218	—	2,452,218
Total investment returns	2,741,916	—	2,741,916
Expenditures:			
Amounts utilized for operations	(1,471,026)	—	(1,471,026)
Total expenditures	(1,471,026)	—	(1,471,026)
Change in investments	1,299,837	1,537,707	2,837,544
Endowment at June 30, 2014	\$ 6,247,161	13,555,708	19,802,869



## **SOUTHERN NEW HAMPSHIRE UNIVERSITY**

### Notes to Financial Statements

June 30, 2014

(with comparative information for June 30, 2013)

#### **(18) Related Parties**

Members of the University's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the University. The University's conflict of interest policy requires, among other things, that no member of the Board of Trustees or its committees can participate in any decision in which he or she (or an immediate family member) has a material financial interest. For members of the Board of Trustees and senior management, the University requires an annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with the University. When such relationships exist, measures are taken to address the actual or perceived conflict to protect the best interests of the University and ensure compliance with relevant conflict of interest laws or policy.

An executive for the health insurance company who provides benefits to University employees joined the University's Board of Trustees in October 2013. The University paid \$15,688,147 to this company for these services for the year ended June 30, 2014.

The University has a close affiliation with the Southern New Hampshire University Student Government Association (SGA) which is a separate not for profit legal entity. The University and the SGA have been co-participants in several student-related endeavors and transactions, including contributions for Student Center improvements, insurance coverage, space occupancy and shared employee resources.

#### **(19) Subsequent Events**

The University evaluated subsequent events through October 17, 2014, the date financial statements were issued.

In August 2014, the University issued taxable and tax-exempt bonds with a par amount of \$66,348,000 through the New Hampshire Health and Educational Facilities Authority. The bonds have fixed rates ranging from 2.53% to 3.64% and have principal payments beginning September 2014 and terminating July 2039. The bonds were sold at par and were used to defease and/or refund the previously issued Series 2005, 2006 and 2008 bonds as well as to finance new capital projects and costs of issuance.

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**APPENDIX C**

**CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS**

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**CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS**

**The following are definitions of certain words and terms used in the Bond Indenture and the Agreement and used in this Official Statement, and excerpts of certain provisions of the Bond Indenture and the Agreement. The following should not be regarded as a full statement of the Bond Indenture or the Agreement. Reference is made to the Bond Indenture and the Agreement in their entireties for a complete statement of the provisions thereof, copies of which are on file with the Bond Trustee.**

**DEFINITIONS**

“Accountant” shall mean any firm of recognized independent certified public accountants appointed by the Institution to whom the Bond Trustee and the Authority make no reasonable objection.

“Accounts Receivable” shall mean any and all rights of the Institution to payment for services rendered or for goods sold or leased which is not evidenced by an instrument or chattel paper, whether or not it has been earned by performance.

“Act” shall mean the New Hampshire Health and Education Facilities Authority Act, Chapter 195-D of the New Hampshire Revised Statutes Annotated, as amended.

“Additional Bonds” shall mean the bonds or notes issued by the Authority pursuant to Section 2.13 of the Bond Indenture.

“Additional Indebtedness” shall mean any Indebtedness incurred by the Institution subsequent to the issuance of the Series 2016 Notes.

“Additional Notes” shall mean the notes issued by the Institution pursuant to Section 3.5 of the Agreement to secure Additional Bonds issued by the Authority pursuant to Section 2.13 of the Bond Indenture.

“Advance-Refunded Municipal Bonds” shall mean obligations that are exempt from Federal income taxation, that have been advance-refunded prior to their maturity, that are fully and irrevocably secured as to principal and interest by Government Obligations held in trust for the payment thereof, and that are serial bonds or term bonds not callable prior to maturity except at the option of the holder thereof.

“Agreement” shall mean this Loan Agreement and Mortgage, dated as of May 1, 2016, by and between the Authority and the Institution, and when amended or supplemented, the Agreement, as amended or supplemented.

“Agreement Event of Default” shall mean any one or more of those events set forth in Section 6.1 of the Agreement.

“Alternate Debt” shall mean Indebtedness of the Institution permitted by Section 5.21 of the Agreement.

“Annual Administrative Fee” shall mean the annual fee for the general administrative services of the Authority which for each Bond Year shall be an amount equal to that shown on the prevailing fee schedule of the Authority.

“Annual Debt Service” shall mean the Long-Term Debt Service Requirement for the Fiscal Year in question.

“Architect” shall mean any firm of recognized independent architects appointed by the Institution to whom the Authority makes no reasonable objection.

“Authenticating Agent” shall mean the Bond Trustee, and any successor to its duties under the Bond Indenture.

“Authority” shall mean New Hampshire Health and Education Facilities Authority, a public body corporate and agency of the State of New Hampshire.

“Authority Representative” shall mean the Chairman, Vice Chairman or Secretary of the Authority or such other Person as the Authority may designate to act on its behalf by written certificate furnished to the Institution and the Bond Trustee containing the specimen signature of such Person and signed on behalf of the Authority by the Chairman, Vice Chairman or Secretary.

“Balloon Indebtedness” shall mean (i) Long-Term Indebtedness, or Short-Term Indebtedness which is intended to be refinanced upon or prior to its maturity by Long-Term Indebtedness so that such Short-Term Indebtedness will be Outstanding, in the aggregate, for more than one year as certified in an Officer’s Certificate, twenty-five percent (25%) or more of the initial principal amount of which matures (or is payable at the option of the holder) in any twelve-month period, if such twenty-five percent (25%) or more is not to be amortized to below twenty-five percent (25%) by mandatory redemption prior to such twelve month period, or (ii) any portion of an issue of Long-Term Indebtedness which, if treated as a separate issue of Indebtedness, would meet the test set forth in clause (i) of this definition and which Indebtedness is designated as Balloon Indebtedness in an Officer’s Certificate stating that such portion shall be deemed to constitute a separate issue of Balloon Indebtedness.

“Beneficial Owner” shall mean whenever used with respect to a Series 2016 Bond, the Person in whose name such Series 2016 Bond is recorded as the beneficial owner of such Series 2016 Bond by a participant on the records of such participant or such Person’s subrogee.

“Board” shall mean the directors of the Authority.

“Bonds” shall mean the Series 2016 Bonds and any Additional Bonds issued under the Bond Indenture.

“Bond Counsel” shall mean an attorney or firm of attorneys of national recognition experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds selected or employed by the Authority and acceptable to the Bond Trustee.

“Bond Fund” shall mean the fund created pursuant to Section 5.1(a) of the Bond Indenture.

“Bond Indenture” shall mean the Bond Indenture with respect to the Bonds, dated as of May 1, 2016, by and between the Authority and the Bond Trustee, and when amended or supplemented, such Bond Indenture, as amended or supplemented.

“Bond Indenture Event of Default” shall mean any one or more of those events set forth in Section 7.1 of the Bond Indenture.

“Bond Index” shall mean, at the option of the Institution as directed by an Officer’s Certificate, either (i) the 30-year Revenue Bond Index published most recently by The Bond Buyer, or a comparable index if such Revenue Bond Index is not so published, or (ii) the interest rate or interest index as may be certified to the Authority and the Bond Trustee as appropriate to the situation by a firm of nationally recognized investment bankers or a financial advisory firm experienced in such field.

“Bond Payment Date” shall mean each date on which interest or both principal and interest shall be payable on any of the Bonds according to their respective terms so long as any Bonds are Outstanding, and shall include each Interest Payment Date.

“Bond Purchase Contract” shall mean the contract of purchase between the Authority and the Original Purchaser pertaining to the sale of the Series 2016 Bonds.

“Bond Resolution” shall mean the Bond Resolution relating to the financing and refinancing of the Project which is the subject of the Agreement, adopted by the Authority on March 17, 2016.

“Bond Trustee” shall mean The Bank of New York Mellon Trust Company, N.A., of Everett, Massachusetts, and any successor to its duties under the Bond Indenture.

“Bond Year” shall mean the period commencing January second of each year and ending January first of the next year.

“Book-Entry Bonds” shall mean the Series 2016 Bonds held by DTC as the registered owner thereof pursuant to the terms and provisions of Section 2.14 of the Bond Indenture.

“Buildings” shall mean the buildings, structures, fixtures and improvements now or hereafter located on the Land.

“Business Day” shall mean any day of the year other than (i) a Saturday or Sunday, (ii) any day on which banks located in either Manchester, New Hampshire, or any city in which the principal corporate trust office of the Bond Trustee is located is required or authorized to remain closed, or (iii) any day on which the New York Stock Exchange is closed.

“Capitalization” shall mean the sum of (i) the aggregate principal amount of all outstanding Long-Term Indebtedness of the Institution (less any Debt Reserves) plus (ii) the Net Assets of the Institution.

“Capitalized Interest” shall mean that portion of the proceeds of any Indebtedness or any other funds (other than Debt Reserves) that are held in trust and are restricted to be used to pay interest due or to become due on Indebtedness.

“Clean-Up” shall mean the removal, remediation of, monitoring of and all other response to, any Contamination to the satisfaction of all applicable governmental agencies, in compliance with Environmental Laws and otherwise in compliance with good commercial practice.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Completion Indebtedness” shall mean any Indebtedness incurred by the Institution for the purpose of financing the completion of constructing or equipping facilities for the construction or equipping of which some Indebtedness has theretofore been incurred in accordance with the provisions of the Agreement, to the extent necessary to provide a completed and equipped facility of the type and scope contemplated at the time, and in accordance with the general plans and specifications for such facility as originally prepared with only such changes as have been made in conformity with the documents pursuant to which such Indebtedness was originally incurred, including funding Debt Reserves.

“Construction Fund” shall mean the fund created pursuant to Section 4.1 and Section 5.1(b) of the Bond Indenture.

“Consultant” shall mean a Person selected by the Institution which is not, and no member, stockholder, director, officer or employee of which is, an officer or employee of the Institution, and which is a nationally recognized professional management consultant or Accountant (which may be the Institution’s external auditing firm) in the area of college finance not reasonably objected to by the Authority or the Bond Trustee and having the skill and experience necessary to render the particular opinion, certificate or report required by the provisions hereof in which such requirement appears.

“Contamination” shall mean the presence of any Hazardous Materials or the Release of any Hazardous Materials.

“Corporate Trust Office” shall mean the office of the Bond Trustee at which its principal corporate trust business is conducted, which at the date hereof is located at 135 Santilli Highway, AIM 026-0018, Everett, Massachusetts 02149, Attention: Corporate Trust Department.

“Current Assets” shall mean any cash and cash equivalent deposits, any marketable securities, Accounts Receivable, any accrued interest receivable, any funds designated by the Governing Body for any specific purpose and any other assets of the Institution ordinarily considered current assets under generally accepted accounting principles.

“Debt Reserves” shall mean that portion of the proceeds of any Indebtedness or any other funds (other than Capitalized Interest) that are held in trust and are restricted to be used to pay principal or principal and interest due or to become due on Indebtedness.

“Disclosure Agreement” shall mean the Continuing Disclosure Agreement, dated the date of delivery of the Series 2016 Bonds, by and between the Institution and the Bond Trustee.

“Discount Indebtedness” shall mean Indebtedness sold to the original purchaser thereof (other than any underwriter or other similar intermediary) at a discount from the par amount of such Indebtedness.

“DTC” shall mean The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“Encumbered” shall mean subject to a Lien mentioned in subsections (1), (2), (3), (13), (15), (16), or (17) of Section 5.14(b) of the Agreement.

“Environmental Law” shall mean any and all federal, State and local laws, ordinances, regulations, and administrative orders relating to Hazardous Materials.

“Equipment” shall mean the equipment, machinery, furnishings, fixtures (to the extent not a part of the Buildings), and other similar items of tangible personal property necessary or convenient for the operation of the Property, whether now owned or held or hereafter acquired, less any equipment, machinery, furnishings, fixtures to the extent not a part of the Buildings, and other similar items which may actually be disposed of or removed pursuant to the Agreement.

“Facility” shall mean the Land, the Buildings and the Equipment.

“Fiscal Year” shall mean the fiscal year of the Institution, which shall be the fiscal year designated from time to time in writing by the Institution to the Authority and the Bond Trustee.

“Fund Balance” shall mean (i) for a Person that is a Tax-Exempt Organization, the aggregate fund balance of such Person, and (ii) for a Person that is not a Tax-Exempt Organization, the excess of assets over liabilities of such Person.

“Future Test Period” shall mean the two full Fiscal Years immediately following the computation then being made, or, if such computation is then being made in connection with the provision of funds for capital improvements, following completion of the capital improvements then being financed.

“Governing Body” shall mean the Institution’s board of trustees.

“Government Obligations” shall mean direct general obligations of, or obligations the timely payment of principal and interest on which are unconditionally guaranteed by, the United States of America, unless such securities are specifically referred to elsewhere in the definition of Permitted Investments in which case such securities shall not be considered Government Obligations for purposes of this definition.



“Gross Receipts” shall mean all receipts, revenues, income and other moneys received by or on behalf of the Institution, including, but without limiting the generality of the foregoing, revenues derived from the ownership or operation of the Property, including insurance and condemnation proceeds with respect to the Property or any portion thereof, and all rights to receive the same, whether in the form of accounts, Accounts Receivable, contract rights or other rights, and the proceeds of such rights, and whether now owned or held or hereafter coming into existence; provided, however, that gifts, grants, bequests, donations and contributions heretofore or hereafter made and designated or specified by the granting authority, donor or maker thereof as being for specified purposes (other than payment of debt service on Indebtedness) and the income derived therefrom to the extent required by such designation or specification shall be excluded from Gross Receipts.

“Guaranty” shall mean all obligations of the Institution guaranteeing in any manner, whether directly or indirectly, any obligation of any other Person which would, if such other Person were the Institution, constitute Indebtedness under the Agreement, unless the obligation of such other Person is other than for the payment of a sum certain or reasonably ascertainable.

“Hazardous Materials” shall mean, without limitation, asbestos, gasoline, petroleum products, explosives, radioactive materials, polychlorinated biphenyls, chemical liquids, or any other solid, liquid or gaseous materials, or related or similar materials, or any other substance or material defined as a hazardous or toxic substance, material or waste by any applicable federal, State or local law, ordinance, rule, regulation or administrative order.

“Hedging Obligation” shall mean an agreement, arrangement or contract entered into in order to hedge the interest payable on all or a portion of any Indebtedness, which agreement, arrangement or contract may include, without limitation, an interest rate swap, a forward or futures contract or an option (*e.g.*, a call, put, cap, floor or collar) and which agreement, arrangement or contract does not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof.

For purposes of calculating Income Available for Debt Service, Annual Debt Service, Indebtedness, Long-Term Debt Service Coverage Ratio, and Long-Term Debt Service Requirement under this Agreement, the net amount of payments made or received by the Institution on a Hedging Obligation shall be included in the interest component of Indebtedness in such calculation, provided that the counterparty to such Hedging Obligation has a credit rating of at least “A”. In the event that the counterparty to a Hedging Obligation has a credit rating below “A”, interest on Indebtedness related to such Hedging Obligation or amounts due under such Hedging Obligation, whichever is greater, shall be included for purposes of calculating the various debt service tests provided in this paragraph.

“Historic Test Period” shall mean, at the option of the Institution, either (i) any twelve (12) consecutive calendar months out of the most recent period of eighteen (18) full calendar months, or (ii) the most recent period of twelve (12) full consecutive calendar months for which the financial statements of the Institution have been reported upon by an Accountant, or (iii) the most recent Fiscal Year of the Institution.

“Holder” or “Bondholder” shall mean the registered owner of any Bond, including DTC as the sole registered owner of Book-Entry Bonds.

“Income Available for Debt Service” shall mean, with respect to the Institution, as to any period of time, net income (including investment income, gifts and bequests as and when received, but excluding (i) donor restricted funds and the income thereon to the extent restricted by the donor thereof to other than debt service or Operating Expenses and (ii) pledges not actually received), or excess of revenue over expenses before depreciation, amortization and interest, as determined in accordance with generally accepted accounting principles consistently applied; provided, that no determination thereof shall take into account (i) any revenue or expense of any Person which is not the Institution, (ii) any gain or loss resulting from either the extinguishment of Indebtedness or the sale, exchange or other disposition of capital assets not in the ordinary course of business, (iii) the net proceeds of insurance (other than business interruption insurance) and condemnation awards, (iv) any extraordinary gain or loss as defined and allowed under generally accepted accounting principles, or (v) unrealized gains or losses on investments (notwithstanding generally accepted accounting principles), or any items that would be considered to be

non-cash items in accordance with generally accepted accounting principles consistently applied (including, but not limited to, those non-cash gains and losses relating to Hedging Obligations).

“Indebtedness” shall mean all obligations for payments of principal and interest with respect to money borrowed, incurred or assumed by the Institution, including Guaranties, purchase money mortgages, financing or capital leases, installment purchase contracts or other similar instruments in the nature of a borrowing by which the Institution will be unconditionally obligated to pay; provided that Indebtedness shall not include any Hedging Obligations. Nothing in this definition or otherwise shall be construed to count Indebtedness more than once.

“Institution” shall mean the private, not-for-profit, and charitable corporation organized and existing under the laws of the State of New Hampshire, operating college facilities located in Manchester and Hooksett, New Hampshire, the corporate name of which is Southern New Hampshire University, and its successors.

“Institution Representative” shall mean the Person or Persons at the time designated to act on behalf of the Institution by written certificate furnished to the Authority and the Bond Trustee, containing the specimen signature of such Person and signed on behalf of the Institution by its chairman, its president or chief executive officer, or its chief financial officer.

“Insurance Consultant” shall mean a Person appointed by the Institution and not reasonably objected to by the Authority or the Bond Trustee, qualified to survey risks and to recommend insurance coverage for college facilities and organizations engaged in like operations, who may be a broker or agent with whom the Institution transacts business, but who shall have no interest, direct or indirect, in the Institution and shall not be a member, director or employee of either the Institution or the Authority.

“Interest Account” shall mean the account of the Bond Fund created pursuant to Section 5.1(a)(i) of the Bond Indenture.

“Land” shall mean the real property, interests in real property, rights-of-way, easements, licenses, and other rights in real property described on Schedule A to the Agreement.

“Lien” shall mean any mortgage, pledge, leasehold interest, security interest, choate or inchoate lien, judgment lien, easement, or other encumbrance on title, including, but not limited to, any mortgage or pledge of, security interest in or lien or encumbrance on any Property of the Institution which secures any Indebtedness or any other obligation of the Institution.

“Long-Term Debt Service Coverage Ratio” shall mean the ratio for the period in question of Income Available for Debt Service to Maximum Annual Debt Service. Notwithstanding anything in the Agreement to the contrary requiring a Consultant’s opinion, report or certificate, projections of the Long-Term Debt Service Coverage Ratio may be made by an Officer’s Certificate if (i) no Agreement Event of Default shall have occurred and is currently in existence, (ii) the Long-Term Debt Service Coverage Ratio for the Historic Test Period as shown by an Officer’s Certificate exceeded 1.50, and (iii) the Long-Term Debt Service Coverage Ratio for the Future Test Period is projected by an Officer’s Certificate to exceed 1.50, unless the Authority, in its sole discretion, requires that such Long-Term Debt Service Coverage Ratio calculations be made by a Consultant’s opinion or report.

“Long-Term Debt Service Requirement” shall mean, for any period of time, the aggregate of the scheduled payments to be made (other than from amounts irrevocably deposited with the Bond Trustee or a lender for purposes of such payments) in respect of principal and interest on Outstanding Long-Term Indebtedness of the Institution during such period, also taking into account (i) with respect to Balloon Indebtedness, the provisions of Section 5.26 of the Agreement, (ii) with respect to Variable Rate Indebtedness, the provisions of Section 5.27 of the Agreement, (iii) with respect to Discount Indebtedness, the provisions of Section 5.28 of the Agreement, (iv) with respect to Debt Reserves, the provisions of Section 5.29 of the Agreement, (v) with respect to Capitalized Interest, the provisions of Section 5.30 of the Agreement, and (vi) with respect to Indebtedness represented by a Guaranty, the provisions of Section 5.19(b)(1) of the Agreement.

“Long-Term Indebtedness” shall mean all Indebtedness, other than Short-Term Indebtedness, for any of the following:

(i) Payments of principal and interest with respect to money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of longer than one year;

(ii) Payments under financing leases which are capitalized in accordance with generally accepted accounting principles (subject to Section 1.2(d) hereof) having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one year, however, lease liabilities recognized on the Statement of Financial Position and classified as operating leases under generally accepted accounting principles shall be specifically excluded; and

(iii) Payments under installment purchase contracts having an original term in excess of one year.

“Maximum Annual Debt Service” shall mean, at the time of computation, the greatest Long-Term Debt Service Requirement for the then current or any future Fiscal Year.

“Moody’s” shall mean Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Institution, by notice to the Bond Trustee.

“Municipality” shall mean, Manchester and Hooksett, New Hampshire.

“Net Assets” shall mean (i) for a Person that is a Tax-Exempt Organization, the net assets of such person as reported on its balance sheet included in its audited financial statements, and (ii) for a Person that is not a Tax-Exempt Organization, the excess of assets over liabilities for such Person.

“Non-Recourse Indebtedness” shall mean any Indebtedness secured by a Lien, which Indebtedness is not a general obligation of the Institution, and the liability for which Indebtedness is effectively limited to the Property subject to such Lien with no recourse, directly or indirectly, to any other Property of the Institution.

“Note” shall mean any Note issued, authenticated and delivered under the Agreement, including the Series 2016 Note and any Additional Notes.

“Noteholder” shall mean the registered owner of any Note in registered form or the bearer of any Note in coupon form which is not registered to bearer.

“Note Payments” shall mean all payments to be made by the Institution under the Notes issued to or for the account of the Authority.

“Officer’s Certificate” shall mean a certificate signed by the chairman of the Governing Body, or the president, chief executive officer, chief financial officer or other authorized officer of the Institution.

“Operating Expenses” shall mean the total operating expenses of the Institution, as determined in accordance with generally accepted accounting principles consistently applied.

“Operating Revenues” shall mean the total operating revenues of the Institution less applicable deductions from operating revenues, as determined in accordance with generally accepted accounting principles consistently applied but excluding unrealized gains and losses on investments.

“Opinion of Bond Counsel” shall mean an opinion in writing signed by Bond Counsel.

“Opinion of Counsel” shall mean a written opinion of an attorney or firm of attorneys acceptable to the Bond Trustee and the Institution and, to the extent the Authority is asked to take action in reliance thereon, the Authority, and who (except as otherwise expressly provided herein or in the Bond Indenture) may be either counsel for the Institution or for the Bond Trustee.

“Original Purchaser” shall mean the Person designated in the Bond Purchase Contract as the initial purchaser or purchasers of the Series 2016 Bonds or, if so designated in such Bond Purchase Contract, the representatives or lead or managing underwriters of such initial purchasers.

“Outstanding,” when used with reference to the Bonds, shall mean, as of any date of determination, all Bonds theretofore authenticated and delivered except: (i) Bonds theretofore cancelled by the Bond Trustee or delivered to the Bond Trustee for cancellation; (ii) Bonds which are deemed paid and no longer Outstanding as provided in the Bond Indenture; (iii) Bonds in lieu of which other Bonds have been issued pursuant to the provisions of the Bond Indenture relating to Bonds destroyed, stolen or lost, unless evidence satisfactory to the Bond Trustee has been received that any such Bond is held by a bona fide purchaser; and (iv) for purposes of any consent or other action to be taken under the Agreement or under the Bond Indenture by the Holders of a specified percentage of principal amount of Bonds, Bonds held by or for the account of the Authority, the Institution, or any Person controlling, controlled by, or under common control with, either of them.

“Outstanding”, when used with reference to Notes, Guaranties and all other Indebtedness, shall mean, as of any date of determination, all Notes, Guaranties and all other Indebtedness theretofore issued or incurred and not paid and discharged except: (i) Notes theretofore canceled by the Bond Trustee or delivered to the Bond Trustee for cancellation; (ii) Notes or Guaranties which are deemed paid and no longer Outstanding as provided in the Agreement; (iii) Notes for which provision for payment has been made in the manner provided in the Agreement; (iv) Notes in lieu of which other Notes have been authenticated and delivered or have been paid unless proof satisfactory to the Bond Trustee has been received that any such Note is held by a bona fide purchaser; and (v) Indebtedness not represented by Notes or Guaranties which has been canceled, paid in full, discharged in full by the obligee or defeased.

“Paying Agent” shall mean the Bond Trustee and any other banks or trust companies and their successors designated as the paying agencies or places of payment for the Bonds.

“Permitted Acquisitions” shall mean acquisitions of Property permitted by Section 5.16 of the Agreement.

“Permitted Debt” shall mean Indebtedness of the Institution permitted by Section 5.18 of the Agreement.

“Permitted Dispositions” shall mean dispositions of Property permitted by Section 5.15 of the Agreement.

“Permitted Encumbrances” shall mean encumbrances on Property permitted by Section 5.14 of the Agreement.

“Permitted Guarantees” shall mean guarantees by the Institution permitted by Section 5.19 of the Agreement.

“Permitted Investments” shall mean and include any of the following, if and to the extent the same are at the time legal for the investment of the Authority’s money:

- (a) Government Obligations;
- (b) Receipts, certificates or other similar documents evidencing ownership of future principal or interest payments due on Government Obligations which are held in a custody or trust account by a commercial bank which is a member of the Federal Deposit Insurance Corporation, which has combined

capital, surplus and undivided profits of not less than \$20,000,000 and (i) whose unsecured indebtedness is rated A2 or better by Moody's Investors Service or A or better by Standard & Poor's Ratings Group, or (ii) which is the lead bank of a parent bank holding company whose unsecured indebtedness is rated A2 or better by Moody's Investors Service or A or better by Standard & Poor's Ratings Group;

(c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following: Federal Home Loan Banks; Federal Home Loan Mortgage Corporation (including participation certificates); Federal National Mortgage Association; Student Loan Marketing Association; Resolution Funding Corp.; or Farm Credit System;

(d) Interest-bearing time or demand deposits, certificates of deposit, or other similar banking arrangements with any government securities dealer, bank, trust company, national banking association or other savings institution (including the Bond Trustee), provided that such deposits, certificates, and other arrangements are (i) fully insured by the Federal Deposit Insurance Corporation or (ii) in or with a government securities dealer, bank, trust company, national banking association or other savings institution rated in either of the two highest long term rating categories by Moody's Investors Service or Standard & Poor's Ratings Group, and provided further that any such obligations are held by the Bond Trustee or a bank, trust company or national banking association satisfactory to an Authority Representative (other than the issuer of such obligations) during the term of such contract;

(e) Repurchase agreements with a registered broker/dealer subject to the Securities Investors' Protection Corporation, or with a commercial bank, broker/dealer or financial services firm (i) whose unsecured indebtedness is rated at the time the agreement is entered into A2 or better by Moody's Investors Service or A or better by Standard & Poor's Ratings Group, or (ii) primary dealers on the Federal Reserve reporting dealer list whose unsecured indebtedness is rated A2 or better by Moody's Investors Service or A or better by Standard & Poor's Ratings Group, which repurchase agreement shall provide that: (A) the repurchase obligation of the registered broker/dealer, the financial services firm or the bank is collateralized by securities described in paragraph (a) or (c) above which shall be held by the Bond Trustee (unless the Bond Trustee is obligated under the repurchase agreement) or third party which is a Federal Reserve Bank or a commercial bank with capital, surplus and undivided profits of not less than \$25,000,000 and the Bond Trustee shall have received written confirmation from said third party that it holds said collateral securities free of any lien, as agent for the Bond Trustee; (B) a perfected security interest in favor of the Bond Trustee in the securities has been created under the Uniform Commercial Code or pursuant to the book entry procedures described in 31 C.F.R. 306.1 *et seq.* or 31 C.F.R. 350.0 *et seq.*; (C) the collateral securities on the date of execution of the repurchase agreement have a fair market value of at least 100% of the amount of the repurchase obligation, including both principal and interest; (D) the repurchase obligation is to be performed within 30 days of the date described in (C) above, or throughout the term of the repurchase agreement the collateral securities have a fair market value equal to at least 100% of the amount of the repurchase obligation; provided that any such repurchase obligation shall have a term to maturity of 30 days or less or, if not, that the Bond Trustee shall value the collateral securities not less frequently than monthly and shall liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation; (E) the repurchase agreement matures at least ten days (or other appropriate liquidation period) prior to a Bond Payment Date; and (F) a specific written agreement governs the transaction;

(f) (i) Money market accounts or money market mutual funds (including those maintained by the Bond Trustee or an affiliate thereof) rated in the highest long-term rating category by Moody's Investor's Service or Standard & Poor's Ratings Group, or (ii) investment agreements with, or guaranteed by, a financial institution rated at the time the agreement is entered into at least A1 by Moody's Investors Service or at least A+ by Standard & Poor's Ratings Group;

(g) Commercial paper rated in the highest rating category by Moody's Investors Service or Standard & Poor's Ratings Group;

(h) Obligations that are exempt from federal income taxation that are rated in one of the three highest rating categories by Moody's Investors Service or Standard & Poor's Ratings Group; and

(i) Advance-Refunded Municipal Bonds..

“Permitted Releases” shall mean releases of mortgages on or security interests in Property permitted by Section 5.17 of the Agreement.

“Permitted Reorganizations” shall mean the consolidation, merger, or reorganization of the Institution permitted by Section 5.20 of the Agreement.

“Person” shall include an individual, association, unincorporated organization, corporation, partnership, joint venture, or government or agency or political subdivision thereof.

“Pledged Revenues” shall mean all revenues, proceeds and receipts of the Authority derived from the Note Payments, and the proceeds of the Bonds pending their application in accordance with the Bond Indenture.

“Principal Account” shall mean the account of the Bond Fund created pursuant to Section 5.1(a)(ii) of the Bond Indenture.

“Project” shall mean the improvements of the Institution’s facilities and property described in Schedule C to the Agreement, to be financed and refinanced from the proceeds of the Series 2016 Bonds.

“Property” shall mean any and all assets of the Institution, any land, leasehold interests, buildings, machinery, equipment, hardware, and inventory of the Institution wherever located and whether now owned or hereafter acquired, any and all rights, titles and interests in and to any and all fixtures, and property whether real or personal, tangible or intangible and wherever situated and whether now owned or hereafter acquired and shall include all Current Assets, funds, endowments, revenues, receipts or other moneys, or right to receive any of the same, including, without limitation, Gross Receipts, accounts, Accounts Receivable, the Land, the Buildings, the Equipment, the Project, contract rights and general intangibles, and all proceeds of all of the foregoing.

“Property, Plant and Equipment” shall mean all Property of the Institution which is property, plant and equipment under generally accepted accounting principles.

“Record Date” shall mean, with respect to the Series 2016 Bonds, each June 15 and December 15 and, with respect to any Additional Bonds, such dates as may be established therefor in the Supplement authorizing such Additional Bonds.

“Redemption Account” shall mean the account of the Bond Fund created pursuant to Section 5.1(a)(iv) of the Bond Indenture.

“Redemption Price” shall mean, when used with respect to a Bond or portion thereof to be redeemed, the principal amount of such Bond or portion thereof plus the applicable premium, if any, payable upon redemption thereof.

“Registrar” shall mean the Bond Trustee, and any successor to its duties under the Bond Indenture.

“Release” shall mean the intentional or unintentional presence, seepage, spilling, leaking, disposing, discharging, emitting, depositing, injecting, leaching, escaping or any other release or threatened release, however defined, of any Hazardous Materials.

“Representation Letter” shall mean the Representation Letter from the Authority and the Bond Trustee to DTC with respect to the Series 2016 Bonds.

“S&P” shall mean Standard & Poor’s Ratings Services, a division of McGraw Hill Companies, Inc., its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform

the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Institution by notice to the Bond Trustee.

“Serial Bonds” shall mean the Bonds which are so designated in the Bond Indenture and are stated to mature in annual installments.

“Series 2016 Bonds” shall mean the Authority’s \$\_\_\_\_\_ aggregate principal amount of Revenue Bonds, Southern New Hampshire University Issue, Series 2016, dated their date of issuance.

“Series 2016 Notes” shall mean the Series 2016 Notes created and issued pursuant to the Agreement issued to the Bond Trustee as assignee of the Authority by the Institution to evidence the loan to the Institution from the Authority of the proceeds of the Series 2016 Bonds, in substantially the form set forth in Schedule B to the Agreement.

“Short-Term Indebtedness” shall mean all Indebtedness, other than Long-Term Indebtedness, for any of the following:

- (i) Payments of principal and interest with respect to money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one year or less;
- (ii) Payments under leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one year or less; and
- (iii) Payments under installment purchase contracts having an original term of one year or less.

“Sinking Fund Account” shall mean the account of the Bond Fund created pursuant to Section 5.1(a)(iii) of the Bond Indenture.

“Sinking Fund Account Requirement” shall mean, as to Term Bonds having the same stated maturity date, the aggregate principal amount of such Bonds required to be retired on or before the corresponding Sinking Fund Account Retirement Date.

“Sinking Fund Account Retirement Date” shall mean, as to Term Bonds having the same stated maturity date, the date on or before which such Term Bonds are required to be retired in an amount equal to the Sinking Fund Account Requirement for such date.

“State” shall mean the State of New Hampshire.

“Subordinated Indebtedness” shall mean all obligations incurred or assumed by the Institution, the payment of which is by its terms specifically subordinated to payments on all Notes, or the principal of and interest on which would not be paid (whether by the terms of such obligation or by agreement of the obligee) when the Notes are in default or while bankruptcy, insolvency, receivership or other similar proceedings are instituted and implemented.

“Subsidiary” shall mean a corporation, partnership, joint venture, association, business trust or similar entity organized under the laws of the United States of America or a state thereof which is directly or indirectly controlled by, or under common control by the same Person as, the Institution or any other Subsidiary. For purposes of this definition, control means the power to direct the management and policies of a Person through the ownership of a majority of its voting securities, the right to designate or elect a majority of the members of its board of directors or other governing board or body or the power and right to make management and policy decisions which would otherwise be made by a board of directors or other governing board or body of such Person.

“Supplement” shall mean an indenture supplementing or modifying the provisions of the Bond Indenture entered into by the Authority and the Bond Trustee in accordance with Article IX of the Bond Indenture.

“Tax-Exempt Organization” shall mean a Person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) and exempt from federal income taxes under Section 501(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

“Tax Regulatory Agreement” shall mean the Tax Regulatory Agreement relating to the Series 2016 Bonds, dated the date of delivery of the Series 2016 Bonds, by and between the Authority and the Institution.

“Term Bonds” shall mean the Bonds designated as Term Bonds in the Bond Indenture.

“Transaction Test” shall mean the Authority and the Bond Trustee shall have received any one of the following:

(A) a Consultant’s opinion, report or certificate demonstrating that the Long-Term Debt Service Coverage Ratio for the Future Test Period is projected to be not less than 1.35.

(B) an Officer’s Certificate demonstrating that the Long-Term Debt Service Coverage Ratio for the Historic Test Period, assuming that the proposed additional Long-Term Indebtedness had been incurred at the beginning of the Historic Test Period and as such the proposed Long-Term Indebtedness is added to the then current aggregate outstanding principal amount of all Long-Term Indebtedness, is not less than 1.20.

(C) a Consultant’s opinion, report or certificate demonstrating that the Long-Term Debt Service Coverage Ratio for the Historic Test Period, assuming that the proposed transaction occurred at the beginning of the Historic Test Period and as such (1) the proposed Long-Term Indebtedness, if any, is added to the then current aggregate outstanding principal amount of all Long-Term Indebtedness and (2) any increase in the Income Available for Debt Service projected to be generated by the Institution as a result of the proposed transaction at the end of the Future Test Period is added to the then current Income Available for Debt Service, is projected to be not less than 1.25 or, if less, is projected to be greater than such ratio would have been if the proposed transaction had not taken place.

(D) (1) an Officer’s Certificate demonstrating that the Long-Term Debt Service Coverage Ratio for the Historic Test Period is not less than 1.35, and (2) a Consultant’s opinion, report or certificate demonstrating that the Long-Term Debt Service Coverage Ratio for the Future Test Period is projected to be not less than 1.25 or, if less, is projected to be greater than such ratio would have been if the proposed transaction had not taken place.

(E) a Consultant’s opinion, report or certificate demonstrating that the ratio of Income Available for Debt Service for the Historic Test Period, to projected Maximum Annual Debt Service for the Future Test Period, is projected to be not less than 1.20 or, if less, is projected to be greater than such ratio would have been if the proposed transaction had not taken place.

“Unencumbered” shall mean not subject to a Lien mentioned in subsection (1), (2), (3), (13), (15), (16), or (17) of Section 5.14(b) of the Agreement.

“Value” when used in connection with Property of the Institution, shall mean: (i) when used in connection with Property, Plant and Equipment of the Institution, at the option of the Institution (a) the cost basis of such Property, Plant and Equipment, net of accumulated depreciation, as it is carried on the books of the Institution and in conformity with generally accepted accounting principles consistently applied, or (b) the appraised value of such Property, Plant and Equipment as determined by an appraiser who is a Member of the Appraisal Institute (MAI) and reasonably acceptable to the Authority and the Bond Trustee, such appraisal taking place within two (2) years of the date such value is used in any computation or calculation required by the Agreement, and (ii) when used



in connection with Accounts Receivable, Net Assets, Fund Balance, Current Assets and Gross Receipts, shall mean the value of such items as set forth in the most recent audited financial statements of the Institution.

“Variable Rate Indebtedness” shall mean Indebtedness that bears interest at a variable, adjustable or floating rate.

## **CERTAIN PROVISIONS OF THE BOND INDENTURE**

### **PROVISIONS OF GENERAL APPLICATION**

Section 1.3. All Bonds Equally and Ratably Secured; Bonds Not General Obligations of the Authority. All Bonds issued hereunder and at any time Outstanding shall in all respects be equally and ratably secured hereby, without preference, priority, or distinction on account of the date or dates or the actual time or times of the issuance or maturity of the Bonds, so that all Bonds at any time issued and Outstanding hereunder shall have the same right, lien, preference hereunder, and shall all be equally and ratably secured hereby. The Bonds are special obligations of the Authority payable solely from and secured by a pledge of Pledged Revenues and funds provided therefor under this Bond Indenture. Neither the State nor any political subdivision thereof shall be obligated to pay the principal of or interest on the Bonds, other than from Pledged Revenues, and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

### **AUTHORIZATION AND TERMS OF BONDS**

Section 2.3. Medium and Place of Payment. (a) Both principal of, premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America which, on the respective dates of payment of principal and interest, is tender for the payment of public and private debts.

(b) Except for Book-Entry Bonds held by DTC in accordance with the terms and provisions of Section 2.14 hereof, interest on the Bonds shall be payable by check drawn upon the Paying Agent and mailed to the registered Holders of such Bonds at the addresses of such Holders as they appear on the books of the Registrar on the Record Date, provided, however, that interest may be paid by wire transfer to the Holder of at least \$1,000,000 aggregate principal amount of Bonds to the address designated by such Holder to the Paying Agent at or prior to the Record Date for such payment. Principal of and premium, if any, on the Bonds shall be paid when due upon presentation and surrender of such Bonds at the Corporate Trust Office of the Paying Agent.

(c) In the event of a default by the Authority in the payment of interest due on a Bond on a Bond Payment Date, such defaulted interest will be payable to the Person in whose name such Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Registrar to the registered owners of Bonds not less than ten (10) days preceding such special record date.

Section 2.4. Mutilated, Destroyed, Lost and Stolen Bonds. If (a) any mutilated Bond is surrendered to the Bond Trustee or if the Authority, the Registrar, the Paying Agent or the Bond Trustee receives evidence to their satisfaction of the destruction, loss or theft of any Bond, and (b) there is delivered to the Authority, the Registrar, the Paying Agent and the Bond Trustee such security or indemnity as may be required by them to hold them harmless, then, in the absence of notice to the Authority, the Registrar, the Paying Agent or the Bond Trustee that such Bond has been acquired by a bona fide purchaser and upon the Holder paying the reasonable expenses of the Authority, the Registrar, the Paying Agent and the Bond Trustee, the Authority shall cause to be executed and the Authenticating Agent shall authenticate and deliver, in exchange for such mutilated Bond or in lieu of such destroyed, lost or stolen Bond, a new Bond of like principal amount, date and tenor. If any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, then the Bond Trustee and any Paying Agent may, in their discretion, pay such Bond when due instead of delivering a new Bond.

Section 2.6. Exchange of Bonds. Bonds, upon presentation and surrender thereof to the Registrar together with written instructions satisfactory to the Registrar, duly executed by the registered Holder or

his attorney duly authorized in writing, may be exchanged for an equal aggregate face amount of fully registered Bonds with the same interest rate and maturity of any other authorized denominations.

Section 2.7. Negotiability and Transfer of Bonds. (a) All Bonds issued hereunder shall be negotiable, subject to the provisions for registration and transfer thereof contained herein or in the Bonds.

(b) So long as any Bonds are Outstanding, the Authority shall cause to be maintained at the offices of the Registrar books for the registration and transfer of Bonds, and shall provide for the registration and transfer of any Bond under such reasonable regulations as the Authority or the Registrar may prescribe. The Registrar shall act as bond registrar for purposes of exchanging and registering Bonds in accordance with the provisions hereof.

(c) Each Bond shall be transferable only upon the registration books maintained by the Registrar, by the Holder thereof in person or by his attorney duly authorized in writing, upon presentation and surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered Holder or his duly authorized attorney. Upon surrender for transfer of any such Bond, the Authority shall cause to be executed and the Authenticating Agent shall authenticate and deliver, in the name of the transferee, one or more new Bonds of the same aggregate face amount, maturity and rate of interest as the surrendered Bond, as fully registered Bonds only.

Section 2.8. Persons Deemed Owners. As to any Bond, the Person in whose name such Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of principal or interest on any Bond shall be made only to or upon the written order of the registered Holder thereof. Such payment shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the amount so paid.

Section 2.9. Provisions with Respect to Transfers and Exchanges. (a) All Bonds surrendered in any exchange or transfer of Bonds shall forthwith be cancelled by the Registrar.

(b) In connection with any such exchange or transfer of Bonds the Holder requesting such exchange or transfer shall as a condition precedent to the exercise of the privilege of making such exchange or transfer remit to the Registrar an amount sufficient to pay any tax, or other governmental charge required to be paid with respect to such exchange or transfer.

(c) Neither the Authority nor the Registrar shall be obligated to (i) issue, exchange or transfer any Bond during the period of fifteen days preceding any Bond Payment Date, or (ii) transfer or exchange any Bond which has been or is being called for redemption in whole or in part.

Section 2.13. Additional Bonds. (a) One or more series of Additional Bonds may be authenticated and delivered by the Authenticating Agent upon original issuance from time to time pursuant to this Section 2.13: (i) to complete or make additions or improvements to the Project, (ii) to provide extensions, additions, improvements or repairs to the Project or other property of the Institution, or (iii) to refund any or all Outstanding Bonds issued under the Bond Indenture. The proceeds of any Additional Bonds shall be applied as provided in the Supplement authorizing such Additional Bonds and such Supplement shall set forth the terms and conditions for such Additional Bonds.

(b) The Authority shall not issue any Additional Bonds hereunder unless at or prior to the delivery to the Authenticating Agent of an order from the Authority to authenticate and deliver such Additional Bonds there shall be filed with the Bond Trustee (in addition to all other documents required by the Bond Indenture):

(i) a certificate of an Authority Representative, stating that the Authority is not then in default on any Bonds Outstanding or in the performance of any of the covenants, conditions, agreements or provisions contained in the Bond Indenture or the Agreement; and

(ii) a certificate of an Institution Representative, stating that the Institution is not then in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Agreement.

(c) The Authority may issue and the Authenticating Agent may authenticate and deliver one or more series of refunding bonds as Additional Bonds to refund one or more series, or portions of series, of Outstanding Bonds issued by the Authority; provided the Authority shall not issue and the Authenticating Agent shall not authenticate and deliver refunding bonds as Additional Bonds to refund less than all Outstanding Bonds unless the requirements of paragraph (b) above have been satisfied.

(d) Prior to the issuance of any Additional Bonds hereunder, the Authority and the Institution shall enter into an amendment to the Agreement or a supplemental agreement which shall provide, among other things, that the payments under the Agreement shall be increased, if necessary, and computed so as to amortize in full the principal of and interest on such Additional Bonds and any other costs in connection therewith. An executed counterpart of such amendment to the Agreement or supplemental agreement shall be delivered to the Bond Trustee prior to the authentication and delivery of such Additional Bonds by the Authenticating Agent. Nothing contained herein shall be construed as prohibiting the Authority from issuing refunding bonds as other than Additional Bonds pursuant to its corporate powers under a separate resolution or indenture for the purpose of refunding all or a portion of the Outstanding Bonds without complying with the conditions contained above.

(e) The Authority shall not issue any Additional Bonds for the purposes described in clauses (i) or (ii) of paragraph (a) of this Section unless at or prior to the delivery of such Additional Bonds there shall be filed with the Authority and the Bond Trustee, in addition to the certificates required by paragraph (b) of this Section 2.13, evidence to the effect that the applicable provisions set forth in Sections 5.18 of the Agreement for the incurrence of Additional Indebtedness shall have been satisfied.

## **REDEMPTION OF BONDS**

Section 3.6. Selection of Bonds to be Redeemed. In the event of any redemption of less than all Outstanding Bonds, any maturity or maturities, and interest rate within a maturity, as applicable, and amounts within maturities of Bonds to be redeemed shall be selected by the Bond Trustee at the direction of the Institution. If less than all of the Bonds of the same maturity and interest rate are to be redeemed upon any redemption of Bonds hereunder, the Bond Trustee shall select the Bonds to be redeemed by lot in such manner as the Bond Trustee may determine, provided that for so long as the Book - Entry only system is being used, the particular Series 2016 Bonds or portions thereof to be redeemed within a maturity shall be selected by lot by DTC in such manner as DTC and the participants may determine. In making such selection, the Bond Trustee (or DTC) shall treat each Bond as representing that number of Bonds of the lowest authorized denomination as is obtained by dividing the principal amount of such Bond by such denomination.

Section 3.7. Partial Redemption of Bonds. Upon the selection and call for redemption of, and the surrender of, any Bond for redemption in part only, the Authority shall cause to be executed and the Authenticating Agent shall authenticate and deliver to or upon the written order of the Holder thereof, at the expense of the Institution, a new Bond or Bonds of authorized denominations in an aggregate face amount equal to the unredeemed portion of the Bond surrendered, which new Bond or Bonds shall be a fully registered Bond or Bonds without coupons, in authorized denominations.

The Authority and the Bond Trustee may agree with any Holder of any such Bond that such Holder may, in lieu of surrendering the same for a new Bond, endorse on such Bond a notice of such partial redemption, which notice shall set forth, over the signature of such Holder, the redemption date, the principal amount redeemed and the principal amount remaining unpaid. Such partial redemption shall be valid upon payment of the amount thereof to the registered owner of any such Bond and the Authority and the Bond Trustee shall be fully released and discharged from all liability to the extent of such payment irrespective of whether such endorsement shall or shall not have been made upon the reverse of such Bond by the owner thereof and irrespective of any error or omission in such endorsement.

Section 3.8. Effect of Call for Redemption. On the date designated for redemption by notice given as herein provided, the Bonds so called for redemption shall become and be due and payable at the Redemption Price provided for redemption of such Bonds on such date. If on the date fixed for redemption moneys for payment of the Redemption Price and accrued interest are held by the Bond Trustee or paying agents as provided herein, interest on such Bonds so called for redemption shall cease to accrue, such Bonds shall cease to be entitled to any benefit or security hereunder except the right to receive payment from the moneys held by the Bond Trustee or the paying agents and the amount of such Bonds so called for redemption shall be deemed paid and no longer Outstanding.

Any optional or extraordinary optional redemption of Series 2016 Bonds shall be credited against mandatory sinking fund requirements, if applicable, in such manner and order as may be directed by the Institution.

## **REVENUES AND FUNDS**

Section 5.3. Flow of Funds. So long as any Bonds are Outstanding, in each Bond Year, Note Payments received by the Bond Trustee shall be applied, subject to Section 5.7 hereof, in the following manner and order of priority:

(a) Interest Account. The Bond Trustee shall deposit to the Interest Account on or before the last day of each month, commencing on the last day of January, 2016 the amount, if any, necessary to cause the amount then being credited to the Interest Account, together with amounts on deposit in the Interest Account representing capitalized interest payable on the Bonds on the next Bond Payment Date, together with investment earnings on investments then on deposit in the Interest Account, if such earnings will be received before the next Bond Payment Date (but only to the extent that such amount or investment earnings have not previously been credited for purposes of such calculation), to be not less than one-sixth of the amount of interest to be paid on Outstanding Bonds on such Bond Payment Date, subject to appropriate adjustment for the initial Bond Payment Date if the period prior to such Bond Payment Date is other than six (6) full months. Moneys in the Interest Account shall be used to pay interest on the Bonds as it becomes due.

(b) Principal Account. The Bond Trustee shall deposit to the Principal Account on or before the last day of each month, commencing on the last day of January, during each Bond Year ending on a date on which Serial Bonds mature, the amount necessary to cause the amount then being credited to the Principal Account, together with the investment earnings on investments then on deposit in the Principal Account, if such earnings will be received before the last day of the Bond Year (but only to the extent that such amount or investment earnings have not previously been credited for purposes of such calculation), to be not less than one-twelfth of the principal amount of Serial Bonds Outstanding which will mature on the last day of such Bond Year, subject to appropriate adjustment for the initial Serial Bond maturity if the period prior to such date is other than twelve (12) full months. Moneys in the Principal Account shall be used to retire Serial Bonds by payment at their scheduled maturity.

(c) Sinking Fund Account. The Bond Trustee shall deposit to the Sinking Fund Account on or before the last day of each month, commencing on the last day of January, during each Bond Year ending on a date which is a Sinking Fund Account Retirement Date, the amount necessary to cause the amount credited to the Sinking Fund Account, together with investment earnings on investments then on deposit in the Sinking Fund Account, if such earnings will be received before the last day of the Bond Year (but only to the extent that such amount or investment earnings have not previously been credited for purposes of such calculation), to be not less than one-twelfth of the unsatisfied Sinking Fund Account Requirements to be satisfied on or before the last day of such Bond Year, subject to appropriate adjustment for the initial Sinking Fund Account Retirement Date if the period prior to such date is other than twelve (12) full months. Moneys in the Sinking Fund Account shall be used to retire Term Bonds by purchase, by mandatory redemption or by payment at their scheduled maturity.

The Bond Trustee may, and upon the written direction of the Institution shall use its best efforts to, apply moneys credited to the Sinking Fund Account to purchase Term Bonds in satisfaction of Sinking Fund Account Requirements for such Term Bonds for a Sinking Fund Account Retirement Date. The Bond Trustee shall not so purchase any Bond at a price or cost (including any brokerage fees or commissions or other charges) which exceeds the principal amount thereof plus interest accrued to the date of purchase. Such accrued interest shall be paid from the Interest Account. The principal amount of Term Bonds of each maturity so purchased shall be

credited against the unsatisfied balance of Sinking Fund Account Requirements for such maturity in such order of Sinking Fund Account Retirement Dates as the Institution may direct. All Bonds so purchased shall be cancelled.

(d) Redemption Account. If the Institution makes an optional prepayment of any installment on the Notes, the amount so paid shall be credited to the Redemption Account and applied promptly by the Bond Trustee as follows: first, to cause the amounts credited to the Interest Account, Principal Account and Sinking Fund Account of the Bond Fund, in that order to be not less than the amounts then required to be credited thereto, and, then, to retire Bonds by purchase, redemption or both purchase and redemption in accordance with the Institution's written directions. Any such purchase shall be made at the best price obtainable with reasonable diligence and no Bond shall be so purchased at a cost or price (including brokerage fees or commissions or other charges) which exceeds the Redemption Price at which such Bond could be redeemed on the date of purchase or on the next succeeding date upon which such Bond is subject to optional redemption plus accrued interest to the date of purchase. Any such redemption shall be of Bonds then subject to optional redemption at the Redemption Price then applicable for optional redemption of such Bonds.

The principal amount of any Term Bonds so purchased or redeemed shall be credited against the unsatisfied balance of Sinking Fund Account Requirements for such maturity in order of Sinking Fund Account Retirement Dates.

Upon receipt by the Bond Trustee of moneys accompanied by a certificate of an Institution Representative stating that such moneys are insurance proceeds with respect to casualty losses or condemnation awards, that the amount of such proceeds or awards with respect to such casualty loss or taking exceeds 10% of the Value of the Property, Plant and Equipment and that such moneys are to be applied to redeem Bonds in accordance with Section 3.4 hereof and specifying the amount and maturities of Bonds to be redeemed, the Bond Trustee shall credit such moneys to the Redemption Account and shall apply such moneys to redeem Bonds in accordance with Section 3.4 hereof.

Any balance remaining in the Redemption Account after the purchase or redemption of Bonds in accordance with the Institution's directions, or in any event on the day following the Bond Payment Date next succeeding the prepayment by the Institution, shall be transferred to the Interest Account.

Section 5.5. Investment of Moneys Held by the Bond Trustee. (a) (i) Moneys in all Funds and Accounts held by the Bond Trustee shall be invested by the Bond Trustee, as soon as commercially practicable upon receipt in Permitted Investments as directed in writing by the Institution. The maturity date or the date on which such Permitted Investments may be redeemed at the option of the holder thereof shall coincide as nearly as practicable with (but in no event shall be later than) the date or dates in which moneys in the Funds or Accounts for which the investments were made will be required for the purposes thereof.

(ii) For purposes of and subject to paragraph (a)(i) above, moneys in the Funds or Accounts held by the Bond Trustee shall be invested in Permitted Investments maturing or redeemable at the option of the Bond Trustee not later or no less frequently than the respective following dates or periods of time: (A) Principal Account and Sinking Fund Account, the day preceding the last day of each Bond Year; (B) Interest Account, the day preceding the next Bond Payment Date; and (C) Redemption Account, the day preceding the next date on which Bonds are to be redeemed or are expected to be purchased.

(b) Amounts credited to a Fund or Account may be invested, together with amounts credited to one or more other Funds or Accounts, in the same Permitted Investment, provided that (i) each such investment complies in all respects with the provisions of paragraph (a) of this Section as they apply to each Fund or Account for which the joint investment is made and (ii) the Bond Trustee maintains separate records for each Fund and Account and such investments are accurately reflected therein.

(c) The Bond Trustee may make any investment permitted by this Section, through or with its own commercial banking or investment departments unless otherwise directed by the Institution. No brokerage confirmations will be provided by the Bond Trustee for so long as the Bond Trustee provides periodic statements to the Authority and the Institution that include investment activity.

(d) Except as otherwise specifically provided herein, in computing the amount in any Fund or Account, Permitted Investments purchased as an investment of moneys therein (taking into account straight line amortizations and accretions of premiums and discounts) shall be valued at the face value or the current market value thereof, whichever is the lower, or at the redemption price thereof, if then redeemable at the option of the holder, in either event inclusive of accrued interest.

(e) The Bond Trustee shall sell at the best price reasonably obtainable, or present for redemption, any Permitted Investment purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund or Account for which such investment was made (including any payment of principal, interest, purchase price or redemption price of the Bonds).

(f) Neither the Bond Trustee nor the Authority shall knowingly use or direct or permit the use of any moneys of the Authority in its possession or control in any manner which would cause any Series 2016 Bond to be an “arbitrage bond” within the meaning ascribed to such term in Section 148 of the Code, or any successor section of the Code.

(g) Notwithstanding any provision of this Bond Indenture, the Authority shall observe its covenants and agreements contained in the Tax Regulatory Agreement, to the extent that and for so long as such covenants and agreements are required by law.

#### **GENERAL COVENANTS OF THE AUTHORITY**

Section 6.1. Payment of Principal and Interest. Subject to the limited sources of payment specified herein, the Authority covenants that it will promptly pay or cause to be paid the principal of, premium, if any, and interest on each Bond issued hereunder at the place, on the dates and in the manner provided herein and in said Bonds according to the terms thereof. The principal of, premium, if any, and interest on the Bonds are payable solely from the Pledged Revenues and moneys held by the Bond Trustee hereunder, all of which are hereby specifically assigned and pledged to such payment in the manner and to the extent specified herein and nothing herein or in the Bonds shall be construed as assigning or pledging any other funds or assets of the Authority.

Section 6.2. Performance of Covenants. The Authority covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions on its part to be performed as provided herein in each and every bond executed, authenticated and delivered hereunder and in all proceedings of the Authority pertaining thereto.

Section 6.4. Rights Under Notes and Agreement. The Authority agrees that the Bond Trustee in its own name or in the name of the Authority may enforce all rights of the Authority and all obligations of the Institution under the Notes and the Agreement for and on behalf of the Holders, but only while the Authority is not in default hereunder; provided, however, that nothing herein shall constitute an assignment of any right of the Authority under the Agreement to grant approvals, consents or waivers, to receive notices, or for indemnification or reimbursement of costs and expenses.

Section 6.5. Protection of Lien. The Authority hereby agrees not to make or create or suffer to be made or created any assignment or lien having priority or preference over the assignment and lien hereof upon the interests granted hereby or any part thereof except as otherwise specifically provided herein. The Authority agrees that no obligations the payment of which is secured by Pledged Revenues will be issued by it except Additional Bonds and Bonds in lieu of, or upon transfer of registration or exchange of, any Bond as provided herein.

#### **DEFAULT AND REMEDIES**

Section 7.1. Bond Indenture Events of Default. Each of the following is hereby declared a “Bond Indenture Event of Default” hereunder:

(a) If payment by the Authority in respect of any installment of interest on any Bond shall not be made in full when the same becomes due and payable;

(b) If payment by the Authority in respect of the principal of or redemption premium, if any, on any Bond shall not be made in full when the same becomes due and payable, whether at maturity or by proceedings for redemption or by declaration of acceleration or otherwise;

(c) The Authority shall fail duly to observe or perform any covenant or agreement on its part under this Bond Indenture for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Authority and the Institution by the Bond Trustee, or to the Authority, the Institution, and the Bond Trustee by the Holders of at least twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding. If the breach of any such covenant or agreement is one which is capable of cure but cannot be completely remedied within thirty (30) days after written notice has been given, it shall not be a Bond Indenture Event of Default as long as the Authority has taken active steps within thirty (30) days after written notice has been given to remedy the failure and is diligently pursuing such remedy provided it shall be cured within ninety (90) days of such written notice;

(d) The entry of a decree or order by a court having jurisdiction in the premises adjudging the Authority a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Authority under the Federal Bankruptcy Code or any other applicable Federal or state law, or appointing a receiver, liquidator, assignee, or sequestrator (or other similar official) of the Authority or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of ninety (90) consecutive days;

(e) The institution by the Authority of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under the Federal Bankruptcy Code or any other similar applicable Federal or state law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Authority or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due;

(f) If there occurs an Agreement Event of Default.

Section 7.2. Acceleration; Annulment of Acceleration. (a) Upon the occurrence of a Bond Indenture Event of Default, all Bonds Outstanding shall become and be immediately due and payable, anything in the Bonds or herein to the contrary notwithstanding. In such event, there shall be due and payable on the Bonds an amount equal to the total principal amount of all such Bonds, plus all interest accrued thereon and which accrues to the date of payment. The Bond Trustee shall give written notice of such acceleration to the Authority, the Paying Agent, the Registrar, the Institution, and the Registrar shall give notice to the Bondholders in the same manner as for a notice of redemption under Article III hereof stating the accelerated date on which the Notes and the Bonds shall be due and payable.

(b) At any time after the principal of the Bonds shall have been so declared to be due and payable as a result of a Bond Indenture Event of Default, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Bond Indenture, moneys shall have accumulated in the appropriate Funds and Accounts created under this Bond Indenture sufficient to pay the principal of all matured Bonds and all arrears of interest, if any, upon all Bonds then Outstanding (except the principal of any Bonds not then due and payable by their terms and the interest accrued on such Bonds since the last Bond Payment Date), and the charges, compensation, expenses, disbursements, advances and liabilities of the Bond Trustee and all other amounts then payable by the Institution hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Bond Trustee, and every other default known to the Bond Trustee in the observance or performance of any covenant, condition, agreement or provision contained in the Bonds or in this Bond Indenture (other than a default in the payment of the principal of such Bonds then due and payable only because of the declaration under this Section) shall have been remedied to the satisfaction of the Bond Trustee, then and in every such case the Bond Trustee may, and upon the written request of the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds Outstanding not then due and payable by the terms of the Bonds shall, by written notice to the Authority and the

Institution, rescind and annul such declaration and its consequences, and the Registrar shall promptly give notice of such annulment in the same manner as provided in subsection (a) of this Section for giving notice of acceleration. No such annulment shall extend to or affect any subsequent Bond Indenture Event of Default or impair any right consequent thereon.

Section 7.3. Rights of Bond Trustee Concerning the Notes. The Bond Trustee, as pledgee and assignee for security purposes of all the right, title and interest of the Authority in and to the Agreement and those certain Notes delivered thereunder with respect to Bonds, shall, upon compliance with applicable requirements of law and except as otherwise set forth in this Article, be the sole real party in interest in respect of, and shall have standing to enforce each and every right granted to the Authority under the Agreement and under those certain Notes delivered thereunder with respect to Bonds. The Authority and the Bond Trustee hereby agree without in any way limiting the effect and scope thereof, that the pledge and assignment hereunder to the Bond Trustee of any and all rights of the Authority in and to the Notes and the Agreement shall constitute an agency appointment coupled with an interest on the part of the Bond Trustee which, for all purposes of this Bond Indenture, shall be irrevocable and shall survive and continue in full force and effect notwithstanding the bankruptcy or insolvency of the Authority or its default hereunder or on the Bonds. In exercising such rights and the rights given the Bond Trustee under this Article, upon and during the continuance of a Bond Indenture Event of Default, the Bond Trustee shall take such action to exercise the rights and powers granted to it hereunder as, in the judgment of the Bond Trustee, a prudent person would exercise under the circumstances in the conduct of such person's own affairs, taking into account the provisions of the Bond Indenture, the Agreement and the Notes, together with the security and remedies afforded to holders of Notes thereunder.

Section 7.4. Additional Remedies and Enforcement of Remedies. (a) Upon the occurrence and continuance of any Bond Indenture Event of Default, the Bond Trustee may or upon the written request of the Holders of not less than twenty-five percent (25%) in an aggregate principal amount of the Bonds Outstanding, together with indemnification of the Bond Trustee to its satisfaction therefor, shall proceed forthwith to protect and enforce its rights and the rights of the Bondholders hereunder and under the Act and the Bonds by such suits, actions or proceedings as the Bond Trustee, being advised by counsel, shall deem expedient, including but not limited to:

- (i) Civil action to recover money or damages due and owing;
  - (ii) Civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders of Bonds;
  - (iii) Enforcement of any other right of the Bondholders conferred by law or hereby;
- and
- (iv) Enforcement of any other right conferred by the Agreement.

(b) Regardless of the occurrence of a Bond Indenture Event of Default, the Bond Trustee, if requested in writing by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, shall upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security hereunder by any acts which may be unlawful or in violation hereof, or (ii) to preserve or protect the interests of the Holders, provided that such request is in accordance with law and the provisions hereof and, in the sole judgment of the Bond Trustee, is not unduly prejudicial to the interest of the Holders of Bonds not making such request.

Section 7.5. Application of Revenues and Other Moneys After Default. During the continuance of a Bond Indenture Event of Default all moneys received by the Bond Trustee, pursuant to any right given or action taken under the provisions of this Article shall, after payment of the costs and expenses of the proceedings which result in the collection of such moneys and of the fees, expenses and advances incurred or made by the Bond Trustee and the Authority with respect thereto, be deposited in the Bond Fund, and all amounts held by the Bond Trustee hereunder shall be applied as follows:



(a) Unless the principal of all Outstanding Bonds shall have become or have been declared due and payable:

First: To the payment to the Persons entitled thereto of all installments of interest then due on the Bonds in the order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal amounts or Redemption Price of any Bonds which shall have become due (other than Bonds previously called for redemption for the payment of which moneys are held pursuant to the provisions hereof), whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the principal amounts or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference.

(b) If the principal amounts of all Outstanding Bonds shall have become or have been declared due and payable, to the payment of the principal amounts and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal amounts and interest, to the Persons entitled thereto without any discrimination or preference.

(c) If the principal amounts of all Outstanding Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article, then, subject to the provisions of paragraph (b) of this Section in the event that the principal amounts of all Outstanding Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied by the Bond Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Bond Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Bond Trustee shall apply such moneys, it shall fix the date (which shall be a Bond Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the principal amounts to be paid on such dates shall cease to accrue. The Bond Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Bond Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all Bonds and interest thereon have been paid under the provisions of this Section and all expenses and charges of the Bond Trustee have been paid, any balance remaining shall be paid to the Person entitled to receive the same; if no other Person shall be entitled thereto, then the balance shall be paid to the Institution or as a court of competent jurisdiction may direct.

Section 7.6. Remedies Not Exclusive. No remedy by the terms hereof conferred upon or reserved to the Bond Trustee or the Bondholders is intended to be exclusive of any other remedy but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or existing at law or in equity or by statute (including the Act) on or after the date hereof.

Section 7.7. Remedies Vested in the Bond Trustee. All rights of action (including the right to file proof of claims) hereunder or under any of the Bonds may be enforced by the Bond Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Bond Trustee may be brought in its name as the Bond Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds. Subject to the provisions of Section 7.5 hereof, any recovery or judgment shall be for the equal benefit of the Holders of the Outstanding Bonds.

Section 7.8. Bondholders' Control of Proceedings. If a Bond Indenture Event of Default shall have occurred and be continuing, notwithstanding anything herein to the contrary, the Holders of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by any instrument in writing executed and delivered to the Bond Trustee to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions hereof, provided that such direction is in accordance with law and the provisions hereof (including indemnity to the Bond Trustee as provided herein) and, in the sole judgment of the Bond Trustee, is not unduly prejudicial to the interest of Bondholders not joining in such direction and provided further that nothing in this Section shall impair the right of the Bond Trustee in its discretion to take any other action hereunder which it may deem proper and which is not inconsistent with such direction by Bondholders.

Section 7.9. Individual Bondholder Action Restricted. (a) No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement hereof or for the execution of any trust hereunder or for any remedy hereunder unless:

(i) a Bond Indenture Event of Default has occurred (A) under paragraph (a) or (b) of Section 7.1 hereof of which the Bond Trustee is deemed to have notice, or (B) under paragraph (c), (d), (e) or (f) of Section 7.1 hereof as to which the Bond Trustee has actual knowledge or as to which the Bond Trustee has been notified in writing;

(ii) the Holders of at least twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding shall have made written request to the Bond Trustee to proceed to exercise the powers granted herein or to institute such action, suit or proceeding in its own name;

(iii) such Bondholders shall have offered the Bond Trustee indemnity as provided in Section 8.2 hereof;

(iv) the Bond Trustee shall have failed or refused to exercise the powers herein granted or to institute such action, suit or proceedings in its own name for a period of sixty (60) days after receipt by it of such request and offer of indemnity; and

(v) during such sixty (60) day period no direction inconsistent with such written request has been delivered to the Bond Trustee by the Holders of a majority in aggregate principal amount of Bonds then Outstanding in accordance with Section 7.8 hereof.

(b) No one or more Holders of Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the security hereof or to enforce any right hereunder except in the manner herein provided and for the equal benefit of the Holders of all Bonds Outstanding.

(c) Nothing contained herein shall affect or impair, or be construed to affect or impair, the right of the Holder of any Bond (i) to receive payment of the principal of or interest on such Bond on or after the due date thereof or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Holder of any Bond may institute or prosecute any such suit or enter judgment therein if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the lien hereof on the moneys, funds and properties pledged hereunder for the equal and ratable benefit of all Holders of Bonds.

Section 7.10. Termination of Proceedings. In case any proceeding taken by the Bond Trustee on account of a Bond Indenture Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bond Trustee or to the Bondholders, then the Authority, the Bond Trustee and the Bondholders shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Bond Trustee and the Bondholders shall continue as if no such proceeding had been taken.

Section 7.11. Waiver of Bond Indenture Event of Default. (a) No delay or omission of the Bond Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any Bond Indenture Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Bond Indenture Event of Default or an acquiescence therein. Every power and remedy given by this Article to the Bond Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

(b) The Bond Trustee may waive any Bond Indenture Event of Default, which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions hereof, or before the completion of the enforcement of any other remedy hereunder.

(c) Notwithstanding anything contained herein to the contrary, the Bond Trustee, upon the written request of the Holders of at least a majority of the aggregate principal amount of Bonds then Outstanding, shall waive any Bond Indenture Event of Default hereunder and its consequences; provided, however, that, except under the circumstances set forth in paragraph (b) of Section 7.2 hereof, a default in the payment of the principal amount of, premium, if any, or interest on any Bond, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Bonds at the time Outstanding; and provided, further, that the default in payment of any amount owing to the Bond Trustee or the Authority may not be waived without such Person's consent.

(d) In case of any waiver by the Bond Trustee of a Bond Indenture Event of Default hereunder, the Authority, the Bond Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other Bond Indenture Event of Default or impair any right consequent thereon. The Bond Trustee shall not be responsible to any one for waiving or refraining from waiving any Bond Indenture Event of Default in accordance with this Section.

Section 7.12. Notice of Default. (a) Promptly, but in any event within thirty (30) days after (i) the occurrence of a Bond Indenture Event of Default under Section 7.1(a) or (b) hereof, which the Bond Trustee is deemed to have notice, or (ii) receipt, in writing or otherwise, by the Bond Trustee of actual knowledge or notice of a Bond Indenture Event of Default under Section 7.1 (c), (d), (e) or (f) hereof, the Bond Trustee shall, unless such Bond Indenture Event of Default shall have theretofore been cured, give written notice thereof by first class mail to each Holder of a Bond then Outstanding, provided that, except in the case of a default in the payment of principal amounts, Sinking Fund Installments, or the Redemption Price of or interest on any of the Bonds, the Bond Trustee may withhold such notice to such Holders if, in its sole judgment, it determines that the withholding of such notice is in the best interests of the Bondholders.

(b) The Bond Trustee shall promptly, within one Business Day, notify the Authority of (i) the occurrence of a Bond Indenture Event of Default under Section 7.1(a) or (b) hereof and (ii) when the Bond Trustee has received actual knowledge or notice, in writing or otherwise, of a Bond Indenture Event of Default under Section 7.1(c), (d), (e) or (f) hereof.

Section 7.13. Limitation of the Authority's Liability. No agreements or provisions contained herein nor any agreement, covenant or undertaking by the Authority contained in any document executed by the Authority in connection with the Project or the issuance, sale and delivery of the Bonds shall give rise to any pecuniary liability of the Authority or a charge against its general credit, or shall obligate the Authority financially in any way, except with respect to the Pledged Revenues and their application as provided herein. No failure of the Authority to comply with any term, covenant or agreement herein or in any document executed by the Authority in connection with the Project, shall subject the Authority to liability for any claim for damages, costs or other financial or pecuniary charge except to the extent that the same can be paid or recovered from the Pledged Revenues. Nothing herein shall preclude a proper party in interest from seeking and obtaining, to the extent

permitted by law, specific performance against the Authority for any failure to comply with any term, condition, covenant or agreement herein; provided, that no costs, expenses or other monetary relief shall be recoverable from the Authority except as may be payable from the Pledged Revenues.

The Bond Trustee, the Institution and all Holders of Bonds, by their purchase of the Bonds, agree that the Authority may be sued in connection with any matter involving or related to the Bonds or the Project, if at all, only in a court in the State of New Hampshire.

Section 7.14. Limitations on Remedies. It is the purpose and intention of this Article to provide rights and remedies to the Bond Trustee and Bondholders which may be lawfully granted under the provisions of the Act, but should any right or remedy herein granted be held to be unlawful, the Bond Trustee and the Bondholders shall be entitled as above set forth, to every other right and remedy provided in this Bond Indenture and by law.

## **THE BOND TRUSTEE**

Section 8.2. The Bond Trustee Not Required to Take Action Unless Indemnified. Except as expressly required herein or in the Agreement, the Bond Trustee shall neither be required to institute any suit or action or other proceeding hereunder or appear in any suit or action or other proceeding in which it may be a defendant, or to take any steps to enforce its rights and expose it to liability, nor shall the Bond Trustee be deemed liable for failure to take any such action, unless and until it shall have been indemnified, to its satisfaction, against any and all reasonable costs, expenses, outlays, counsel and other fees, other disbursements including its own reasonable fees and against all liability and damages. The Bond Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else which in its judgment is proper to be done by it as the Bond Trustee, without prior assurance of indemnity, and in such case the Institution shall reimburse the Bond Trustee for all reasonable costs, expenses, outlays, counsel and other fees, and other reasonable disbursements including its own fees, and for all liability and damages suffered by the Bond Trustee in connection therewith, except for the Bond Trustee's negligence, willful misconduct or breach of trust. If the Bond Trustee begins, appears in or defends such a suit, the Bond Trustee shall give reasonably prompt notice of such action to the Authority and the Institution, and shall give such notice prior to taking such action if possible. If the Institution shall fail to make such reimbursement, the Bond Trustee may reimburse itself from any surplus money created hereby; provided, however, that if the Bond Trustee shall collect any amounts or obtain a judgment, decree or recovery, by exercising the remedies available to it hereunder, the Bond Trustee shall have a first claim upon the amount recovered for payment of its reasonable costs, expenses and fees incurred.

Section 8.6. Removal and Resignation of the Bond Trustee. The Bond Trustee may resign or may be removed at any time by an instrument or instruments in writing signed by the Holders of not less than a majority of the principal amount of Bonds then Outstanding. Written notice of such resignation or removal shall be given to the Authority and the Institution and such resignation or removal shall take effect upon the appointment and qualification of a successor Bond Trustee. In the event a successor Bond Trustee has not been appointed and qualified within sixty (60) days of the date notice of resignation is given, the Bond Trustee, the Authority or the Institution, in all cases at the Institution's expense, may apply to any court of competent jurisdiction for the appointment of a successor Bond Trustee to act until such time as a successor is appointed as provided in this Section. No resignation or removal of the Bond Trustee shall be effective until the successor has been appointed and qualified as Bond Trustee.

## **SUPPLEMENTS**

Section 9.1. Supplements Not Requiring Consent of Bondholders. The Authority and the Bond Trustee may, without the consent of or notice to any of the Holders, enter into one or more Supplements for one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission herein;

(b) to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising hereunder which shall not materially adversely affect the interests of the Holders;

(c) To grant or confer upon the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;

(d) To secure additional revenues or provide additional security or reserves for payment of the Bonds;

(e) To preserve the exemption of the interest income borne on the Series 2016 Bonds from federal income taxes;

(f) To authorize the issuance of Additional Bonds hereunder; and

(g) To remove the Bond Trustee in accordance with the second paragraph of Section 8.6 hereof.

Section 9.2. Supplements Requiring Consent of Bondholders. (a) Other than Supplements referred to in Section 9.1 hereof and subject to the terms and provisions and limitations contained in this Article and not otherwise, the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained herein to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Bond Trustee of such Supplements as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein; provided, however, nothing in this Section shall permit or be construed as permitting a Supplement which would:

(i) extend the stated maturity of or time for paying interest on any Bond or reduce the principal amount of or the redemption premium or rate of interest payable on any Bond without the consent of the Holder of such Bond;

(ii) prefer or give a priority to any Bond over any other Bond without the consent of the Holder of each Bond then Outstanding not receiving such preference or priority; or

(iii) reduce the aggregate principal amount of Bonds then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Bonds then Outstanding.

(b) If at any time the Authority shall request the Bond Trustee to enter into a Supplement pursuant to this Section, the Bond Trustee shall, upon being satisfactorily indemnified with respect to expenses (including counsel fees), cause notice of the proposed execution of such Supplement to be mailed by first class mail, postage prepaid, to all Holders of Bonds then Outstanding at their addresses as they appear on the registration books herein provided for. The Bond Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail, or the failure of such Bondholder to receive, the notice required by this Section, and any such failure shall not affect the validity of such Supplement when consented to and approved as provided in this Section. Such notice shall briefly set forth the nature of the proposed Supplement and shall state that copies thereof are on file at the Corporate Trust Office of the Bond Trustee for inspection by all Bondholders.

(c) If within such period, not exceeding three years, as shall be prescribed by the Institution, following the first publication of such notice, the Bond Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount or number of Bonds specified in Section 9.2(a) for the Supplement in question which instrument or instruments shall refer to the proposed Supplement described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice as on file with the Bond Trustee, thereupon, but

not otherwise, the Bond Trustee may execute such Supplement in substantially such form, without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

(d) Any such consent shall be binding upon the Holder of the Bond giving such consent and upon any subsequent Holder of such Bond and of any Bond issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bond giving such consent or by a subsequent Holder thereof by filing with the Bond Trustee, prior to the execution by the Bond Trustee of such Supplement, such revocation. At any time after the Holders of the required principal amount or number of Bonds shall have filed their consents to the Supplement, the Bond Trustee shall make and file with the Authority a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(e) If the Holders of the required principal amount or number of the Bonds Outstanding shall have consented to and approved the execution of such Supplement as herein provided, no Holder of any Bond shall have any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Bond Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof.

Section 9.4. Amendments to Agreement not Requiring Consent of Bondholders. The Authority and the Bond Trustee may without the consent of or notice to any of the Holders, consent to and join in the execution and delivery of any amendment, change or modification of the Agreement as may be required (a) by the provisions hereof or of the Agreement; (b) to cure any ambiguity or formal defect or omission therein; (c) to preserve the exemption of the interest borne on the Bonds from federal income taxes; (d) in the event there is a change to generally accepted accounting principles which has the effect of changing accounting related definitions and covenants contained in the Agreement, provided there is delivered to the Authority and the Bond Trustee an opinion of an Accountant which provides that after giving effect to such changes in generally accepted accounting principles, the definitions and covenants, as modified, are substantially similar to the definitions and covenants which have been superseded; (e) to provide for the full release and discharge of the mortgage lien on the Facility and security interest in the Equipment in accordance with Section 3.6(h) of the Agreement; or (f) in connection with any other change therein as to which there is filed with the Bond Trustee and the Authority an Opinion of Counsel stating that the proposed change will not adversely affect the interests of the Holders, and which in the opinion of the Bond Trustee will not adversely affect the interests of the Holders or the Bond Trustee.

Section 9.5. Amendments to Agreement Requiring Consent of Bondholders. (a) Except for amendments, changes or modifications to the Agreement referred to in Section 9.4 hereof, the Authority and the Bond Trustee may consent to and join in the execution and delivery of any amendment, change or modification to the Agreement only upon the consent of the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding given as provided in this Section, provided, however, no such amendment, change or modification may affect the obligation of the Institution to make payments under the Notes or reduce the amount of or extend the time for making such payments without the consent of the Holders of all Bonds then Outstanding.

(b) If at any time the Authority and the Institution shall request the consent of the Bond Trustee to any such amendment, change or modification to the Agreement the Bond Trustee shall, upon being satisfactorily indemnified with respect to expenses (including counsel fees), cause notice of the proposed amendment, change or modification to be given in the same manner as provided in Section 9.2 hereof with respect to Supplements hereto. Such notice shall briefly set forth the nature of the proposed amendment, change or modification and shall state that copies thereof are on file at the office of the Bond Trustee for inspection by all Bondholders.

(c) If the consent to and approval of the execution of such amendment, change or modification is given by the Holders of not less than the aggregate principal amount or number of Bonds specified in paragraph (a) within the time and in the manner as provided by Section 9.2 hereof with respect to Supplements hereto, but not otherwise, such amendment, change or modification may be consented to, executed and delivered upon the terms and conditions and with like binding effect upon the Holders as provided in Sections 9.2 and 9.3 hereof with respect to Supplements hereto.

## **SATISFACTION AND DISCHARGE**

Section 10.1. Discharge. If payment of all principal of, premium, if any, and interest on the Bonds in accordance with their terms and as provided herein is made, or is provided for in accordance with this Article, and if all other sums payable by the Authority hereunder shall be paid or provided for, and all obligations of the Institution thereunder have been satisfied in full, then the liens, estates and security interests granted hereby shall cease. Thereupon, upon the request of the Authority, and upon receipt by the Bond Trustee of an Opinion of Counsel stating that all conditions precedent to the satisfaction and discharge of the lien hereof have been satisfied, the Bond Trustee shall execute and deliver proper instruments acknowledging such satisfaction and discharging the lien hereof and the Bond Trustee shall transfer all property held by it hereunder, other than moneys or obligations held by the Bond Trustee for payment of amounts due or to become due on the Bonds, to the Authority, the Institution or such other Person as may be entitled thereto as their respective interests may appear. Such satisfaction and discharge shall be without prejudice to the rights of the Bond Trustee thereafter to charge and be compensated or reimbursed for services rendered and expenditures incurred in connection herewith.

The Authority or the Institution may at any time surrender to the Bond Trustee for cancellation any Bonds previously authenticated and delivered which the Authority or the Institution may have acquired in any manner whatsoever and such Bond upon such surrender and cancellation shall be deemed to be paid and retired.

Section 10.2. Providing for Payment of Bonds. Payment of all or any portion of the Bonds may be provided for by the deposit with the Bond Trustee of moneys or non-callable Government Obligations or Advance-Refunded Municipal Bonds or any combination thereof. The moneys and the maturing principal and interest income on such investments, if any, shall be sufficient to pay when due the principal or Redemption Price of and interest on such Bonds. The moneys and investments shall be held by the Bond Trustee irrevocably in trust for the Holders of such Bonds solely for the purpose of paying the principal or Redemption Price of and interest on such Bonds as the same shall mature, come due or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the Bond Trustee as to the dates upon which any such Bonds are to be redeemed prior to their respective maturities.

In connection with any advance refunding (as such term is defined in the Code) of the Series 2016 Bonds, there shall be delivered to the Bond Trustee a verification report of an Accountant as to the adequacy of the escrow so established.

If payment of the Bonds is so provided for, the Bond Trustee shall mail a notice so stating to each Holder of a Bond.

Bonds the payment of which has been provided for in accordance with this Section shall no longer be deemed Outstanding hereunder or secured hereby. The obligation of the Authority in respect of such Bonds shall nevertheless continue but the Holders thereof shall thereafter be entitled to payment only from the moneys or investments deposited with the Bond Trustee to provide for the payment of such Bonds.

No Bond may be so provided for if, as a result thereof or of any other action in connection with which the provision for payment of such Bond is made, the interest payable on any Series 2016 Bond is made subject to federal income taxes. The Bond Trustee may rely upon an Opinion of Bond Counsel (which opinion may be based upon a ruling or rulings of the Internal Revenue Service) to the effect that the provisions of this paragraph will not be breached by so providing for the payment of any Bonds.

Section 10.3. Payment of Bonds After Discharge. Notwithstanding the discharge of the lien hereof as in this Article provided, the Bond Trustee shall nevertheless retain such rights, powers and duties hereunder as may be necessary and convenient for the payment of amounts due or to become due on the Bonds and the registration, transfer, exchange and replacement of Bonds as provided herein. Nevertheless, any moneys held by the Bond Trustee or any Paying Agent for the payment of the principal of, premium, if any, or interest on any Bond remaining unclaimed for five years after the principal of all Bonds has become due and payable, whether at maturity or upon proceedings for redemption or by declaration as provided herein, shall upon written request to do so, be paid to the Institution and the Holders of any Bonds not theretofore presented for payment shall thereafter be entitled to

look only to the Institution for payment thereof as unsecured creditors and all liability of the Authority, the Bond Trustee or any Paying Agent with respect to such moneys shall thereupon cease.

## **MISCELLANEOUS**

Section 11.5. Holidays. When the date on which principal of or interest or premium on any Bond is due and payable is a day on which banking institutions at a place of payment on the Bonds are authorized or required by law or executive order to remain closed, payment may be made on Bonds presented at such place of payment on the next ensuing day on which banking institutions at such place are not authorized or required by law or executive order to remain closed with effect as though payment were made on the due date, and, if such payment is made, no interest shall accrue from and after such due date. When any other action is provided herein to be done on a day named or within a time period named, and the day or the last day of the period falls on a day other than a Business Day, it may be performed on the next ensuing Business Day with effect as though performed on the appointed day or within the specified period.

## **CERTAIN PROVISIONS OF THE AGREEMENT**

### **LOAN AGREEMENT; ISSUANCE OF SERIES 2016 BONDS AND SERIES 2016 NOTES**

Section 3.1. Loan Agreement; Issuance of Series 2016 Bonds and Application of Proceeds. The Authority hereby agrees to loan, and hereby loans, to the Institution, the amount of \$ \_\_\_\_\_ to provide funds to finance and refinance the Project upon the terms and conditions set forth or referred to in this Agreement. The Institution agrees to borrow and hereby borrows, and agrees to repay, the amount of \$ \_\_\_\_\_, upon the terms and conditions set forth or referred to in this Agreement. This Agreement shall constitute a general obligation of the Institution. To provide funds to finance and refinance the Project, the Authority agrees to use its best efforts to issue the Series 2016 Bonds in accordance with the Bond Indenture and to cause the proceeds thereof to be paid as provided in the Bond Indenture. The Institution agrees that the proceeds of the Series 2016 Bonds to be made available to finance and refinance the Project shall be deposited with the Bond Trustee and applied as provided in the Bond Indenture. The Institution acknowledges and agrees that it shall have no interest in the proceeds of the Series 2016 Bonds equal to or greater than that of the Holders who shall have a first and prior beneficial interest in such money until applied in accordance herewith and with the Bond Indenture.

Section 3.2. Issuance of Series 2016 Notes. In consideration of the issuance by the Authority of the Series 2016 Bonds and the application of the proceeds thereof as provided in the Bond Indenture, and as security for the loan referred to in Section 3.1 hereof, the Institution agrees to issue and to cause to be authenticated and delivered to the Bond Trustee as assignee of the Authority, pursuant to the Agreement, concurrently with the delivery of the Series 2016 Bonds to the Original Purchaser thereof in accordance with the Bond Purchase Contract, the Series 2016 Notes in substantially the form attached hereto as Schedule B with such necessary and appropriate omissions, insertions and variations as are permitted or required by the Bond Indenture. The Authority agrees that the Series 2016 Notes shall be registered in the name of the Bond Trustee as assignee of the Authority. The Institution agrees that the principal amount of the Series 2016 Notes shall be limited to \$ \_\_\_\_\_, except for any Series 2016 Note authenticated and delivered in lieu of another Series 2016 Note with respect to Series 2016 Notes mutilated, destroyed, lost or stolen or, subject to the provisions of Section 3.3 hereof, upon transfer or registration or exchange of the Series 2016 Notes.

Section 3.6. Security for Bonds. (a) The Institution agrees that the principal and Redemption Price of and the interest on the Bonds shall be payable in accordance with the Bond Indenture and the right, title and interest of the Authority hereunder and in and to the Series 2016 Notes, any Additional Notes issued to secure Additional Bonds, the Note Payments and other amounts paid or payable by the Institution hereunder, other than fees and expenses payable or reimbursable to the Authority, shall be assigned and pledged by the Authority to the Bond Trustee pursuant to the Bond Indenture to secure the payment of the Bonds. The Institution agrees that all of the rights accruing to or vested in the Authority with respect to the Notes or hereunder may be exercised, protected and enforced by the Bond Trustee for or on behalf of the Holders in accordance with the provisions hereof and of the Bond Indenture.



(b) This Agreement is executed in part to induce the purchase by others of the Bonds, and to induce the Bond Trustee to accept its duties and obligations under the Bond Indenture, and, accordingly, all covenants and agreements on the part of the Institution and the Authority, as set forth in this Agreement, are hereby declared to be for the benefit of the holders and owners from time to time of the Bonds.

(c) The Institution 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 Bond Resolution, the Tax Regulatory Agreement and the Bond Indenture.

(d) The Institution agrees to deliver or cause to be delivered, at the Institution's expense, at the time of the delivery of the Series 2016 Bonds, a title insurance policy with respect to the Land satisfactory to the Authority.

(e) As security for its obligation to make the Note Payments required under this Agreement, the Institution by this Agreement grants to the Authority a security interest in all Gross Receipts, but the existence of such security interest shall not prevent the expenditure, deposit or commingling of Gross Receipts by the Institution so long as no Agreement Event of Default exists hereunder and all required Note Payments hereunder are made when due. Without limiting the generality of the foregoing, this security interest shall apply to all rights to receive Gross Receipts whether in the form of accounts, Accounts Receivable, contract rights or other rights, and to the proceeds of such rights. This security interest shall apply to all of the foregoing, whether now existing or hereafter coming into existence and whether now owned or held or hereafter acquired by the Institution. If an Agreement Event of Default exists hereunder and any required Note Payment hereunder is not made when due, any Gross Receipts subject to this security interest which are then on hand and any such Gross Receipts thereafter received, shall not be commingled or deposited but shall immediately, or upon receipt, be transferred to the Bond Trustee (giving recognition to proration for any parity security interest in Gross Receipts granted in accordance with this Agreement) for deposit into the Bond Fund to the extent needed to make the amount on deposit in the Bond Fund at least equal to the requirements of the Bond Fund. Except as may be set forth in Schedule D hereto and in paragraph (g) of this Section 3.6, the Institution hereby represents that as of the date of the delivery of this Agreement it has granted no security interest in Gross Receipts prior to or equal to the security interest granted by this Section 3.6(e).

By the date of issue of the Series 2016 Bonds, the Institution will have filed all financing statements describing, and transferred such possession or control over, the Gross Receipts (and for so long as any Series 2016 Bond is outstanding the Institution will file, continue, and amend all such financing statements and transfer such possession or control) as may be necessary to establish and maintain such priority in each jurisdiction in which the Institution is organized or the Gross Receipts may be located or that may be otherwise applicable pursuant to Uniform Commercial Code Sections 9.301 through 9.306 of New Hampshire. Upon delivery of the Series 2016 Bonds and thereafter, the Institution agrees, to the extent required by law, to cause the Agreement and all supplements thereto, together with all related UCC financing statements or other instruments, to be kept, recorded and filed in such manner and in such places as may be required by law in order to create, perfect, preserve and protect fully the security of the holders of the Series 2016 Bonds in the Gross Receipts and any other collateral and the rights of any Bond Trustee for the holders of the Series 2016 Bonds. The Institution covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered such further acts, instruments and transfers as may be required for the better securing, assuring, continuing, transferring, conveying, pledging, assigning and confirming unto the holders of the Series 2016 Bonds or the Bond Trustee, the Gross Receipts and any other collateral pledged to the payment of the principal of, premium, if any, and interest on the Series 2016 Bonds. Except to the extent it is exempt therefrom, the Institution agrees to pay or cause to be paid all filing fees incident to such filing and all expenses incident to the preparation, execution and acknowledgment of such instruments of further assurance, and all federal or State fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of such instruments of further assurance.

(f) As further security for its obligation to make the Note Payments required under this Agreement, the Institution by this Agreement grants to the Authority a security interest in its Equipment and a mortgage lien on the Facility.

(g) The Institution acknowledges that the security set forth in Section 3.6(e) and (f) is granted parri passu with respect to the security interests and mortgage lien granted to secure the Authority's Revenue Bonds, Southern New Hampshire University Issue, Series 2012 (the "Series 2012 Bonds") and the Authority's Revenue Bonds, Southern New Hampshire University Issue, Series 2014 (the "Series 2014 Bonds"), which Series 2012 Bonds and Series 2014 Bonds shall be equally and ratably secured as to the security interests in Gross Receipts and Equipment and as to the mortgage lien on the Facility.

(h) The mortgage lien on the Facility and the security interest in the Equipment held by the Authority shall be released and discharged, upon (i) request of the Institution, at such time as there shall no longer be Outstanding any of the Pre-existing Bonds provided the Facility is not otherwise subject to a mortgage lien to any creditor, or (ii) upon the written request of the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Pre-existing Bonds Outstanding. In such event, the Authority and the Holder shall cooperate with the Institution, and shall promptly execute and deliver any documents and instructions necessary, including any amendments necessary to this Agreement, to provide for the full release and discharge of the mortgage lien on the Facility and security interest in the Equipment created hereby. The consent of the Holder of the Bonds shall not be required to implement the release and discharge of the mortgage lien on the Facility and the security interest in the Equipment pursuant to this paragraph (h). Upon the release and discharge of the mortgage lien on the Facility and the security interest in the Equipment pursuant to this paragraph (h), the Institution will cause to be promptly filed a notice of negative pledge with respect to the Facility and Equipment, subject to any future mortgage liens on the Facility and/or the Equipment being for the benefit, parri passu, of all then outstanding bond issues of or relating to the Institution.

## PAYMENTS

Section 4.1. Payments of Principal, Premium and Interest. The Institution covenants that it will duly and punctually pay the principal of and interest and any premium on the Notes at the dates and in the places and manner mentioned therein and herein. Notwithstanding any schedule of payments to be made on the Notes set forth therein or herein, the Institution agrees to make payments upon the Notes and be liable therefor at the times and in the amounts equal to the amounts to be paid as the principal or Redemption Price of or interest on the Bonds from time to time Outstanding under the Bond Indenture as the same shall become due whether at maturity, upon redemption, by declaration of acceleration or otherwise.

All amounts payable with respect to the Notes or hereunder by the Institution to the Authority, except as otherwise expressly provided herein, shall be paid to the Bond Trustee for the account of the Authority so long as any Bonds remain Outstanding.

The Institution agrees and represents that it has received fair consideration in return for the obligations undertaken and to be undertaken by the Institution resulting from each Note issued or to be issued by the Institution hereunder.

Section 4.2. Note Payments. (a) The Note Payments shall be made by the Institution not later than the 20th day of each month, commencing the 20th day of July, 2016. Any scheduled payment which shall not be paid when due shall bear interest at the highest rate of interest borne on any Bond from the date the Note Payment is due until the same shall be paid.

(b) The Note Payments shall include the amount, if any, necessary to cause the amount credited to the Interest Account together with available moneys and investment earnings on investments then on deposit in the Interest Account, if such earnings will be received before the next Bond Payment Date as determined by the Bond Trustee (but only to the extent that such moneys or investment earnings have not previously been credited for purposes of such calculation), to be not less than one-sixth of the interest to be paid on Outstanding Bonds on such Bond Payment Date. The Note Payments to be made pursuant to this paragraph (b) shall be appropriately adjusted to reflect the date of issuance of the Bonds and accrued or capitalized interest, if any, deposited in the Interest Account.

(c) The Note Payments shall include (after credit for any investment earnings in such Account that have not previously been credited), during each Bond Year ending on a date on which Serial Bonds

mature, the amount necessary to cause the amount credited to the Principal Account, together with the available moneys and investment earnings on investments then on deposit in the Principal Account, if such earnings will be received before the last day of the Bond Year as determined by the Bond Trustee (but only to the extent that such moneys or investment earnings have not previously been credited for purposes of such calculation), to be not less than one-twelfth of the principal amount of Serial Bonds Outstanding which will mature on the last day of the Bond Year.

(d) The Note Payments shall include (after credit for any investment earnings in such Account that have not previously been credited), during each Bond Year ending on a date which is a Sinking Fund Account Retirement Date, the amount necessary to cause the amount credited to the Sinking Fund Account, together with available moneys and investment earnings on investments then on deposit in the Sinking Fund Account, if such earnings will be received before the last day of the Bond Year as determined by the Bond Trustee (but only to the extent that such moneys or investment earnings have not previously been credited for purposes of such calculation), to be not less than one-twelfth of the unsatisfied Sinking Fund Account Requirements to be satisfied on or before the last day of the Bond Year.

Section 4.6. Obligations Unconditional. This Agreement is a general obligation of the Institution and the obligations of the Institution to make payments pursuant hereto and pursuant to the Notes and to perform and observe all agreements on its part contained herein shall be absolute and unconditional. Until this Agreement is terminated or payment in full of all Bonds is made or is provided for in accordance with the Bond Indenture, the Institution (i) will not suspend or discontinue any payments hereunder or neglect to perform any of its duties required hereunder or under the Tax Regulatory Agreement and the Disclosure Agreement; (ii) will perform and observe all of its obligations set forth in this Agreement and in the Tax Regulatory Agreement and the Disclosure Agreement; and (iii) except as provided herein, will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration; commercial frustration of purpose; any change in the tax or other laws or administrative rulings of, or administrative actions by or under authority of, the United States of America or of the State; or any failure of the Authority to perform and observe any obligation set forth in this Agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement, the Tax Regulatory Agreement, or the Bond Indenture.

Nothing contained in this Section shall be construed to release the Authority from the performance of any of its obligations contained herein. In the event the Authority fails to perform any such obligation, the Institution may institute such action against the Authority as the Institution may deem necessary and to the extent permitted by law to compel performance so long as such action shall not violate the terms or conditions of this Agreement, and provided that no costs, expenses or other monetary relief shall be recovered from the Authority except as may be payable from the Pledged Revenues. The Institution may, however, at its own cost and expense and in its own name or, to the extent lawful and upon written notice to, and prior receipt of written consent of the Authority, in the name of the Authority, prosecute or defend any action or proceeding or take any other action involving third Persons which the Institution deems reasonably necessary in order to secure or protect its rights hereunder. In such event the Authority hereby agrees, to the extent reasonable, to cooperate fully with the Institution, but at the Institution's expense, and to take all action necessary to effect the substitution of the Institution for the Authority in any such action or proceeding if the Institution shall so request.

Notwithstanding any other provisions contained in this Agreement, the rights of the Bond Trustee or any party or parties on behalf of whom the Bond Trustee is acting (including, specifically, but without limitation, the right to receive the Note Payments) shall not be subject to any defense, set off, counterclaim or recoupment whatsoever, whether arising out of any breach of any duty or obligation of the Authority or the Bond Trustee owing to the Institution, or by reason of any other indebtedness or liability at any time owing by the Authority or the Bond Trustee to the Institution.

## PARTICULAR COVENANTS

Section 5.1. Covenants as to Corporate Existence, Maintenance of Property, Etc. The Institution hereby covenants:

(a) Except as otherwise expressly provided herein, to preserve its corporate or other separate legal existence and all its rights and licenses to the extent necessary or desirable in the operation of its business and affairs and to be qualified to do business in each jurisdiction where its ownership of Property or the conduct of its business requires such qualifications; provided, however, that nothing herein contained shall be construed to obligate it to retain or preserve any of its rights or licenses no longer used or useful in the conduct of its business.

(b) At all times to cause its business to be carried on and conducted and its Property to be maintained, preserved and kept in good repair, working order and condition and all needful and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing herein contained shall be construed (i) to prevent it from ceasing to operate any portion of its Property, if in its judgment (evidenced, in the case of such a cessation other than in the ordinary course of business, by a determination by its Governing Body delivered to the Authority and the Bond Trustee) it is advisable not to operate the same, or if it intends to sell or otherwise dispose of the same in accordance with the provisions of this Agreement and within a reasonable time endeavors to effect such sale or other disposition, or (ii) to obligate it to retain, preserve, repair, renew or replace any Property, leases, rights, privileges or licenses no longer used or useful in the conduct of its business.

(c) To do all things reasonably necessary to conduct its affairs and carry on its business and operations in such manner as to comply in all material respects with any and all applicable laws of the United States and the several states thereof and to duly observe and conform to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its Property; provided, nevertheless, that nothing herein contained shall require it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof or the applicability thereof to it shall be contested in good faith; provided, however, that no such contest shall subject the Bond Trustee or the Authority to the risk of any liability, and, in any event, that the Institution shall indemnify the Bond Trustee and the Authority to their satisfaction against any liability resulting from such contest.

(d) Promptly to pay all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or its Property; provided, however, that it shall have the right to contest in good faith any such taxes, charges or assessments or the collection of any such sums and pending such contest may delay or defer payment thereof; provided, however, that no such contest shall subject the Bond Trustee or the Authority to the risk of any liability, and, in any event, that the Institution shall indemnify the Bond Trustee and the Authority against any liability resulting from such contest.

(e) Promptly to pay or otherwise satisfy and discharge all of its obligations and Indebtedness and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Notes issued and Outstanding hereunder) whose validity, amount or collectability is being contested in good faith; provided, however, that no such contest shall subject any of its property to risk of forfeiture or foreclosure or subject the Bond Trustee or the Authority to the risk of any liability, and, in any event, that the Institution shall indemnify the Bond Trustee and the Authority against any liability resulting from such contest.

(f) At all times to comply with all material terms, covenants and provisions of any Liens at such time existing upon its Property or any part thereof or securing any of its Indebtedness; provided, however, that it shall have the right to contest in good faith any such terms, covenants or provisions and pending such contest may delay or defer compliance therewith; provided, however, that no such contest shall subject any of its Property to risk of forfeiture or foreclosure or subject the Bond Trustee or the Authority to the risk of any liability, and, in any event, that the Institution shall indemnify the Bond Trustee and the Authority against any liability resulting from such contest.

(g) To procure and maintain all necessary licenses and permits and maintain accreditation of its higher educational facilities (other than those of a type for which accreditation is not then available) by

appropriate accrediting organizations and the status of its college facilities as provider of higher educational services.

(h) To maintain its status as a Tax Exempt Organization and to take no action or suffer any action to be taken by others under their control which would result in the interest on any Series 2016 Bond becoming subject to federal income taxes.

(i) On the date on which the Institution becomes subject to the provisions of this Agreement and at all times thereafter, to consent to the jurisdiction of the courts of the State for causes of action arising solely under the terms of this Agreement.

(j) That all action heretofore and hereafter taken by the Institution to operate and maintain the Institution's Property, Plant and Equipment and to maintain the Project, and all actions hereafter taken by the Authority to maintain the Project upon the recommendation or request of any officer, employee or agent of the Institution have been and will be in full compliance with the Bond Resolution, the Bond Indenture, the Tax Regulatory Agreement, and the Agreement and will comply in all material respects with all pertinent laws, ordinances, rules, regulations and orders applicable to the Institution or the Authority; and in connection with the operation, maintenance, repair and replacement of the Institution's Property, Plant and Equipment, that it shall comply in all material respects with all applicable ordinances, laws, rules, regulations and orders of the United States of America, the State, or the Municipality.

(k) That the Institution's Property, Plant and Equipment have been and will be in compliance in all material respects with all applicable zoning, subdivision, building, land use, environmental and similar laws and ordinances and in compliance with all Environmental Laws; and that it shall not take any action or request the Authority to take any action which would cause such Property or any part thereof to be in violation of such laws, ordinances or Environmental Laws. The Institution acknowledges that any review by the staff or counsel of the Authority of any such actions heretofore or hereafter taken has been or will be solely for the protection of the Authority.

(l) To hold and use the Facility for college purposes so long as the principal of and interest on the Bonds have not been fully paid and retired and all other conditions of the Bond Indenture, the Tax Regulatory Agreement and this Agreement have not been satisfied and the lien and security interests created under the Bond Indenture and this Agreement have not been released in accordance with the provisions hereof.

(m) The Project shall be used only for the purposes described in the Act and no part of the Project shall be used for any purpose which would cause the Authority's financing and refinancing of the Project to constitute a violation of the First Amendment of the United States Constitution; and, in particular, that no part of the Project, so long as it is owned or controlled by the Institution, 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 in a manner which would cause a violation of the First Amendment of the United States Constitution; 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. The provisions of the foregoing sentence shall, to the extent permitted and required by law, survive termination of this Agreement.

(n) To obtain the approval of the Authority, which approval shall not be unreasonably withheld, prior to entering into any derivative financial product, interest rate swap or other similar off balance sheet transaction relating to the Bonds, or the Project financed thereby.

(o) To provide parking for the Facility at a site or sites convenient for its operation in compliance with applicable zoning requirements.

(p) To provide to the Authority, on an annual basis, on or before January 1 of each year, a certificate of an Insurance Consultant to the effect that the Institution's insurance complies with the provisions of this Agreement, and to provide to the Authority any report, certificate or opinion of an Insurance Consultant required under, the Bond Indenture or this Agreement.

Section 5.2. Preservation of Exempt Status. (a) The Institution represents and warrants that as of the date of the Agreement: (i) it is a Tax Exempt Organization described in Section 501(c)(3) of the Code; (ii) it has received a letter or determination from the Internal Revenue Service to that effect; (iii) such letter or determination has not been modified, limited or revoked; (iv) it is in compliance with all terms, conditions and limitations, if any, contained in or forming the basis of such letter or determination; (v) the facts and circumstances which form the basis of such letter or determination continue substantially to exist as represented to the Internal Revenue Service; (vi) it is not a “private foundation” as defined in Section 509 of the Code; (vii) it is exempt from Federal income taxes under Section 501(a) of the Code and it is in compliance with the provisions of said Code and any applicable regulations thereunder necessary to maintain such status; and (viii) it is a “participating educational institution” within the meaning of the Act, being a not for profit corporation located within and incorporated under the laws of the State and fully accredited as such.

(b) The Institution agrees that (i) it shall not perform any acts, enter into any agreements, carry on or permit to be carried on at the Institution, or permit the Institution to be used in or for any trade or business, which shall adversely affect the basis for the exemption under Section 501 of such Code; (ii) it shall not use more than five percent (5%) of the net proceeds of the Series 2016 Bonds or permit the same to be used, directly or indirectly, in any trade or business that constitutes an unrelated trade or business as defined in Section 513(a) of the Code or in any trade or business carried on by any Person or Persons who are not governmental units or Tax Exempt Organizations; (iii) it shall not directly or indirectly use the proceeds of the Series 2016 Bonds to make or finance loans to Persons other than governmental units or Tax Exempt Organizations; (iv) it shall not take any action or permit any action to be taken on its behalf, or cause or permit any circumstances within its control to arise or continue, if such action or circumstances, or its expectation on the date of issuance of the Bonds, would cause the Series 2016 Bonds to be “arbitrage bonds” under the Code or cause the interest paid by the Authority on the Series 2016 Bonds to be subject to Federal income tax in the hands of the holders thereof; and (v) it shall use its best efforts to maintain the tax exempt status of the Series 2016 Bonds.

(c) The Institution (or any related person, as defined in Section 147(a)(2) of the Code) shall not, pursuant to an arrangement, formal or informal, purchase the Series 2016 Bonds in an amount related to the amount of the payments due from the Institution under the Agreement.

Section 5.5. Securities Law Status. The Institution affirmatively represents, warrants and covenants that, as of the date of the Agreement, it is an organization organized and operated: (i) exclusively for charitable purposes; (ii) not for pecuniary profit; and (iii) no part of the net earnings of which inure to the benefit of any Person (other than a Tax-Exempt Organization), private stockholder or individual, all within the meaning, respectively, of the Securities Act of 1933, as amended, and of the Securities Exchange Act of 1934, as amended. The Institution agrees that it shall not perform any act nor enter into any agreement which shall change such status as set forth in this Section.

Section 5.7. Limitation of Authority’s Liability. No obligation of the Authority under or arising out of this Agreement, the Bond Indenture or any document executed by the Authority in connection with any Property of the Institution financed or refinanced, directly or indirectly, out of Bond proceeds or the issuance, sale or delivery of any Bonds shall impose, give rise to or be construed to authorize or permit a debt or pecuniary liability of, or a charge against the general credit of, the Authority, the State or any political subdivision of the State, but each such obligation shall be a limited obligation of the Authority payable solely from the Pledged Revenues.

Section 5.9. Source of Payments. The Institution agrees to make or cause to be made the payments required by this Agreement from the general funds or any other moneys legally available to the Institution in the manner and at the times provided by this Agreement. The Institution further agrees to charge Persons using any facilities of the Institution fees, rentals or other charges which, together with its general funds and other moneys legally available to it, shall provide moneys sufficient at all times (i) to make such payments as are required by this Agreement, and (ii) to pay all other obligations of the Institution as the same become due and payable.

Section 5.14. Permitted Encumbrances. (a) The Institution covenants that, except for Permitted Encumbrances described in paragraph (b) of this Section 5.14, the Institution shall not create, permit to be created, or suffer to be created, any Lien upon any of the Institution’s Property now owned or hereafter acquired.

- (b) Permitted Encumbrances shall include only the following:
- (1) the Lien represented by the mortgage to the Authority created upon the Facility by this Agreement;
  - (2) the Lien represented by the security interest to the Authority created upon the Equipment by this Agreement;
  - (3) the Lien represented by the security interest to the Authority created upon the Gross Receipts by this Agreement;
  - (4) with the prior written consent of the Authority, which consent shall not be unreasonably withheld, any Lien upon the Facility or Gross Receipts only if and to the extent that such portion of the Facility or Gross Receipts has been released as a Permitted Release under Section 5.17 hereof;
  - (5) with the prior written consent of the Authority, which consent shall not be unreasonably withheld, any Lien upon Property only if and to the extent that such Property could have been disposed of as a Permitted Disposition under Section 5.15 hereof;
  - (6) any Lien upon the Facility or Gross Receipts given to secure Subordinated Indebtedness that is by its terms specifically junior and subordinate, as the case may be, to the mortgage on the Facility, security interest in the Equipment, and security interest in the Gross Receipts given by the Institution to the Authority under this Agreement;
  - (7) any Lien upon Property that is not part of the Facility and that does not generate Gross Receipts, without limitation;
  - (8) any Lien in the form of a purchase money mortgage or security interest given to secure Permitted Debt described in Section 5.18(b)(9), (10) or (21) hereof;
  - (9) any Lien arising by reason of good faith deposits with the Institution in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by the Institution to secure public or statutory obligations, or to secure, or given in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;
  - (10) any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Institution or a Subsidiary to maintain self insurance or to participate in any funds established to cover any insurance risks or in connection with worker's compensation, unemployment insurance, pension or profit sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;
  - (11) any Lien in the form of a 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 while the period for responsive pleadings has not lapsed;
  - (12) any choate or inchoate Lien in the form of (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 any Property, 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 such Property or materially and adversely affect the value thereof, or (2) purchase, condemn, appropriate or recapture, or designate a purchaser of, such Property; (B) any liens on any Property 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 such Property, which liens have not been perfected or if such liens have been perfected, and are being contested, and the Institution has posted security for the payment of such liens in an amount satisfactory to the Authority; (C) easements, rights-of-way, servitudes, restrictions and other minor defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the value thereof; and (D) rights reserved to or vested in any municipality or public authority to control or regulate any Property or to use such Property in any manner, which rights do not materially impair the use of such Property or materially and adversely affect the value thereof;

(13) any Lien described on Schedule D hereto which is existing on the date of authentication and delivery of the Series 2016 Notes, including renewals or refinancings thereof, provided that no such Lien may be extended or modified to apply to any Property of the Institution not subject to such Lien on such date, unless such Lien as so extended or modified otherwise qualifies as a Permitted Encumbrance hereunder;

(14) any Lien (other than a Lien on Property which is part of the Facility, on Current Assets, on Gross Receipts or on Accounts Receivable) securing Non-Recourse Indebtedness incurred in compliance herewith;

(15) with the prior written consent of the Authority, which consent shall not be unreasonably withheld, any Lien on Property (other than a Lien on Property which is part of the Facility) acquired by the Institution if the assumption of the Indebtedness secured by the Lien by the Institution is Permitted Indebtedness permitted under the provisions of Section 5.18 hereof, and if an Officer's Certificate is delivered to the Authority and the Bond Trustee certifying that (A) the Lien and the Indebtedness secured thereby were created and incurred by a Person other than the Institution prior to the acquisition of such Property by the Institution, (B) the Lien was created prior to the decision of the Institution to acquire the Property and was not created for the purpose of enabling the Institution to avoid the limitations hereof on creation of Liens on Property of the Institution and (C) the Lien attaches solely to the Property acquired and such Lien does not by its terms extend, automatically or otherwise, to the other Property of the Institution;

(16) with the prior written consent of the Authority, which consent shall not be unreasonably withheld, any Lien on Property, other than a Lien on the Property described in the following paragraph, if, prior to the creation of such Lien or the acquisition of Property subject to such Lien an Officer's Certificate is delivered to the Authority and the Bond Trustee stating that (A) after giving effect to the Lien, the Value of the Property which is Encumbered in accordance with this paragraph will not exceed fifteen percent (15%) of the Value of the Property, Plant and Equipment and Current Assets of the Institution as of the end of the Historic Test Period; and (B) the creation of the proposed Lien will not adversely affect the repayment of any Notes issued under the Agreement;

(17) with the prior written consent of the Authority, which consent shall not be unreasonably withheld, any Lien on inventory, Accounts Receivable, Gross Receipts or pledges of gifts or grants to be received in the future, which Lien secures either Short Term Indebtedness incurred in compliance with the provisions of Section 5.18(b)(14) or Non-Recourse Indebtedness incurred in compliance with the provisions of Section 5.18(b)(15) if, prior to the creation of such Lien or the acquisition of Property subject to such Lien an Officer's Certificate is delivered to the Authority and the Bond Trustee stating that after giving effect to the Lien, the Value of the Property which is subject to such Lien will not exceed, at the election of the Institution, the greater of either (A) fifteen percent (15%) of the Value of the Property, Plant and Equipment and Current Assets of the Institution as of the end of the Historic Test Period or (B) seventy-five percent (75%) of the aggregate net Accounts Receivable of the Institution as of the end of the Historic Test Period;

(18) any Lien representing rights of setoff and banker's liens with respect to funds on deposit in a financial institution in the ordinary course of business;

(19) any Lien on Property received by the Institution through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon;



(20) with the prior written consent of the Authority, which consent shall not be unreasonably withheld, any Lien in favor of the holder or holders of Alternate Debt on a parity basis with the Liens and pledges in favor of the Authority created by this Agreement;

(21) any Lien in favor of a trustee on the proceeds of Indebtedness prior to the application of such proceeds;

(22) any Lien on Accounts Receivable securing or deemed to secure any Indebtedness incurred in accordance with Section 5.18(b)(22) hereof;

(23) any Liens on moneys deposited by students or others with the Institution as security for the cost of education;

(24) any Lien created as result of the posting of collateral by the Institution, including, but not limited to, any parity security interest created upon the Gross Receipts or the Equipment, or by any Mortgage created upon the Facility, pursuant to the terms of any Hedging Obligation.

(25) any additional Lien not stated elsewhere in this Section 5.14 with the prior written consent of the Authority, which consent shall not be granted by the Authority unless the Authority receives a Consultant's opinion, report or certificate, demonstrating that the Institution's financial and operating position will not be adversely affected by the proposed transaction and the proposed transaction will not adversely affect the market price of the Bonds.

Section 5.16. Permitted Acquisitions. (a) The Institution covenants that, except for Permitted Acquisitions described in paragraph (b) of this Section 5.16, the Institution shall not acquire, by any means, any Property, the acquisition of which will, or is anticipated to, increase the Operating Expenses of the Institution during the Future Test Period by more than twenty percent (20%) over the Operating Expenses of the Institution during the Historic Test Period.

(b) Permitted Acquisitions shall include only the following:

(1) the acquisition of Property with the proceeds of Bonds, Alternate Debt, or Permitted Debt or as part of a Permitted Reorganization;

(2) with the prior written consent of the Authority, which consent shall not be unreasonably withheld, the acquisition of any Property; provided that:

(i) in the case of the acquisition of any existing Property which was in operation during the Historic Test Period immediately preceding the proposed date of acquisition and with respect to which books of account were maintained setting forth (or from which may be derived) revenues and expenses with respect to such Property, a Consultant's opinion, report or certificate is delivered to the Authority and the Bond Trustee to the effect that the Long Term Debt Service Coverage Ratio of the Institution for such Historic Test Period, after taking into account the revenues and expenses with respect to such Property as shown on or derived from the books of account relating to such Property as if the proposed acquisition had occurred at the beginning of such Historic Test Period, would have been at least 1.25; or

(ii) in the case of the acquisition of any Property, a Consultant's opinion, report or certificate is delivered to the Authority and the Bond Trustee to the effect that (A) for the Historic Test Period, the Long Term Debt Service Coverage Ratio of the Institution, based upon its books of account, was not less than 1.75, or (B) for the Future Test Period, the Long Term Debt Service Coverage Ratio of the Institution is projected to be either greater than 1.30 or greater than the projected Long Term Debt Service Coverage Ratio of the Institution for the Future Test Period if such acquisition is not undertaken.

(3) any additional acquisition not stated elsewhere in this Section 5.16 with the prior written consent of the Authority, which consent shall not be granted by the Authority unless the Authority receives

a Consultant's opinion, report or certificate, demonstrating that the Institution's financial and operating position will not be adversely affected by the proposed transaction and the proposed transaction will not adversely affect the market price of the Bonds.

Section 5.17. Permitted Releases. (a) The Authority and the Institution covenant that, except for Permitted Releases described in paragraph (b) of this Section 5.17, the Authority and the Institution shall not release any of the Facility from the mortgage lien created by this Agreement, or any of the Gross Receipts or any of the Equipment from the security interest created by this Agreement.

(b) Permitted Releases shall include only the following:

(1) with the prior written consent of the Authority, which consent shall not be unreasonably withheld, a release made with respect to the Facility or Gross Receipts that are to be disposed of in conjunction with a Permitted Disposition of the Facility or Gross Receipts;

(2) with the prior written consent of the Authority, which consent shall not be unreasonably withheld, a release made with respect to the Facility or Gross Receipts that are permitted to be disposed of, but in fact are not to be disposed of, in accordance with the provisions of this Agreement relating to Permitted Dispositions;

(3) with the prior written consent of the Authority, which consent shall not be unreasonably withheld, a release made with respect to the Facility; provided that:

(i) prior to the effective date of such release, the Authority and the Bond Trustee shall have been provided with an Opinion of Bond Counsel to the effect that such release will not adversely affect the exemption from federal or State income tax of the interest paid or payable on the Bonds;

(ii) prior to the effective date of such release, the Authority and the Bond Trustee shall have been provided with an Opinion of Counsel to the effect that the remaining security interest in the Gross Receipts and in the Equipment created under this Agreement, and the remaining mortgage lien on the Facility created under this Agreement shall not be adversely affected as to priority or perfection; and

(iii) prior to the effective date of such release the Authority and the Bond Trustee shall have been provided with a Consultant's opinion, report or certificate to the effect that the Long Term Debt Service Coverage Ratio of the Institution would have been at least 1.25 for the Historic Test Period, with the Long Term Debt Service Coverage Ratio calculated as if the release had occurred at the beginning of such Historic Test Period.

(4) any additional release not stated elsewhere in this Section 5.17 with the prior written consent of the Authority, which consent shall not be granted by the Authority unless the Authority receives a Consultant's opinion, report or certificate, demonstrating that the Institution's financial and operating position will not be adversely affected by the proposed transaction and the proposed transaction will not adversely affect the market price of the Bonds.

Section 5.18. Permitted Debt. (a) The Institution covenants that, except for Permitted Debt described in paragraph (b) of this Section 5.18, the Institution shall not incur Additional Indebtedness, directly, indirectly or contingently.

(b) Permitted Debt shall include only the following:

(1) with the prior written consent of the Authority, which consent shall not be unreasonably withheld, Alternate Debt;

(2) with the prior written consent of the Authority, which consent shall not be unreasonably withheld, Additional Indebtedness owed to the Authority incurred by the Institution to secure Additional Bonds of the Authority;

(3) Permitted Guarantees;

(4) any Indebtedness represented by a letter of credit reimbursement agreement or other similar reimbursement Agreement entered into by the Institution and a financial institution providing either liquidity or credit support with respect to any other Indebtedness incurred in accordance with any other provision of this Section 5.18(b);

(5) with the prior written consent of the Authority, which consent shall not be unreasonably withheld, Additional Indebtedness secured by a Permitted Encumbrance described in Section 5.14(b) (4) or (5); provided that such Additional Indebtedness shall be in an aggregate amount (such aggregate amount in the case of a lease or rental obligation shall equal the aggregate rent discounted to present value attributable to the noncancellable portion of the lease payable over the term of the lease discounted for the portion of rent which represents interest computed in accordance with generally accepted accounting principles) which does not in the aggregate at any time of computation exceed ten percent (10%) of the Income Available for Debt Service of the Institution for the Historic Test Period;

(6) Additional Indebtedness, other than that described in paragraph (b)(5) above, in an amount which does not in the aggregate at any time of computation exceed ten percent (10%) of the Income Available for Debt Service of the Institution for the Historic Test Period;

(7) interim Additional Indebtedness with respect to the Project for which money is available therefor in the Construction Fund;

(8) any Indebtedness (or obligations not for borrowed money), which Indebtedness or obligation is not generally treated as indebtedness, such as contributions for employee benefit plans, social security alternative plans, self insurance programs, captive insurance companies and unemployment insurance liabilities;

(9) Additional Indebtedness secured by purchase money mortgages or purchase money security interests for the purpose of acquiring Property which constitutes capital assets for the Institution and the term of which does not exceed the useful life of such Property; provided, however, that before such Permitted Debt may be incurred the Institution shall deliver to the Authority and the Bond Trustee, a Consultant's opinion, report or certificate showing that the Long Term Debt Service Coverage Ratio for the Historic Test Period, as adjusted to include interest payable on such Permitted Debt and depreciation to be taken on the Property being acquired during the Future Test Period, shall not be less than 1.30;

(10) with the prior written consent of the Authority, which consent shall not be unreasonably withheld, Long Term Indebtedness, if prior to incurrence of the Long Term Indebtedness, there is delivered to the Authority and the Bond Trustee:

(i) Evidence that at least one of the components of the Transaction Test shall have been satisfied; or

(ii) An Officer's Certificate (A) to the effect that the total principal amount of Long Term Indebtedness to be incurred at such time, when added to the aggregate principal amount of all other Long-Term Indebtedness theretofore issued pursuant to this paragraph (b)(10)(ii) and then Outstanding, will not exceed fifteen percent (15%) of the Operating Revenues of the Institution for the Historic Test Period and (B) projecting that the provisions of Section 5.22 hereof shall be complied with for the Future Test Period, taking into consideration projected revenues and the proposed Indebtedness. Any Long Term Indebtedness or portion thereof incurred under this paragraph (b)(10)(ii) which is Outstanding at any time shall be deemed to have

been incurred under one of clause (A) through (G) of the definition of Transaction Test if at any time subsequent to the incurrence thereof there shall be filed with the Authority and the Bond Trustee an Officer's Certificate to the effect that such Outstanding Indebtedness or portion thereof would satisfy such other provision, specifying such other provision, and thereupon the amount deemed to have been incurred and to be Outstanding under this paragraph (b)(10)(ii) shall be deemed to have been reduced by such amount and to have been incurred under such other provision. If the terms of such other provision require a Consultant's opinion, report or certificate, such opinion, report or certificate, shall also be obtained and filed with the Authority and the Bond Trustee;

(11) Completion Indebtedness, to the extent that there is submitted to the Authority and the Bond Trustee a certificate of an Architect to the effect that the net proceeds of such proposed Completion Indebtedness, other than amounts required to be deposited into any Debt Reserves, is needed for the completion of the construction or equipping of the facilities in question;

(12) with the prior written consent of the Authority, which consent shall not be unreasonably withheld, Long Term Indebtedness incurred for the purpose of refunding, including advance refunding, any Outstanding Long Term Indebtedness; provided that there is delivered to the Authority and the Bond Trustee an Officer's Certificate to the effect that either (i) such refunding will not increase Maximum Annual Debt Service by more than ten percent (10%) during the years that the Indebtedness to be refunded would have been Outstanding but for such proposed refunding or (ii) such refunding will result in a present value savings in the Long Term Debt Service Requirement;

(13) any Indebtedness not mentioned in any other subsection of this Section 5.18 incurred in the ordinary course of business;

(14) Short Term Indebtedness, provided that immediately after the incurrence of such Indebtedness the aggregate Outstanding principal amount of all Short Term Indebtedness does not exceed the greater of (i) sixty (60) days' Operating Expenses of the Institution for the Historic Test Period, (ii) fifteen percent (15%) of the aggregate of Operating Revenues of the Institution for the Historic Test Period, or (iii) seventy five percent (75%) of the aggregate net Accounts Receivable of the Institution as of the end of the Historic Test Period; provided that for a period of at least thirty (30) days in each Fiscal Year, the principal amount of all such Indebtedness shall be reduced to not in excess of the greater of seven (7) days' Operating Expenses of the Institution for the Historic Test Period or five percent (5%) of the aggregate of Operating Revenues of the Institution for the Historic Test Period, unless there is filed with the Authority and the Bond Trustee an Officer's Certificate to the effect that such Short Term Indebtedness, because of changes in law or regulations, must or reasonably should remain Outstanding in excess of such seven (7) days' or five percent (5%) limitation. Indebtedness may also be incurred if such Short Term Indebtedness could be incurred under Section 5.18(b)(10) hereof assuming it were Long Term Indebtedness;

(15) Non Recourse Indebtedness, in a principal amount Outstanding at any one time not in excess of fifteen percent (15%) of Operating Revenues for the Historic Test Period, which Non Recourse Indebtedness is: (i) secured by a Lien on Property which is part of the Property, Plant and Equipment which Lien is created in compliance with the provisions of Section 5.14(b) (16) or (17) hereof; or (ii) secured by a Lien on Property which is inventory or pledges of gifts or grants to be received in the future without limit, provided that such gifts or grants shall be excluded from the calculation of Income Available for Debt Service so long as such Indebtedness is Outstanding;

(16) Subordinated Indebtedness, without limitation;

(17) with the prior written consent of the Authority, which consent shall not be unreasonably withheld, Balloon Indebtedness, provided that, after giving effect to the provisions of Section 5.26 hereof, such Balloon Indebtedness can be incurred under the provisions of Section 5.18(b)(10) hereof;

(18) Indebtedness in the form of a borrowing from a Subsidiary, from any foundation affiliated with the Institution or a Subsidiary, or from any restricted endowment funds of a Subsidiary;

(19) Long Term Indebtedness incurred (i) not in connection with any other Indebtedness at such time being incurred, and (ii) primarily for the purpose of funding any Debt Reserves, other than a Debt Reserve created in connection with an advance refunding or a cross-over refunding;

(20) Indebtedness in the form of a guaranty or confirmation of liability of a Subsidiary incurred directly or indirectly with respect to a self insurance or captive insurance program benefitting the Institution;

(21) Indebtedness in the form of installment purchase contracts, leases, purchase money mortgages, loans, sale agreements or other typical borrowing instruments; provided that the aggregate Annual Debt Service on the Indebtedness permitted under this paragraph (b)(21) shall not in any Fiscal Year exceed two and one half percent (2.5%) of total Operating Revenues for the Historic Test Period;

(22) Indebtedness incurred or deemed incurred by virtue of any recourse obligation associated with any sale or assignment of Accounts Receivable, in an amount not in excess of the greater of \$1,200,000 or ten percent (10%) of Operating Revenues.

(23) The revolving credit loan from T.D. Bank, N.A. up to \$20,000,000 as evidenced by the Loan Agreement in relation thereto, dated June 5, 2015, and/or replacement thereof or amendment thereto not increasing principal amount or adding collateral.

(24) any Additional Indebtedness not stated elsewhere in this Section 5.18 with the prior written consent of the Authority, which consent shall not be granted by the Authority unless the Authority receives a Consultant's opinion, report or certificate, demonstrating that the Institution's financial and operating position will not be adversely affected by the proposed transaction and the proposed transaction will not adversely affect the market price of the Bonds.

Section 5.19. Permitted Guarantees. (a) The Institution covenants that, except for Permitted Guarantees described in paragraph (b) of this Section 5.19, the Institution shall not guarantee the payment of Indebtedness of third parties.

(b) Permitted Guarantees, to the extent permitted by law, shall include only the following:

(1) with the prior written consent of the Authority, which consent shall not be unreasonably withheld, the Guaranty of Indebtedness if such Guaranty could then be incurred by the Institution as Alternate Debt under Section 5.18(b)(1) hereof, as Long Term Indebtedness under Section 5.18(b)(10) hereof, as Short Term Indebtedness under Section 5.18(b)(14) hereof, or as Balloon Indebtedness under Section 5.18(b)(17) hereof, in each case taking the following sentence into account. For purposes of any covenants or computations provided for in this paragraph (b)(1), the aggregate annual principal and interest payments on, and the principal amount of, any indebtedness of a Person which is the subject of a Guaranty hereunder and which would, if such obligation were incurred by the Institution, constitute Long Term Indebtedness, shall be deemed equivalent to twenty percent (20%) of the actual Annual Debt Service on, and principal amount of, such indebtedness (assuming the definitions of this Agreement apply to such Indebtedness), so long as such Guaranty constitutes a contingent liability under generally accepted accounting principles, provided, however, that the Annual Debt Service on, and principal amount of, any Long Term Indebtedness represented by a Guaranty shall be deemed equivalent to all of the actual Annual Debt Service, and principal amount of, such Indebtedness, if a payment has been made by the Institution on such Guaranty within three (3) years of the date of any computation to be made under this paragraph (b)(1) (assuming the definitions of the Agreement apply to such Indebtedness). Also for purposes of any covenants or computations provided for herein, the aggregate annual principal and interest payments on, and principal amount of, any Short Term Indebtedness represented by a Guaranty of obligations of a Person shall be deemed equivalent to the actual principal and interest payments on the Indebtedness which is the subject of the Guaranty (assuming the definitions of this Agreement apply to such Indebtedness).

(2) any additional Guaranty not stated elsewhere in this Section 5.19 with the prior written consent of the Authority, which consent shall not be granted by the Authority unless the Authority receives a Consultant's opinion, report or certificate, demonstrating that the Institution's financial and operating position will not be adversely affected by the proposed transaction and the proposed transaction will not adversely affect the market price of the Bonds.

Section 5.20. Permitted Reorganizations. (a) The Institution covenants that, except for Permitted Reorganizations described in paragraph (b) of this Section 5.20, the Institution shall not merge, consolidate or reorganize (which reorganization involves a transfer of a license or a substantial portion of the Institution's assets) with any other corporation.

(b) Permitted Reorganizations shall include only the following:

(1) with the prior written consent of the Authority, which consent shall not be unreasonably withheld, a merger, consolidation or reorganization in which (i) either the Institution will be the continuing corporation, or the successor corporation shall be a corporation organized and existing under the laws of the United States of America or a state thereof and such corporation shall expressly assume the due and punctual payment of the principal of and premium, if any, and interest on all Outstanding Notes according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of this Agreement by a supplement satisfactory to the Authority and the Bond Trustee, executed and delivered to the Authority and the Bond Trustee by such corporation; (ii) the Institution immediately after such merger, consolidation or reorganization would not be in default in the performance or observance of any covenant or condition contained in this Agreement; (iii) the Transaction Test shall have been satisfied; and (iv) there shall have been delivered to the Authority and the Bond Trustee, an Opinion of Bond Counsel, in form and substance satisfactory to the Authority and the Bond Trustee, to the effect that under then existing law the consummation of such merger, consolidation or reorganization would not adversely affect the validity of the Bonds or the exemption from federal income taxation of interest payable on such Bonds.

(c) In case of any such consolidation, merger or reorganization and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for its predecessor, with the same effect as if it had been named herein as the Institution. Such successor corporation thereupon may cause to be signed, and may issue in its own name Notes hereunder. All Outstanding Notes so issued by such successor corporation hereunder shall in all respects have the same legal rank and benefit under this Agreement as Outstanding Notes theretofore or thereafter issued in accordance with the terms of this Agreement as though all of such Notes had been issued hereunder by the Institution without any such consolidation, merger or reorganization having occurred.

(d) In case of any such consolidation, merger or reorganization such changes in phraseology and form (but not in substance) may be made in Notes thereafter to be issued as may be appropriate.

(e) The Authority and the Bond Trustee shall receive an Opinion of Counsel as conclusive evidence that any such consolidation, merger or reorganization, and any such assumption, complies with the provisions of this Section and that it is proper for the Authority under the provisions of Section 7.1 hereof and of this Section to join in the execution of the supplement hereto provided for in this Section.

Section 5.21. Alternate Debt. (a) The Institution, with the prior written consent of the Authority (which consent may, but is not required to, be given if all of the conditions of this Section are met) may incur Alternate Debt by borrowing money from lenders (institutional or otherwise) other than through the Authority under this Agreement or by assuming debt owing to others, but only as hereinafter provided in this Section 5.21. Holders of Alternate Debt shall be entitled to a parity position with the Authority as to, and only as to, (i) the full faith and credit of the Institution, (ii) the security interest created by this Agreement in the Gross Receipts, (iii) the security interest created by this Agreement in the Equipment, and (iv) the mortgage lien of the Authority created by this Agreement in the Facility. Any security given by the Institution to holders of Alternate Debt shall also be granted, on a parity, to the Authority as further security for the Bonds.

(b) The Institution may incur Alternate Debt only after certifying to the Bond Trustee and the Authority that the conditions precedent to the incurring of such Alternate Debt have been satisfied as hereinafter required. Alternate Debt may be incurred from time to time pursuant to this Section 5.21 for the purpose of (i) paying the costs of completing, making additions to, or improving the Project; (ii) providing extensions, additions, improvements or repairs to the Project or the Facility or any of the Institution's other Property; or (iii) refinancing any outstanding Alternate Debt or Outstanding Bonds. Whenever the Institution desires to incur Alternate Debt for the purposes described in clauses (i) or (ii) above of this paragraph (b), it shall cause to be prepared and filed with the Bond Trustee and the Authority the items specified below:

(A) a certificate of an Institution Representative or an Architect, setting forth the estimated cost of the proposed extensions, additions, repairs or improvements, including an allowance for contingencies, interest during construction and financing costs, the estimated date on which such extensions, additions, repairs or improvements will first be placed in service and the amount, if any, to be provided or already provided by the Institution from other sources toward payment of the costs of such extensions, additions, repairs or improvements and the manner in which such funds will be provided;

(B) a certificate of an Institution Representative, stating that the Institution is not then in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Agreement.

(c) The Institution shall not incur any Alternate Debt for the purposes described in clauses (i) or (ii) of paragraph (b) above unless at or prior to the incurrence of such Alternate Debt there shall be filed with the Authority and the Bond Trustee, in addition to the certificates required by paragraph (b) of this Section 5.21, evidence to the effect that the provisions of any one of clauses (A) through (G) of the Transaction Test shall have been satisfied.

Section 5.22. Rate Covenant; Unrestricted Net Assets Covenant. (a) The Institution shall use its best efforts to maintain for each Fiscal Year the ratio of Income Available for Debt Service to Annual Debt Service at least at 1.25. If such ratio, as calculated at the end of any Fiscal Year, is below 1.25, the Institution covenants to retain a Consultant, within sixty (60) days after the end of such Fiscal Year, to make recommendations to increase such ratio for subsequent Fiscal Years of the Institution at least to the required level of 1.25 or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest practicable level. The Institution agrees that it will, to the extent permitted by law, charter, by laws or contract, follow the recommendations of the Consultant, unless the Governing Body adopts a resolution certifying to the effect that such recommendations are not in the best interests of the Holders of the Bonds, and files a certified copy of such resolution with the Bond Trustee and the Authority. So long as the Institution shall retain a Consultant and the Institution shall follow such Consultant's recommendations to the extent permitted by law, charter, by laws or contract, this Section shall be deemed to have been complied with even if such ratio for any subsequent Fiscal Year of the Institution is below the required level of 1.25, unless such ratio at the end of any Fiscal Year of the Institution is less than 1.00. The Institution shall no longer be required to retain such Consultant if and for so long as in any subsequent Fiscal Year, such ratio is restored and maintained at not less than 1.25.

(b) The Institution shall maintain Unrestricted Net Assets to Long-Term Indebtedness of at least ten percent (10%), calculated in the following manner: Unrestricted Net Assets minus net Property, Plant and Equipment (including the addition of unexpended construction funds) minus Long-Term Indebtedness divided by Long-Term Indebtedness. For purposes of this Section 5.22(b) "Unrestricted Net Assets" shall mean unrestricted net assets as identified on the most recent audited financial statements of the Institution.

Section 5.23. Insurance. The Institution agrees that it will maintain, or cause to be maintained, insurance (including one or more self insurance programs considered to be adequate under the provisions of Section 5.24(d) hereof) covering such risks and in such amounts as, in its reasonable judgment, is adequate to protect it and its Property and operations. The insurance required to be maintained pursuant hereto shall be subject to the review of an Insurance Consultant every two years, commencing on the last day of the Fiscal Year ending in 2016, and the Institution agrees that it will follow any recommendations of the Insurance Consultant, except to the extent that its Governing Body determines in good faith that such recommendations are unreasonable and delivers an Officer's Certificate to the Authority and the Bond Trustee setting forth the reasons for such

determination. The Institution agrees that it will deliver or cause to be delivered to the Authority and the Bond Trustee at or prior to the delivery of the Series 2016 Bonds, and thereafter annually within thirty (30) days after the beginning of the next succeeding Fiscal Year, an Officer's Certificate setting forth a description of the insurance maintained, or caused to be maintained, by the Institution pursuant to this Section and then in effect and stating whether such insurance and the manner of providing such insurance and any reductions or eliminations of the amount of any insurance coverage during the annual period covered by such report comply with the requirements of this Section and Section 5.24 hereof and adequately protect the Institution and its Property and operations. Such annual report shall also set forth any recommendations of the Insurance Consultant as to additional insurance, if any, reasonably required (during the period preceding the next such annual report) for the protection referred to in the next preceding sentence in light of available insurance coverage and practice in the college industry and, if any change shall be made in such insurance as to either amount or type of coverage, a description and notice of such change shall be immediately furnished to the Authority and the Bond Trustee by the Institution. In the event that the Institution fails to maintain any insurance as provided herein, the Authority may procure and maintain such insurance at the expense of the Institution. All policies and certificates of insurance required hereby shall name the Authority and the Bond Trustee as a loss payee and shall further be open to inspection by the Authority and the Bond Trustee at all reasonable times.

Section 5.25. Insurance and Condemnation Proceeds. (a) The Institution may make agreements and covenants with the holders of Indebtedness which is incurred in compliance with the provisions hereof and which is secured by a Permitted Encumbrance with respect to the application or use to be made of insurance proceeds or condemnation awards which may be received in connection with Property which is subject to such Permitted Encumbrance.

(b) After application in accordance with paragraph (a) above, remaining amounts received by the Institution as insurance proceeds with respect to any casualty loss or as condemnation awards may be used in such manner as the recipient may determine, including, without limitation, applying such moneys to the payment or prepayment of any Note or Notes in accordance with the terms thereof, subject to compliance with the provisions hereof; provided that if the amount of such proceeds or awards received with respect to any casualty loss or condemnation exceeds ten percent (10%) of the Value of the Property, Plant and Equipment, the Institution agrees that it will promptly remit such proceeds or awards to the Bond Trustee, and the Institution may elect to direct the Bond Trustee to cause such funds to be applied either (i) to the repair, reconstruction, restoration or replacement of the damaged or condemned facility or the purchase of capital equipment or (ii) to the prepayment of Notes issued and Outstanding, pro-rata among all such Notes. If the Institution elects the provisions of clause (i) above, any remaining balance of such funds after such repair, reconstruction, restoration or replacement shall be paid to the Institution.

Section 5.26. Debt Service on Balloon Indebtedness. For purposes of the computation of the Long Term Debt Service Requirement or Annual Debt Service, whether historic or projected, Balloon Indebtedness shall, at the election of the Institution, be deemed to be Indebtedness which, at the later of the date of its original incurrence or the date of calculation, was payable over (a) twenty (20) years, if such debt matures twenty (20) or more years after the date of calculation, (b) the remaining term to maturity of such Indebtedness, if such term is less than twenty (20) years from the date of calculation, or (c) the term of refinancing if such Indebtedness is subject to a binding commitment for the refinancing of such Indebtedness, in each case with level annual debt service, at a rate of interest equal to that derived from the Bond Index, as determined by an Officer's Certificate.

Section 5.27. Debt Service on Variable Rate Indebtedness. For purposes of the computation of the projected (but not historic) Long Term Debt Service Requirement or Annual Debt Service, Variable Rate Indebtedness shall be deemed Indebtedness which bears interest at a rate derived from the Bond Index, all as determined by an Officer's Certificate.

Section 5.28. Debt Service on Discount Indebtedness. For purposes of the computation of the Long Term Debt Service Requirement or Annual Debt Service, whether historic or projected, the amount of principal represented by Discount Indebtedness shall, at the election of the Institution, be deemed to be the accreted value of such Indebtedness computed on the basis of a constant yield to maturity.



Section 5.29. Credit for Debt Reserves. For purposes of the computation of the Long Term Debt Service Requirement or Annual Debt Service, whether historic or projected, the Institution may subtract from principal due on Indebtedness any Debt Reserves which are available and are actually to be applied to make such principal payment in the year such Indebtedness matures or is redeemed or otherwise retired, at the time of such computation for the period in question.

Section 5.30. Credit for Capitalized Interest. For purposes of the computation of the Long Term Debt Service Requirement or Annual Debt Service, whether historic or projected, the Institution may subtract from interest due on Indebtedness any Capitalized Interest which is available and is to be applied to make such interest payment in the year such interest comes due, at the time of such computation for the period in question.

Section 5.32. Compliance with Environmental Laws. (a) Obligations of Institution. The Institution hereby covenants to comply with, and to cause its officers, directors, shareholders, partners, agents, servants and employees and each tenant and other occupant and user of the Property, and the officers, directors, shareholders, partners, agents, servants and employees of such tenants, occupants and users to comply with, each and every Environmental Law applicable to the Institution, the Property and each such tenant, occupant or user with respect to the Property. Specifically, but without limitation, with respect to the Property:

(i) the Institution shall obtain and maintain (and cause each tenant, occupant and user to obtain and maintain) all permits, certificates, licenses and other consents and approvals required by each Environmental Law from time to time applicable to the Institution, each and every part of the Property and/or the conduct of any business thereat or related thereto;

(ii) the Institution shall not cause any Release on or off the Property and will not suffer or permit any Release, or the presence of Hazardous Materials, in, on or at the Property (except in compliance with all applicable Environmental Laws);

(iii) if the Institution causes a Release on or off the Property, or if a Release occurs on the Property, the Institution shall promptly effect the Clean Up of any resulting Contamination in accordance with and as required by the provisions of all applicable Environmental Laws; and

(iv) within thirty (30) days after the date that any lien is imposed against the Property or any part thereof under any Environmental Law, the Institution shall cause such lien to be discharged or bonded or otherwise secured to the Authority's satisfaction.

(b) No Obligation of Authority. Notwithstanding any provision of this Agreement or any other loan document to the contrary, neither the execution by the Institution, nor the execution or acceptance by the Authority, of this Agreement nor any provision of this Agreement or any other loan document shall create or confer upon the Authority any obligation to (a) cure any failure by the Institution to comply with any Environmental Law, (b) take any actions or complete any actions taken, or expend any sums, to cure any failure by the Institution to comply with any Environmental Law or (c) compel, enjoin or otherwise cause the Institution to do any of the same; nor shall the execution by the Institution, or the execution or acceptance by the Authority, of this Agreement, or the existence or the exercise of any provision hereof or of any other loan document, operate to place upon the Authority any responsibility for the operation, control, care, management or repair of the Property, or any responsibility for, or any right, power or ability to control or direct the storage, transportation, release, removal, containment, encapsulation, remediation, monitoring, or other disposition of any Hazardous Materials, or make the Authority an "operator" of the Property within the meaning of any Environmental Laws.

(c) Survival. The provisions of this Section shall survive any satisfaction, release, discharge or reconveyance of this Agreement and the Institution shall continue to be obligated to indemnify each indemnified party with respect to any breach by the Institution of any of such provisions pursuant to Section 5.6 hereof for so long as such indemnified party may be liable for or subject to any claim, liability, damage, loss, order, penalty, fine, cost, charge or expense arising out of or related to any matter for which such indemnified party is indemnified under Section 5.6 hereof.

(d) Future Environmental Surveys and Testing. The Institution shall, at the request of the Authority, procure and provide to the Authority such environmental surveys and perform such environmental testing as the Authority shall, in the reasonable exercise of its discretion, deem appropriate; provided, however, that absent an event described in subsection (a) hereof, the Authority shall not require such surveys or testing more frequently than once every four (4) years.

## **EVENTS OF DEFAULT AND REMEDIES**

Section 6.1. Agreement Events of Default. Each of the following events shall constitute and be referred to herein as an “Agreement Event of Default”:

(a) The Institution shall fail to make within two (2) days of the due date thereof any payment of the principal of, the premium, if any, and interest on any Note Payment when and as the same shall become due and payable, whether at maturity, by proceedings for redemption, by acceleration or otherwise, in accordance with the terms thereof.

(b) The Institution shall fail duly to observe or perform any covenant or agreement on its part under this Agreement or under the Tax Regulatory Agreement for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Institution by the Authority or the Bond Trustee, or to the Institution, the Authority and the Bond Trustee by the Holders of at least twenty five percent (25%) in aggregate principal amount of the Notes then Outstanding. If the breach of any such covenant or agreement is one which is capable of cure but cannot be completely remedied within thirty (30) days after written notice has been given to the Institution, it shall not be an Agreement Event of Default as long as the Institution has taken active steps within thirty (30) days after written notice has been given to remedy the failure and is diligently pursuing such remedy and provided that such default is cured within ninety (90) days after written notice of such default is given to the Institution.

(c) The Institution shall default in the payment of any Indebtedness for borrowed moneys (other than Notes or Guaranties issued and Outstanding under the Agreement which are, and other than Indebtedness which is, Non-Recourse Indebtedness), which Indebtedness is in a principal amount in excess of one percent (1%) of Operating Revenues of the Institution for the most recent Fiscal Year, whether such indebtedness now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired where the effect of such default is to accelerate the maturity of such Indebtedness or to permit the holders thereof (or a trustee on behalf of such holders) to cause such Indebtedness to become due prior to its stated maturity, or an event of default as defined in any mortgage, indenture or instrument, under which there may be issued or by which there may be secured or evidenced, any Indebtedness in a principal amount in excess of one (1%) of the Operating Revenues for the most recent Fiscal Year, whether such Indebtedness now exists or shall hereafter be created, shall occur, provided, however, that such default shall not constitute an Agreement Event of Default within the meaning of this Section if within thirty (30) days, or within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the Indebtedness is commenced, whichever is longer, (i) the Institution in good faith commences proceedings to contest the existence or payment of such Indebtedness, and (ii) sufficient moneys or other adequate security are escrowed with a bank or trust company for the payment of such Indebtedness.

(d) The entry of a decree or order by a court having jurisdiction in the premises adjudging the Institution a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Institution under the Federal Bankruptcy Code or any other applicable federal or State law, or appointing a receiver, liquidator, assignee, or sequestrator (or other similar official) of the Institution or of any substantial part of its Property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of ninety (90) consecutive days.

(e) The institution by the Institution of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under the Federal Bankruptcy Code or any other similar applicable federal or State law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Institution or of any

substantial part of its Property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due.

- (f) If there occurs any Bond Indenture Event of Default.

An Agreement Event of Default shall be deemed to be in effect upon the actual occurrence of such event, whether or not notice thereof has been given or received. Upon having actual notice of the existence of an Agreement Event of Default, the Bond Trustee shall serve written notice thereof upon the Institution unless the Institution has expressly acknowledged the existence of such Agreement Event of Default in a writing delivered by the Institution to the Bond Trustee or filed by the Institution in any court; provided, however, that any failure or delay on the part of the Bond Trustee in giving such notice shall not relieve, release or otherwise eliminate any of the Institution's obligations or liabilities hereunder.

Section 6.2. Remedies in General. Upon the occurrence and during the continuance of any Agreement Event of Default, the Bond Trustee on behalf of the Authority, may take such action as it deems necessary or appropriate to collect amounts due hereunder, to enforce performance and observance of any obligation or agreement of the Institution hereunder or to protect the interests securing the same, and may, without limiting the generality of the foregoing:

(a) Exercise any or all rights and remedies given hereby or available hereunder or given by or available under any other instrument of any kind securing the Institution's performance hereunder.

(b) Take any action at law or in equity to collect the Note Payments then due, whether on the stated due date or by declaration of acceleration or otherwise, for damages or for specific performance or otherwise to enforce performance and observance of any obligation, agreement or covenant of the Institution hereunder.

(c) Apply to a court of competent jurisdiction for the appointment of a receiver (but only in the case of an Agreement Event of Default not described in Section 6.1(b) or (c) hereof) of any or all of the property of the Institution, such receiver to have such powers as the court making such appointment may confer. The Institution hereby consents and agrees, and will if requested by the Bond Trustee consent and agree at the time of application by the Bond Trustee for appointment of a receiver, to the appointment of such receiver and that such receiver may be given the right, power and authority, to the extent the same may lawfully be given, to take possession of and operate and deal with such property and the revenues, profits and proceeds therefrom, with like effect as the Institution could do so, and to borrow money and issue evidences of indebtedness as such receiver.

In the event of any Agreement Event of Default, the Authority, in addition to any other right or remedies it may have at law or in equity, shall have the right to and may enter into the Facility without being liable for any prosecution or damages therefor and may dispossess the Institution and may lease the Facility or any part thereof to another party for a term which may extend beyond the term hereof, and receive the rent therefor, upon such terms as shall be satisfactory to the Authority. Such entry by the Authority shall not operate to release the Institution from any sums to be paid or covenants to be performed under the Agreement during the full term hereof. In addition, the Institution hereby agrees that the receipt of rents, awards, and any other moneys or evidences thereof, and any disposition of the same by the Authority shall not constitute a waiver of the right of foreclosure and sale of the Facility by the Authority or the Bond Trustee in the case of an Agreement Event of Default.

For the purpose of leasing the Facility to another party, the Authority shall be authorized to make such repairs or alterations in or to the Facility as the Authority may deem necessary to place the same in good order and condition. The Institution shall be liable to the Authority for the cost of such repairs or alterations and all expenses of such leasing. If the sum realized or to be realized from the leasing is insufficient to satisfy the sum payable by the Institution under the Agreement, the Authority, at its option, may require the Institution to pay such deficiency month by month, or may hold the Institution liable in advance for the entire deficiency to be realized during the term of the leasing of the Facility. Notwithstanding such entry by the Authority, the Institution agrees that any utility service (including heat) furnished to the Facility by the Institution prior to such entry shall continue to be furnished by the Institution to the Facility at the expense of the Institution.

This Agreement is upon the conditions herein and the “Statutory Conditions” as defined by Section 29 of Chapter 477 of the New Hampshire Revised Statutes Annotated, as amended, for any breach of which the Authority shall have the “Statutory Power of Sale” under New Hampshire law. Upon compliance with the requirements of New Hampshire law respecting a Power of Sale mortgage foreclosure of real estate, the Authority, in addition to exercising such other rights and remedies as it may deem advisable, may sell the Facility, or any part thereof, at some place in Nashua, New Hampshire, while proceeding in a commercially reasonable manner, and may convey the same by proper deed or deeds to the purchaser or purchasers absolutely and in fee simple; and such sale shall forever bar the Institution and all Persons claiming under it from all right and interest in the Facility whether at law or in equity. In exercising any power of sale under this Section, it is agreed that a parcel may consist wholly of real estate, wholly of tangible personal property or any combination of both.

All rights and remedies herein given or granted to the Authority are cumulative, non exclusive and in addition to any and all rights and remedies that the Authority may have or be given by reason of any law, statute, ordinance or otherwise. Without limiting the generality of the foregoing, the Authority shall have all rights and remedies of a secured party under the New Hampshire Uniform Commercial Code with respect to (i) the Equipment, (ii) any fixtures or tangible personal property which are or may become part of the Facility, and (iii) the Gross Receipts. The Authority may deal with such as collateral under said Code or as part of the Facility mortgage hereunder or in part one and in part the other. Notice in accordance with Section 7.10 hereof, mailed to the Institution at least fifteen (15) days before any proposed realization upon such collateral shall constitute reasonable notification of such event under said Uniform Commercial Code.

Section 6.3. Discontinuance or Abandonment of Default Proceedings. If any proceedings taken by the Authority or the Bond Trustee on account of any Agreement Event of Default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Authority or the Bond Trustee, then and in every case the Authority, the Bond Trustee and the Institution shall be restored to their former position and rights hereunder, respectively, and all rights, remedies and powers of the Authority and the Bond Trustee shall continue as though no such proceeding had taken place.

Section 6.4. Remedies Cumulative. No remedy conferred upon or reserved to the Authority or the Bond Trustee hereby or now or hereafter existing at law or in equity or by statute, shall be exclusive but shall be cumulative with all others. Such remedies are not mutually exclusive and no election need be made among them, but any such remedy or any combination of such remedies may be pursued at the same time or from time to time so long as all amounts realized are properly applied and credited as provided herein. No delay or omission to exercise any right or power accruing upon any Agreement Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient by the Authority or the Bond Trustee. In the event of any waiver of an Agreement Event of Default hereunder, the parties shall be restored to their former positions and rights hereunder, but no such waiver shall extend to any other or subsequent Agreement Event of Default or impair any right arising as a result thereof. In order to entitle the Bond Trustee to exercise any remedy reserved to it, it shall not be necessary to give notice other than as expressly required herein.

Section 6.5. Application of Moneys Collected. Any amounts collected pursuant to action taken under this Article VI shall be applied in accordance with the provisions of Article VII of the Bond Indenture, and to the extent applied to the payment of amounts due on the Bonds shall be credited against amounts due on the Notes.

## MISCELLANEOUS

Section 7.5. Non-Business Days. When any action is provided for herein to be done on a day named or within a specified time period, and the day or the last day of the period falls on a day other than a Business Day, such action may be performed on the next ensuing Business Day with the same effect as though performed on the appointed day or within the specified period.

**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE AGREEMENT**

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## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “**Disclosure Agreement**”) is executed and delivered by Southern New Hampshire University (the “**Institution**”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”), in connection with the issuance of \$[\_\_\_\_\_] Revenue Bonds, Southern New Hampshire University Issue, Series 2016 (the “**Bonds**”). The Bonds are being issued by the New Hampshire Health and Education Facilities Authority (the “**Authority**”) pursuant to the Bond Indenture dated as of May 1, 2016, (the “**Bond Indenture**”), by and between the Authority and the Trustee. The proceeds of the Bonds are being loaned by the Authority to the Institution pursuant to the Loan Agreement and Mortgage dated as of May 1, 2016, (the “**Agreement**”) by and between the Authority and the Institution. The Institution and the Trustee covenant and agree as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Institution and the Trustee for the benefit of the Bondowners and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below). The Institution and the Trustee acknowledge that the Authority has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure 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 Disclosure Agreement, and has no liability to any person, including any Bondowner, with respect to any such reports, notices or disclosures except for its failure to comply with its obligations under Section 3(c).

**SECTION 2. Definitions.** In addition to the definitions set forth in the Agreement, which apply to any capitalized term used in this Disclosure 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 pursuant to, and as described in, Sections 3 and 4 of this Disclosure 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 the Institution.

“**Dissemination Agent**” shall mean any Dissemination Agent or successor Dissemination Agent designated in writing by the Institution and which has filed with the Institution, the Trustee and the Authority a written acceptance of such designation. The same entity may serve as both Trustee and Dissemination Agent. The initial Dissemination Agent shall be the Trustee. In the absence of a third-party Dissemination Agent, the Institution shall serve as the Dissemination Agent.

“**Listed Events**” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“**MSRB**” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the

functions of the MSRB as contemplated by this Disclosure Agreement. Filing information relating to the MSRB is set forth in Exhibit B hereto.

***“Participating Underwriters”*** shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

***“Rule”*** shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### **SECTION 3. Provision of Annual Reports.**

(a) The Dissemination Agent, not later than 150 days after the end of each fiscal year beginning with the fiscal year ending June 30, 2016 (the **“Filing Deadline”**), shall provide to the MSRB an Annual Report provided by the Institution, which Annual Report the Institution agrees shall be consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than three (3) Business Days prior to said date, the Institution (if it is not the Dissemination Agent) shall provide the 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 Disclosure Agreement; provided that the audited financial statements of the Institution may be submitted separately from, and at a later date than, the balance of the 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 at a later date, the Institution shall provide to the Dissemination Agent, and the Dissemination Agent shall provide to the MSRB, 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 shall submit the audited financial statements to the Dissemination Agent and the Trustee (if not also the Dissemination Agent) as soon as practicable after they become available and the Dissemination Agent shall submit the audited financial statements to the MSRB as soon as practicable thereafter. The Institution shall provide a copy of the Annual Report to the Authority and the Trustee.

(b) The Dissemination Agent shall:

(i) file a report with the Institution, the Authority and the Trustee (if not also the Dissemination Agent) certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided (the **“Compliance Certificate”**); such report shall include a certification from the Institution that the Annual Report complies with the requirements of this Disclosure Agreement; and

(ii) upon request of any Bondowner or Beneficial Owner to the Dissemination Agent, the Dissemination Agent shall provide the most recent Annual Report directly to such requesting Bondowner or Beneficial Owner, and the costs of complying with such requests will be borne by the Institution.

(c) If the Trustee has not received a Compliance Certificate by the Filing Deadline (or while the Trustee is the Dissemination Agent, provided such Compliance Certificate by the



Filing Deadline), the Trustee shall send, and the Institution hereby authorizes and directs the Trustee to submit on its behalf, a notice to the MSRB in substantially the form attached as Exhibit A.

(d) If the Dissemination Agent has not provided the Annual Report to the MSRB by the applicable Filing Deadline, the Institution 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 notice.

#### **SECTION 4. Content of Annual Reports.**

Subject to the provisions of Section 3, the Annual Report submitted by the Institution shall contain or incorporate by reference the following data as of the most recently completed fiscal year:

- 1) Applications Received;
- 2) Acceptances;
- 3) New Students Enrolled;
- 4) Total Student Enrollment (graduate and undergraduate); and
- 5) Debt Service Coverage Ratio and Unrestricted Net Assets to Long Term Indebtedness.

The financial statements provided pursuant to Sections 3 and 4 of this Disclosure Agreement shall be prepared in conformity with generally accepted accounting principles, as in effect from time to time. The Institution shall provide financial statements in the form prepared by it consistent with the applicable financial standards, and shall describe any change in presentation from previous financial statements. Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Institution is an “obligated person” (as defined by the Rule), which (i) are available to the public on the MSRB Internet website or (ii) have been filed with the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Institution shall clearly identify each such other document so incorporated by reference. Neither the Trustee nor the Dissemination Agent shall be under any obligation to verify the content or correctness of, and shall not be responsible for the sufficiency of any Annual Report or for the compliance of any Annual Report with the Rule or this Disclosure Agreement.

#### **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, any one of which event is a “**Listed Event**” and collectively are “**Listed Events**”:

1. principal and interest payment delinquencies;

2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. modifications to rights of holders of the Bonds, if material;
8. Bond calls, if material, and tender offers (the giving of notice of regularly scheduled mandatory sinking fund redemption shall not be deemed material for this purpose under clause (b) of this Section 5);
9. defeasances;
10. release, substitution, or sale of property securing repayment of the Bonds, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or similar event of the Institution;

Note to clause (12): For the purposes of the Listed Event identified in clause (12) above, the Listed Event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Institution in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Institution, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Institution;

13. the consummation of a merger, consolidation, or acquisition involving the Institution or the sale of all or substantially all of the assets of the Institution, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. appointment of a successor or additional Trustee or the change of the name of the Trustee, if material.

(b) Upon the occurrence of a Listed Event, the Institution shall, in a timely manner not to exceed ten (10) business days, file, or direct the Dissemination Agent to file, a notice of such occurrence with the MSRB. The Institution shall provide a copy of each such notice to the Authority and the Trustee. The Dissemination Agent, if other than 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, 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. Transmission of Information and Notices.** Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

**SECTION 7. Termination of Reporting Obligation.** The Institution's obligations under this Disclosure Agreement shall terminate upon the legal 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 and acceptable to the Trustee to the effect that compliance with this Disclosure Agreement no longer is required by the Rule. If the Institution's obligations under the Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Institution and the original Institution shall have no further responsibility hereunder.

**SECTION 8. Dissemination Agent.** The Institution 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 Disclosure 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 Institution) may resign upon thirty (30) days' written notice to the Institution, the Trustee and the Authority. The initial Dissemination Agent shall be the Trustee.

**SECTION 9. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the Institution and the Trustee may amend this Disclosure Agreement (and, except as provided in the last sentence of this Section 9, the Trustee shall agree to any amendment so requested by the Institution and which does not materially affect the rights and remedies of the Trustee or Dissemination Agent) and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Institution 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 and the Trustee may amend this Disclosure 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 of the type of business conducted by the Institution, (b) this Disclosure 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 Agreement as permitted by Article IX of the Bond Indenture. 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. If an amendment is made to an undertaking specifying a change in the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made should present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Neither the Trustee nor the Dissemination Agent shall be required to accept or acknowledge any amendment of this Disclosure Agreement if the amendment adversely affects its respective rights or immunities or increases its respective duties hereunder.

**SECTION 10. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the Institution from disseminating any other information, using the means of dissemination set forth in this Disclosure 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 Disclosure Agreement. If the Institution 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 Disclosure Agreement, the Institution shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**SECTION 11. Default.** In the event of a failure of the Institution or the Dissemination Agent to comply with any provision of this Disclosure 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 or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. Without regard to the foregoing, any Bondowner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Institution or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Institution, the Trustee, or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance. In no event shall the Institution or the Dissemination Agent be liable for monetary damages in the event of a default under this Disclosure Agreement.

**SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent.** As to the Trustee, Article VIII of the Bond Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Bond Indenture. The Dissemination Agent (if other than the Institution) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Institution agrees to indemnify and save the Dissemination Agent (if other than the Institution), 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 reasonable 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 under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Institution covenants that whenever it is serving as Dissemination Agent, it shall take any action required of the Dissemination Agent under this Disclosure Agreement.

The Trustee, provided that the Trustee is not also the Dissemination Agent, shall have no obligation under this Disclosure Agreement to report any information to the MSRB or any Bondowner. If an officer of the Trustee obtains actual knowledge of the occurrence of a Listed Event described in Section 5 hereunder, whether or not such Listed Event is material, the Trustee shall timely notify the Institution of such occurrence; provided, however, that any failure by the Trustee to give such notice to the Institution shall not affect the Institution's obligations under this Disclosure Agreement or give rise to any liability by the Trustee for such failure.

**SECTION 13. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the Institution, the Authority, the Trustee, the Dissemination Agent, the Participating Underwriters and the Bondowners, and shall create no rights in any other person or entity.

**SECTION 14. Disclaimer.** No Annual Report or notice of a Listed Event filed by or on behalf of the Institution under this Disclosure Agreement shall obligate the Institution 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 raise any inference that no other material events have occurred with respect to the Institution or the Bonds or that all material information regarding the Institution or the Bonds has been disclosed. The Institution shall have no obligation under this Disclosure Agreement to update information provided pursuant to this Disclosure Agreement except as specifically stated herein.

**SECTION 15. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**SECTION 16. Governing Law.** This Disclosure Agreement shall be construed in accordance with the laws of the State of New Hampshire..

**SECTION 17. Entire Agreement.** This Disclosure Agreement, including the Exhibits hereto, constitutes the sole and entire agreement and understanding of the parties with respect to the subject matter hereof. All Exhibits hereto are incorporated herein by reference.

[The remainder of this page is intentionally blank; signature page follows]

**INTENDING TO BE LEGALLY BOUND**, the parties hereto have duly executed this Disclosure Agreement to be effective as of the date written below.

Date: June \_\_, 2016

Southern New Hampshire University

By: \_\_\_\_\_  
Name:  
Title:

The Bank of New York Mellon Trust Company,  
N.A., as Trustee and Dissemination Agent

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT A**

**NOTICE TO THE MSRB OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: New Hampshire Health and Education Facilities Authority

Name of Bond Issue: New Hampshire Health and Education Facilities Authority Revenue Bonds,  
Southern New Hampshire University, Series 2016

Name of Obligated Person: Southern New Hampshire University

Date of Issuance: June \_\_, 2016

**NOTICE IS HEREBY GIVEN** that Southern New Hampshire University (the “Institution”) has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated June \_\_, 2016 between the Institution and the Trustee.

Dated: \_\_\_\_\_

**The Bank of New York Mellon Trust  
Company, N.A., as Dissemination Agent**

\_\_\_\_\_

cc: Southern New Hampshire University

**EXHIBIT B**

**FILING INFORMATION FOR THE MSRB**

Filing information relating to the Municipal Securities Rulemaking Board is as follows:

Municipal Securities Rulemaking Board  
<http://emma.msrb.org/>



**APPENDIX E**

**FORM OF BOND COUNSEL'S OPINION**

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FORM OF BOND COUNSEL'S OPINION

June \_\_, 2016

New Hampshire Health and Education Facilities Authority  
54 South State Street  
Concord, New Hampshire 03301

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$\_\_\_\_\_ Revenue Bonds, Southern New Hampshire University Issue, Series 2016 (the "Bonds") of the New Hampshire Health and Education Facilities Authority (the "Authority"), a public body corporate and agency of the State of New Hampshire.

The Bonds are issued under and pursuant to the New Hampshire Health and Education Facilities Authority Act, Chapter 195-D of the New Hampshire Revised Statutes Annotated, as amended (the "Act"), and under and pursuant to a bond resolution of the Authority adopted on March 17, 2016 (the "Bond Resolution") and a Bond Indenture, dated as of May 1, 2016 (the "Bond Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Bond Trustee").

The Bonds are dated their date of delivery and shall bear interest from their date of delivery, payable on each January 1 and July 1, commencing January 1, 2017, at the rates of interest per annum, and shall mature on January 1 in the years and the aggregate principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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The Bonds are subject to redemption prior to maturity upon the terms and conditions provided therein, in the Bond Resolution and in the Bond Indenture. The Bonds are in the form of fully-registered bonds, initially in the denomination of \$5,000 and integral multiples in excess thereof and are numbered separately from R-1 upward in order of issuance.

We have also examined an executed copy of the Loan Agreement and Mortgage, between the Authority and Southern New Hampshire University (the "Institution"), dated as of May 1, 2016 (the "Agreement"). Pursuant to the Agreement, in order to secure the financing and refinancing of certain facilities of the Institution, the Institution has agreed, among other things, to make payments to the Authority in amounts and at the times stated therein which will be applied to pay the principal of, redemption premium, if any, and interest on the Bonds when due.

We are of the opinion that:

(1) The Authority is duly created and validly existing under the provisions of the Act and has good right and lawful authority to utilize proceeds of the Bonds to assist the Institution in the financing and refinancing of the Project (as defined in the Agreement), and to establish and maintain payments, fees or charges in respect thereof and collect revenues therefrom and to perform all obligations of the Authority under the Bond Resolution and the Bond Indenture in those respects.

(2) The Authority has the right and power under the Act to adopt the Bond Resolution, and the Bond Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms, and no other authorization for the Bond Resolution is required. The Bond Resolution and the Bond Indenture create the valid pledge which they purport to create of the Pledged Revenues (as defined in the Agreement) and all income and receipts earned on funds held or set aside under the Bond Indenture, subject only to the application thereof to the purposes and on the conditions permitted by the Bond Indenture.

(3) The Authority is duly authorized and entitled to issue the Bonds and the same have been duly and validly authorized and issued by the Authority in accordance with the Constitution and statutes of the State of New Hampshire, including the Act, and the Bond Resolution and the Bond Indenture, and constitute valid, binding, special obligations of the Authority, enforceable in accordance with their terms and the terms of the Bond Resolution and the Bond Indenture and entitled to the benefits of the Act and of the Bond Resolution and the Bond Indenture.

(4) The Agreement has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the Institution, constitutes a valid and legally binding agreement by and between the parties thereto, enforceable in accordance with its terms.

(5) The Bond Indenture has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the Bond Trustee, constitutes a valid and legally binding agreement by and between the parties thereto, enforceable in accordance with its terms.

(6) Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that, for Federal income tax purposes, interest on the Bonds be not included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of Bond proceeds, restrictions on the investment of Bond proceeds prior to expenditure and the requirement that certain earnings be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to Federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Bonds, the Authority and the Institution will execute a Tax Regulatory Agreement (the "Tax Regulatory Agreement") relating to the Bonds containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Regulatory Agreement, the Authority and the Institution covenant that they will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds will, for Federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph 6 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact

contained in the Tax Regulatory Agreement with respect to matters affecting the status of interest paid on the Bonds, and (ii) compliance by the Authority and the Institution with the procedures and covenants set forth in the Tax Regulatory Agreement as to such tax matters.

(7) Under existing statutes, the Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, will be exempt from taxes directly imposed thereon by The State of New Hampshire and the municipalities and other political subdivisions of The State of New Hampshire.

Except as stated in paragraphs 6 and 7 above, we express no opinion as to any other Federal, state or local tax consequences arising with respect to the Bonds or the ownership or disposition thereof. In addition, we express no opinion as to any transaction that is not expressly referenced in this opinion or the effect of any such transaction on the exclusion of interest on the Bonds from gross income for Federal income tax purposes. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

In rendering our opinion, we have relied on the opinion of Sheehan Phinney Bass + Green, Professional Association, counsel to the Institution, regarding, among other matters, the current qualification of the Institution as an organization described in Section 501(c)(3) of the Code. We note that the opinion of counsel to the Institution is subject to a number of qualifications and limitations. The Institution has covenanted that it will do nothing to impair its status as a tax-exempt organization, and that it will comply with the requirements of the Code and any applicable regulations throughout the term of the Bonds. Failure of the Institution to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code or to use the assets being financed or refinanced with the proceeds of the Bonds in activities of the Institution that do not constitute unrelated trades or businesses within the meaning of Section 513 of the Code may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds.

The foregoing opinions are qualified only to the extent that the enforceability of the Bonds, the Bond Resolution, the Bond Indenture, the Tax Regulatory Agreement and the Agreement may be limited by bankruptcy, insolvency, and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

We have examined an executed Bond, and in our opinion the form of said Bond and its execution are regular and proper.

Very truly yours,

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# Southern New Hampshire University



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