NEW ISSUE
BOOK-ENTRY ONLY

RATINGS:
S&P: A+ (stable)
Moody's: A1 (stable)
(See "MISCELLANEOUS – Ratings" herein)

In the opinion of Bond Counsel, under existing law, interest on the Series 2015 Bonds (i) is excluded from gross income for federal income tax purposes, (ii) is not an enumerated "item of tax preference" for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (iii) is exempt from State of Georgia income taxation, subject to the exceptions, conditions, and limitations described herein. The opinion contains greater detail, and is subject to exceptions, as noted in "TAX EXEMPTION AND OTHER TAX MATTERS" herein.

$85,570,000
GEORGIA HIGHER EDUCATION FACILITIES AUTHORITY
Refunding Revenue Bonds
(USG Real Estate Foundation I, LLC Projects),
Series 2015

Dated: Date of Issuance **Due: June 15, as shown on the inside cover**

The Georgia Higher Education Facilities Authority (the **"Issuer"**) is offering $85,570,000 in aggregate principal amount of its Refunding Revenue Bonds (USG Real Estate Foundation I, LLC Projects), Series 2015 (the **"Series 2015 Bonds"**). The Series 2015 Bonds are being issued pursuant to a Trust Indenture, dated as of November 1, 2008, as amended and supplemented by a First Supplemental Trust Indenture, dated as of June 1, 2015 (collectively, the **"Indenture"**), between the Issuer and Wells Fargo Bank, National Association, as trustee (the **"Trustee"**). The proceeds of the sale of the Series 2015 Bonds will be loaned to USG Real Estate Foundation I, LLC, a Georgia limited liability company (the **"Company"**), the sole member of which is University System of Georgia Foundation, Inc., a Georgia nonprofit corporation (the **"Foundation"**), pursuant to the terms and provisions of a Loan Agreement, dated as of November 1, 2008, as amended and supplemented by a First Amendment to Loan Agreement, dated as of June 1, 2015, between the Issuer and the Company.

Proceeds of the Series 2015 Bonds will be used by the Company for the purpose of providing funds to (a) pay when due and refund all of the Issuer's outstanding Revenue Bonds (USG Real Estate Foundation I, LLC Project), Series 2008 (the **"Series 2008 Bonds"**) and (b) pay the costs of issuance of the Series 2015 Bonds. The proceeds of the Series 2008 Bonds were applied to finance Projects (as defined herein) that are owned by the Company and rented to the Board of Regents of the University System of Georgia (the **"Board of Regents"**) for use by Participating Constituent Institutions (as defined herein) of the University System of Georgia. See "PLAN OF FINANCING" herein.

The Series 2015 Bonds will be issued in the form of fully-registered bonds in denominations of $5,000 or any integral multiple thereof. The Series 2015 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (**"DTC"**). See "THE SERIES 2015 BONDS" herein.

Interest on the Series 2015 Bonds will be payable on June 15 and December 15 of each year, commencing December 15, 2015. Principal of and premium, if any, and interest on the Series 2015 Bonds will be paid by the Trustee to Cede & Co., as nominee for DTC. See "THE SERIES 2015 BONDS" herein.

The Series 2015 Bonds are subject to redemption prior to maturity under certain circumstances described herein and as set forth in the Indenture. See "THE SERIES 2015 BONDS" herein.

THE SERIES 2015 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE TRUST ESTATE (AS DEFINED HEREIN). THE SERIES 2015 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR MORAL OR LEGAL OBLIGATION OF THE BOARD OF REGENTS, THE PARTICIPATING CONSTITUENT INSTITUTIONS, THE FOUNDATION OR THE STATE OF GEORGIA (THE "STATE"). THE SERIES 2015 BONDS ARE PAYABLE BY THE ISSUER SOLELY FROM THE TRUST ESTATE PLEDGED TO THE PAYMENT THEREOF UNDER THE INDENTURE. NO OWNER OF THE SERIES 2015 BONDS SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE TO PAY THE SERIES 2015 BONDS OR THE INTEREST OR PREMIUM THEREON OR ANY OTHER COST RELATING THERETO OR TO ENFORCE PAYMENT THEREOF AGAINST ANY PROPERTY OF THE STATE. THE SERIES 2015 BONDS SHALL NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE ISSUER HAS NO TAXING POWER. See "SECURITY FOR THE SERIES 2015 BONDS" herein.

The Series 2015 Bonds are offered when, as, and if issued by the Issuer and accepted by the Underwriters, subject to prior sale and to withdrawal or modification of the offer without notice and the approval of legality by McKenna Long & Aldridge LLP, Atlanta, Georgia, Bond Counsel. Certain legal matters will be passed on for the Issuer by its counsel, McKenna Long & Aldridge LLP, Atlanta, Georgia; for the Company and the Foundation by their counsel, Stover Legal Group, LLC, Atlanta, Georgia; and for the Underwriters by their counsel, Murray Barnes Finister LLP, Atlanta, Georgia. The Series 2015 Bonds are expected to be available for delivery in book-entry form only through the facilities of DTC in New York, New York on or about June 9, 2015.

BofA Merrill Lynch

Citigroup **Wells Fargo Securities**

Dated: May 29, 2015

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIP NOS.

$52,495,000 Serial Bonds

Maturing (June 15)	Principal Amount	Interest Rate	Yield	Price	CUSIP No.†
2016	$1,050,000	2.000%	0.550%	101.467%	373511FU3
2017	1,235,000	4.000	1.000	105.974	373511FV1
2018	1,425,000	5.000	1.510	110.253	373511FW9
2019	1,635,000	5.000	1.810	112.304	373511FX7
2020	2,175,000	5.000	2.060	113.944	373511FY5
2021	2,495,000	5.000	2.360	114.726	373511FZ2
2022	2,710,000	5.000	2.550	115.649	373511GA6
2023	2,895,000	5.000	2.690	116.557	373511GB4
2024	3,035,000	5.000	2.860	116.902	373511GC2
2025	3,195,000	5.000	2.980	117.381	373511GD0
2026	3,345,000	3.000	3.180	98.337	373511GE8
2027	3,445,000	3.125	3.380	97.498	373511GF5
2028	3,560,000	4.000	3.490	104.279[c]	373511GG3
2029	3,700,000	5.000	3.480	112.761[c]	373511GH1
2030	3,885,000	5.000	3.560	112.042[c]	373511GJ7
2031	4,080,000	3.750	3.930	97.874	373511GK4
2032	4,225,000	4.000	4.000	100.000	373511GL2
2033	4,405,000	4.000	4.050	99.364	373511GM0

$9,340,000 4.000% Term Bond due June 15, 2035, Priced at 98.642% to Yield 4.100%, CUSIP No. 373511GN8†

$23,735,000 4.125% Term Bond due June 15, 2040, Priced at 98.236% to Yield 4.240%, CUSIP No. 373511GP3†

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c Priced to par call date of June 15, 2025.

† The CUSIP numbers are included in this Official Statement for the convenience of the holders and potential holders of the Series 2015 Bonds. No assurance can be given that the CUSIP numbers for a particular maturity of Series 2015 Bonds will remain the same after the date of issuance and delivery of the Series 2015 Bonds. None of the Issuer, the Company or the Underwriters assumes any responsibility for the accuracy of such numbers

No dealer, broker, salesman or other person has been authorized by the Issuer, the Company or the Underwriters to give any information or to make any representations, other than those contained in this Official Statement in connection with the offering contained herein, and if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer, the Company or the Underwriters. 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 2015 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information contained in this Official Statement has been obtained from representatives of the Issuer, the Participating Constituent Institutions, the Company, public documents, records and other sources considered to be reliable. Neither the Board of Regents nor any Participating Constituent Institution have made any representation as to the accuracy or completeness of the information contained in this Official Statement concerning the Board of Regents or any Participating Constituent Institution, or have any obligation to the owners of the Series 2015 Bonds to update such information. The Issuer has not provided information regarding the Company or the Participating Constituent Institutions and does not certify as to the accuracy or sufficiency of the disclosure practices of or content of the information provided by the Company or the Participating Constituent Institutions, and is not responsible for the information provided by the Company or the Participating Constituent Institutions. THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS A PART OF, ITS RESPONSIBILITIES UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

The delivery of this Official Statement at any time does not imply that any information herein is correct as of any time subsequent to its date. Any statements in this Official Statement involving estimates, assumptions and matters of opinion, whether or not so expressly stated, are intended as such and not representations of fact.

NO REGISTRATION STATEMENT RELATING TO THE SERIES 2015 BONDS HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ("**SEC**") OR ANY STATE SECURITIES AGENCY. THE SERIES 2015 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES AGENCY, NOR HAS THE SEC OR ANY STATE SECURITIES AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

In making an investment decision, investors must rely on their own examination of each Project and the Company and the terms of the offering, including the merits and risks involved.

In connection with this offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market prices of the Series 2015 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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OFFICIAL STATEMENT

$85,570,000
GEORGIA HIGHER EDUCATION FACILITIES AUTHORITY
REFUNDING REVENUE BONDS
(USG REAL ESTATE FOUNDATION I, LLC PROJECTS),
SERIES 2015

INTRODUCTION

General

This Official Statement, including the cover page and the Appendices hereto, is provided to furnish certain information in connection with the issuance and sale by the Georgia Higher Education Facilities Authority, a public body corporate and politic and instrumentality of the State of Georgia (the "**Issuer**"), of $85,570,000 in aggregate principal amount of its Refunding Revenue Bonds (USG Real Estate Foundation I, LLC Projects), Series 2015 (the "**Series 2015 Bonds**"). Definitions of certain capitalized words used in this Official Statement are set forth in Appendix B — "Definitions and Summaries of Principal Documents" hereto.

This Introduction is not a summary of this Official Statement and is intended only for quick reference. It is only a brief description of and guide to, and is qualified in its entirety by reference to, more complete and detailed information contained in the entire Official Statement, including the cover page and the Appendices, and the documents summarized or described herein. Investors should fully review the entire Official Statement. The offering of the Series 2015 Bonds to potential investors is made only by means of the entire Official Statement, including the Appendices hereto. No person is authorized to detach this Introduction from the Official Statement or otherwise to use it without the entire Official Statement.

The Series 2015 Bonds are being issued pursuant to a Trust Indenture, dated as of November 1, 2008, as amended and supplemented by a First Supplemental Trust Indenture, dated as of June 1, 2015 (collectively, the "**Indenture**"), between the Issuer and Wells Fargo Bank, National Association, as trustee (the "**Trustee**"). The proceeds of the sale of the Series 2015 Bonds will be loaned to USG Real Estate Foundation I, LLC, a Georgia limited liability company (the "**Company**"), the sole member of which is University System of Georgia Foundation, Inc., a Georgia nonprofit corporation (the "**Foundation**"), pursuant to the terms and provisions of a Loan Agreement, dated as of November 1, 2008, as amended and supplemented by a First Amendment to Loan Agreement, dated as of June 1, 2015 (collectively, the "**Loan Agreement**"), between the Issuer and the Company. The Company will agree in the Loan Agreement to issue multiple promissory notes, each amended and restated as of June 1, 2015 and each in an amount allocable to each particular Project hereinafter described (collectively, the "**Promissory Notes**," and each individually, a "**Promissory Note**") to the Issuer, which will collectively obligate the Company to pay amounts calculated to be sufficient to enable the Issuer to pay the principal of, premium, if any, and interest on the Series 2015 Bonds, when due.

Background

The Issuer previously issued its Revenue Bonds (USG Real Estate Foundation I, LLC Project), Series 2008 (the "Series 2008 Bonds"). The proceeds of the Series 2008 Bonds were applied to:

(a) finance the acquisition, construction and equipping of an approximately 390-space parking deck on the campus of Dalton State College ("**Dalton State**") located in Dalton, Georgia (the "**Dalton State Project**"),

(b) finance the acquisition, construction and equipping of an approximately 55,399 square foot addition to the student center located on the campus of Darton State College ("**Darton**") located in Albany, Georgia (the "**Darton Project**"),

(c) finance the acquisition, construction and equipping of an approximately 26,257 square foot student center and renovation of the football stadium on the campus of Fort Valley State University ("**Fort Valley State**") located in Fort Valley, Georgia (the "**Fort Valley Project**"),

(d) finance the acquisition, construction and equipping of a parking deck and the extension of an existing surface parking lot to provide approximately 382 additional parking spaces on the campus of University of North Georgia (through consolidation of North Georgia College & State University with Gainesville State College) ("**UNG**") located in Gainesville, Georgia (the "**UNG Project**"),

(e) finance the acquisition, renovation and equipping of an approximately 21,985 square foot building to provide a bookstore and black box theater near the campus of Georgia College and State University ("**GCSU**") located in Milledgeville, Georgia (the "**GCSU Project**"), and

(f) finance the acquisition, construction and equipping of an approximately 863-space parking deck on the campus of Kennesaw State University (through consolidation with Southern Polytechnic State University) ("**Kennesaw State**") located in Marietta, Georgia (the "**Kennesaw State Project**").

Dalton State, Darton, Fort Valley State, UNG, GCSU and Kennesaw State are collectively the "**Participating Constituent Institutions**" and each individually is a "**Participating Constituent Institution**." The Dalton State Project, the Darton Project, the Fort Valley Project, the UNG Project, the GCSU Project and the Kennesaw State Project are collectively the "**Projects**" and each individually is a "**Project**."

The proceeds of the Series 2008 Bonds were also applied to finance the acquisition, construction and equipping of an approximately 320-bed student housing facility on the campus of Georgia State University located in Atlanta, Georgia (the "Georgia State Project"). The Issuer defeased the outstanding portion of the Series 2008 Bonds allocable to the Georgia State Project on May 14, 2015 using cash proceeds from the sale of the Georgia State Project. See "BOARD OF REGENTS – P3 Initiative for On-Campus Student Housing" herein.

Purpose

Proceeds of the Series 2015 Bonds will be used by the Company for the purpose of providing funds to (a) pay when due and refund all of the remaining Series 2008 Bonds, currently outstanding in the aggregate principal amount of $80,200,000 (the "Refunded Bonds") and (b) pay the costs of issuance of the Series 2015 Bonds. See "PLAN OF FINANCING" herein.

The Issuer

The Issuer is a public body corporate and politic and an instrumentality of the State of Georgia created pursuant to the provisions of the Georgia Higher Education Facilities Authority Act (O.C.G.A. § 20-16-1 *et seq.*), as amended (collectively, the "**Act**"). See "THE ISSUER" herein.

The Board of Regents

The Board of Regents of the University System of Georgia (the "**Board of Regents**") is a constitutionally created agency of the State of Georgia (the "**State**") that governs, controls and manages the University System of the State of Georgia (the "**University System**") and all of the 30 colleges and universities in the University System, including the Participating Constituent Institutions. See "THE BOARD OF REGENTS" herein.

The real property upon which each Project is located is owned by the Board of Regents and is leased by the Board of Regents to the Company pursuant to multiple Ground Leases, each dated as of November 26, 2008, between the Board of Regents and the Company (collectively, the "**Ground Leases**" and each individually, a "**Ground Lease**"). See "SECURITY FOR THE SERIES 2015 BONDS" herein.

The Company and the Foundation

The Company was formed for the purpose of constructing the Projects and renting the Projects to the Board of Regents. The Company is managed by USGREF Manager, LLC (the "**Manager**"), a Georgia limited liability company that has the Foundation as its sole member. The Foundation has received a determination from the Internal Revenue Service (the "**IRS**") that it is an organization exempt from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "**Code**"). The Foundation supports the educational mission of the University System through fundraising and the distribution of scholarships and awards. See "THE COMPANY AND THE FOUNDATION" herein.

Participating Constituent Institutions

Projects located on the campuses of the Participating Constituent Institutions will be refinanced with the proceeds of the Series 2015 Bonds. See Appendix A – "INFORMATION REGARDING EACH PARTICIPATING CONSTITUENT INSTITUTION" hereto.

Pursuant to separate Rental Agreements, each dated as of November 26, 2008, and each as amended and supplemented by a First Amendment to Rental Agreement to be dated on or prior to the date of issuance of the Series 2015 Bonds, between the Company and the Board of Regents (collectively, the "**Rental Agreements**" and each individually, a "**Rental Agreement**"), the Company rents each Project to the Board of Regents for use by each Participating Constituent Institution. Each Rental Agreement may be renewed annually at the discretion of the Board of Regents. Each Rental Agreement obligates the Board of Regents to make fixed rental payments for the use and occupancy of each completed Project in amounts that the Company estimates will be sufficient in the aggregate to enable the Company to pay, among other things, debt service on the related Promissory Note. See "SECURITY FOR THE SERIES 2015 BONDS" herein.

Trustee

Wells Fargo Bank, National Association has been designated as Trustee for the Series 2015 Bonds. The designated corporate trust office of the Trustee is 171 17th Street, 4th Floor, MAC #G0128-047, Atlanta, Georgia 30363, Attention: Corporate Municipal & Escrow Services.

Security for the Series 2015 Bonds

General. The Series 2015 Bonds and any Additional Bonds that may be issued are payable solely from the Trust Estate. The Trust Estate includes all of the Issuer's right, title and interest in and to (a) the Loan Agreement (except for the Issuer's rights to payment of fees and expenses, to receive notices and documents and to indemnification pursuant to the terms thereof); (b) the Promissory Notes; (c) a separate Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement for each Project, each dated as of November 1, 2008, and each as amended and supplemented by a First Amendment to Leasehold Deed to Secure Debt, Assignment of Rents and Leases and Security Agreement, dated as of June 1, 2015, from the Company in favor of the Issuer (collectively, the "**Security Deeds**" and each individually, a "**Security Deed**"); (d) a separate Assignment of Contract Documents for each Project, each dated as of November 1, 2008, from the Company to the Issuer (collectively, the "Assignments of Contract Documents" and each individually, an "Assignment of Contract Documents"); (e) moneys and securities held in any and all funds created under the Indenture (except the Rebate Fund); and (f) any and all other property from time to time by delivery or by writing conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Indenture by the Issuer or by anyone on its behalf or with its written consent to the Trustee. See "SECURITY FOR THE SERIES 2015 BONDS" herein.

Promissory Notes. **Each Promissory Note will be in the principal amount of the Series 2015 Bonds allocated to the related Project and will obligate the Company to make additional loan payments sufficient to fund a replacement reserve for and pay expenses of the related Project. The Company's sole source of revenue to make its periodic debt service payments due under each Promissory Note will be the rents it receives under the related Rental Agreement or from renting the related Project to a substitute tenant.**

The Company's liability under each Promissory Note is limited to the interest of the Company in the related Project, and no judgment for any deficiency may be sought against the Company in the event the liquidation of the collateral pledged to any Promissory Note is not sufficient to satisfy the amount due under such Promissory Note. Each Promissory Note will be a nonrecourse obligation of the Company, secured solely by the related Security Deed and related Assignment of Contract Documents.

Security Deeds. Pursuant to each Security Deed, the Company will (a) grant to the Issuer a first lien on and first security title to its leasehold interest in certain real property constituting the related Project, (b) assign and pledge to the Issuer the Company's interest in certain rents and leases derived from the related Project, and (c) grant to the Issuer a first priority security interest in certain personal property constituting the related Project and in certain revenues derived from the related Project, all of which will be assigned by the Issuer to the Trustee. **Prospective investors should regard each Security Deed as collateral for only the related Promissory Note.**

Assignments of Contract Documents. Pursuant to each Assignment of Contract Documents, the Company has assigned to the Issuer its interest in the construction contracts and architects' agreements for the related Project (the "Contract Documents"). **The Contract Documents related to a particular Project will be assigned as collateral only for the related Promissory Note.**

Each Promissory Note, the related Security Deed and the related Assignment of Contract Documents will not be cross-collateralized or cross-defaulted with any other Promissory Note, Security Deed or Assignment of Contract Documents. The revenues derived from a particular Project will not be available to pay amounts due on a Promissory Note related to another Project and vice versa. A default with respect to one Promissory Note will not be a default with respect to another Promissory Note. A default with respect to the Series 2015 Bonds will not, by itself, cause a default with respect to any of the Promissory Notes or permit the Trustee to exercise remedies under any Security Deed or Assignment of Contract Documents. The Trustee will be permitted to exercise remedies under a Security Deed or an Assignment of Contract Documents only in the event of a payment default under the related Promissory Note, or a covenant breach under that particular Security Deed or Assignment of Contract Documents.

Description of the Series 2015 Bonds

Redemption. The Series 2015 Bonds are subject to redemption prior to their stated maturity. See "THE SERIES 2015 BONDS" herein.

Denominations. The Series 2015 Bonds are issuable in denominations of $5,000 or any integral multiple thereof. See "THE SERIES 2015 BONDS" herein.

Registration, Transfers and Exchanges. The Series 2015 Bonds will be issued in book-entry form and registered in the name of Cede & Co., as nominee of The Depository Trust Company ("**DTC**"), on behalf of the beneficial owners thereof (the "**Beneficial Owners**"). Purchasers will not receive certificates representing their ownership interest in the Series 2015 Bonds purchased. Beneficial ownership may be transferred by entries made on the books of direct and indirect participants of DTC. See "THE SERIES 2015 BONDS" herein and Appendix G hereto.

Payments. Interest on the Series 2015 Bonds is payable on June 15 and December 15 of each year (each such date, an "**Interest Payment Date**"), commencing December 15, 2015. Payment of the principal of and interest on Series 2015 Bonds will be made by the Trustee directly to Cede & Co., as nominee of DTC, and will subsequently be disbursed to DTC Participants (as herein defined) and thereafter to Beneficial Owners of the Series 2015 Bonds. See "THE SERIES 2015 BONDS" herein and Appendix G hereto.

For a more complete description of the Series 2015 Bonds, see "THE SERIES 2015 BONDS" herein.

Tax Exemption

In the opinion of Bond Counsel, under existing law, interest on the Series 2015 Bonds (i) is excluded from gross income for federal income tax purposes, (ii) is not an enumerated "item of tax preference" for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (iii) is exempt from State of Georgia income taxation, subject to the exceptions, conditions, and limitations described herein. See Appendix C hereto for the form of the opinion Bond Counsel proposes to deliver in connection with the issuance of the Series 2015 Bonds. For a more complete discussion of such opinion and certain other tax consequences of owning the Series 2015 Bonds, including certain exceptions to the exclusion of the interest on the Series 2015 Bonds from gross income, see "TAX EXEMPTION AND OTHER TAX MATTERS" herein.

Professionals Involved in the Offering

Merrill Lynch, Pierce, Fenner & Smith Incorporated and the other members of the underwriting group listed on the cover page of this Official Statement (collectively, the "Underwriters") are serving as underwriters of the Series 2015 Bonds. Public Resources Advisory Group is serving as financial advisor to the Issuer in connection with the issuance of the Series 2015 Bonds.

Certain legal matters pertaining to the issuance of the Series 2015 Bonds are subject to the approving opinion of McKenna Long & Aldridge LLP, Atlanta, Georgia, Bond Counsel. Certain legal matters will be passed on for the Issuer by its counsel, McKenna Long & Aldridge LLP, Atlanta, Georgia; for the Company and the Foundation by their counsel, Stover Legal Group, LLC, Atlanta, Georgia; and for the Underwriters by their counsel, Murray Barnes Finister LLP, Atlanta, Georgia.

The various legal opinions to be delivered concurrently with the delivery of the Series 2015 Bonds express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to such transaction. The rendering of a legal opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

Offering and Delivery of the Series 2015 Bonds

The Series 2015 Bonds are offered when, as and if issued by the Issuer and accepted by the Underwriters, subject to prior sale and to withdrawal or modification of the offer without notice. The Series 2015 Bonds are expected to be available for delivery in book-entry form only through the facilities of DTC in New York, New York on or about June 9, 2015.

Continuing Disclosure

The Issuer has determined that no financial or operating data concerning the Issuer is material to any decision to purchase, hold, or sell the Series 2015 Bonds, and the Issuer will not provide any such information. The Company has undertaken all responsibilities for any continuing disclosure to beneficial owners of the Series 2015 Bonds as described below, and the Issuer will have no liability to the beneficial owners of the Series 2015 Bonds or any other person with respect to such disclosures.

The Company has covenanted in a Continuing Disclosure Certificate (the "**Disclosure Certificate**") for the benefit of Bondholders to provide certain financial information and operating data (the "**Operating and Financial Data**"), and to provide notices of the occurrence of certain enumerated events (the "**Events Notices**"). The Company has covenanted in the Loan Agreement to comply with the Disclosure Certificate. The Operating and Financial Data will be filed annually by the Company with the Municipal Securities Rulemaking Board ("**MSRB**") in an electronic format prescribed by MSRB and presently known as the Electronic Municipal Market Access System ("**EMMA**"). The Events Notices will be filed by the Company with the MSRB on EMMA. A form of the Disclosure Certificate is attached hereto as Appendix D. The covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Act of 1934 Rule 15c2-12(b)(5) (the "**Rule**").

The Company previously entered into a continuing disclosure undertaking pursuant to the Rule with respect to the Series 2008 Bonds. The Company's affiliates have also entered into continuing disclosure certificates in connection with the issuance of bonds. For fiscal year 2011, the Company failed to update the State general fund receipts as part of its operating data. The State general fund receipts which were omitted in the Company's filing for fiscal year 2011 were included as part of the Company's filing for fiscal year 2012. For fiscal years 2011 and 2013, the Company made timely filings of each Participating Constituent Institution's unaudited financial statements, but failed to file the final financial statements accompanied by an audit report (or a report as to certain limited or agreed upon audit procedures) of each once available. The Company made the filings of the final financial statements accompanied by an audit report (or a report as to certain limited or agreed upon audit procedures) for each Participating Constituent Institution for fiscal years 2011 and 2013 on May 12, 2015. The Company believes that it has processes and procedures in place in order to continue making timely and complete filings in the future.

Bondholders' Risks

There are certain considerations and risks relating to an investment in the Series 2015 Bonds, which are set forth in this Official Statement under the caption "CERTAIN BONDHOLDERS' RISKS" and which should be carefully reviewed by prospective purchasers of the Series 2015 Bonds. See "CERTAIN BONDHOLDERS' RISKS" herein.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change without notice.

This Official Statement contains forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Official Statement. The Issuer and the Company disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in their expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the Company, the Board of Regents, the Participating Constituent Institutions, the Series 2015 Bonds, the Projects, the Indenture, the Loan Agreement, the Promissory Notes, the Ground Leases, the Security Deeds, the Rental Agreements, the Assignments of Contract Documents, the Disclosure Certificate and the security and sources of payment for the Series 2015 Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, such contracts, and other documents are intended as summaries only and are qualified in their entirety by reference to such laws and documents, and references herein to the Series 2015 Bonds are qualified in their entirety to the form thereof included in the Indenture. Copies of such contracts and other documents and information are available, upon request and upon payment to the Trustee of a charge for copying, mailing and handling, from the Trustee at 171 17th Street, 4th Floor, MAC #G0128-047, Atlanta, Georgia 30363, Attention: Corporate Municipal & Escrow Services. During the period of offering of the Series 2015 Bonds copies of such documents are available, upon request and upon payment of a charge for copying, mailing and handling, from Merrill Lynch, Pierce, Fenner & Smith Incorporated, One Bryant Park, 113 West 42nd Street, New York, New York 10036, Attention: Municipal Syndicate.

THE ISSUER

The Issuer is a public body corporate and politic and was created pursuant to the laws of the State of Georgia, including the Act. The Issuer was created for the purpose of financing the acquisition, construction and equipping of facilities for the benefit of public colleges, universities and technical colleges in the State of Georgia and is empowered pursuant to the Act to issue revenue bonds in furtherance of the public purpose for which it was created. The Act further authorizes the Issuer to enter into loan agreements with persons, firms, corporations, limited liability companies or other entities and to assign and pledge its interest in and rights under loan agreements made in connection with bonds it issues. THE ISSUER HAS NO TAXING POWER AND HAS NO LEGAL RIGHT TO RECEIVE APPROPRIATIONS OR OTHER PAYMENTS FROM THE STATE.

The Issuer has authorized the use of this Official Statement but has not participated in the preparation of this Official Statement and, except for the information under the caption "THE ISSUER" and "LITIGATION – The Issuer" and "– Validation Proceedings" pertaining to the Issuer, has not provided or made any investigation with respect to any of the information contained in this Official Statement, and does not assume any responsibility for the accuracy or completeness of the information contained herein.

The affairs of the Issuer are conducted by five members who are appointed pursuant to the provisions of the Act. The names and terms of the members of the Issuer are set forth below:

Name	Expiration of Term
Gary Bishop, Chair	June 30, 2016
Richard A. Anderson	June 30, 2016
Tommy David	June 30, 2016
Teresa MacCartney	June 30, 2016
Benjamin J. Tarbutton, III	June 30, 2015

THE SERIES 2015 BONDS

General

The Series 2015 Bonds will be issued in the aggregate principal amount shown on the front cover of this Official Statement, will be dated their date of issuance, and will mature as described on the inside front cover hereof, subject to the mandatory redemption provisions of the Indenture. The Series 2015 Bonds shall be issuable in the denomination of $5,000 or any integral multiple thereof.

The Series 2015 Bonds will bear interest at the rates shown on the inside front cover of this Official Statement, payable on each Interest Payment Date until paid. The Series 2015 Bonds will bear interest (computed on the basis of a 360-day year composed of twelve 30-day months) (a) from their dated date if authenticated prior to the first Interest Payment Date or (b) otherwise from the Interest Payment Date that is, or that immediately precedes, the date on which such Series 2015 Bond is authenticated (unless such payment of interest is in default, in which case such Series 2015 Bond will bear interest from the date to which interest has been paid).

Book-Entry Only System

The Series 2015 Bonds will be issued in book-entry form and registered in the name of Cede & Co., as nominee of DTC. Beneficial ownership interests in the Series 2015 Bonds will be available only in the book-entry system as maintained by DTC. Beneficial Owners will not receive physical bond certificates representing their interests in the Series 2015 Bonds purchased. So long as DTC or its nominee is the registered owner of the Series 2015 Bonds, references in this Official Statement to the owners of the Series 2015 Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners. So long as DTC or its nominee is the registered owner of the Series 2015 Bonds, payments of principal of and interest on the Series 2015 Bonds will be paid directly to DTC or its nominee, which is to remit such payments to the DTC Participants (as defined herein), which in turn are to remit such payments to the Beneficial Owners of the Series 2015 Bonds. See Appendix G – "Book-Entry Only System" hereto.

In the event the book-entry system is discontinued, ownership, transfers and exchanges and payment of principal and interest on the Series 2015 Bonds will be made in accordance with the provisions of the Indenture.

Special Limited Obligations

THE SERIES 2015 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR MORAL OR LEGAL OBLIGATION OF THE BOARD OF REGENTS, THE PARTICIPATING CONSTITUENT INSTITUTIONS, THE FOUNDATION OR THE STATE. THE SERIES 2015 BONDS ARE PAYABLE BY THE ISSUER SOLELY FROM THE TRUST ESTATE PLEDGED TO THE PAYMENT THEREOF UNDER THE INDENTURE. NO OWNER OF THE SERIES 2015 BONDS SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE TO PAY THE SERIES 2015 BONDS OR THE INTEREST OR PREMIUM THEREON OR ANY OTHER COST RELATING THERETO OR TO ENFORCE PAYMENT THEREOF AGAINST ANY PROPERTY OF THE STATE. THE SERIES 2015 BONDS SHALL NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE ISSUER HAS NO TAXING POWER.

Optional Redemption of Series 2015 Bonds

The Series 2015 Bonds maturing on and after June 15, 2026 may be redeemed by the Issuer at the written direction of the Company prior to maturity, either in whole or in part on any date, on or after June 15, 2025, at the redemption price of 100% of the principal amount being redeemed plus accrued interest to the redemption date, without premium.

Mandatory Sinking Fund Redemption of Series 2015 Bonds

The Series 2015 Bonds maturing on June 15, 2035 are subject to mandatory sinking fund redemption on June 15, 2034 and on each June 15 thereafter, in accordance with the Indenture, at a redemption price equal to 100% of the principal amount of each Series 2015 Bond (or portion thereof) to be redeemed plus accrued interest to the date fixed for redemption, in the following principal amounts and on the dates set forth below (the June 15, 2035 amount to be paid rather than redeemed):

June 15 of the Year	Principal Amount
2034	$4,575,000
2035	4,765,000

The Series 2015 Bonds maturing on June 15, 2040 are subject to mandatory sinking fund redemption on June 15, 2036 and on each June 15 thereafter, in accordance with the Indenture, at a redemption price equal to 100% of the principal amount of each Series 2015 Bond (or portion thereof) to be redeemed plus accrued interest to the date fixed for redemption, in the following principal amounts and on the dates set forth below (the June 15, 2040 amount to be paid rather than redeemed):

June 15 of the Year	Principal Amount
2036	$4,955,000
2037	5,150,000
2038	5,365,000
2039	5,580,000
2040	2,685,000

The Issuer shall be entitled to receive a credit in respect of its mandatory redemption obligation for Series 2015 Bonds delivered, purchased, or redeemed if the Company at its option purchases in the open market and delivers to the Trustee for cancellation Series 2015 Bonds or redeems Series 2015 Bonds (other than through mandatory redemption) and such Series 2015 Bonds have not theretofore been applied as a credit against any mandatory redemption obligation. Each such Series 2015 Bond so purchased or redeemed shall be credited by the Trustee at 100% of the principal amount thereof on the obligation of the Issuer on such mandatory redemption payment date, and any excess shall be credited on future mandatory redemption obligations in chronological order, and the principal amount of such Series 2015 Bonds to be redeemed by operation of mandatory redemption and the Basic Loan Payments specified in the Promissory Notes for mandatory redemption shall be accordingly reduced.

Extraordinary Redemption of Series 2015 Bonds

Series 2015 Bonds will be called for redemption, in whole or in part, at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date, without premium, in the event of: (1) damage to or destruction of a particular Project or any part thereof to the extent permitted or required in the provisions of the Loan Agreement described in Appendix B to this Official Statement under the caption "Damage and Destruction" in an amount equal to the Net Proceeds of insurance deposited with the Trustee, (2) condemnation of all or a portion of a particular Project to the extent permitted or required in the provisions of the Loan Agreement described in Appendix B to this Official Statement under the caption "Condemnation," in an amount equal to the Net Proceeds of the condemnation award deposited with the Trustee, (3) transfer of money from an account of the Project Fund to the applicable account of the Bond Fund pursuant to the provisions of the Loan Agreement, in an amount equal to such transferred amount, (4) removal of Equipment to the extent permitted by the provisions of each of the Security Deeds described in Appendix B to this Official Statement under the caption "Removal of Equipment" in an amount equal to the amounts so deposited with the Trustee as a result thereof, (5) release of land from any of the Security Deeds to the extent permitted by the provisions of the Loan Agreement described in Appendix B to this Official Statement under the captions "Release of Certain Land and Subordination; Granting of Easements" and "Option to Release Unimproved Land," in an amount equal to the amounts deposited with the Trustee as a result thereof, (6) the exercise of remedies by the Trustee pursuant to any Security Deed following the acceleration of the related Promissory Note, in an amount equal to the moneys received by the Trustee as a result of the exercise of such remedies after paying all costs and expenses of exercising such remedies, or (7) in the event Net Proceeds of any Title Insurance Policy for any of the Projects are used to redeem Bonds pursuant to the provisions of each of the Security Deeds, in an amount equal to such Net Proceeds.

Partial Redemption

If less than all of the Bonds of any series are called for redemption in any of the circumstances described above, other than mandatory sinking fund redemption, the Bonds shall be redeemed as directed in writing by the Company and if less than all of the Bonds of a maturity are to be redeemed, and in the case of mandatory redemption, the particular Bonds or portions thereof of such series to be redeemed within a maturity shall be selected by lot by DTC or any successor depository in accordance with its procedures, or if the book-entry system is discontinued, by lot by the Trustee. If a Bond subject to redemption is in a denomination larger than $5,000, all or a portion of such Bond may be redeemed, but only in a principal amount equal to $5,000 or an integral multiple thereof. Upon surrender of any Bond for redemption in part, the Issuer shall execute and the Trustee shall authenticate and deliver to the Owner thereof a new Bond or Bonds of the same series, interest rate, and maturity and of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Notice of Redemption

If any Bonds are called for redemption (other than mandatory sinking fund redemption), notice thereof identifying the Bonds or portions thereof to be redeemed shall be given by the Trustee by mailing a copy of the redemption notice by first class mail (postage prepaid) not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption to the Owner of each Bond to be redeemed in whole or in part at the address shown on the registration books at the close of business on the fifth (5^{th}) day preceding the date of mailing; provided, however, that failure to give such notice by mailing to any Owner of Bonds, or any defect therein, shall not affect the validity of any proceedings for the redemption of any other Bonds. Each notice will specify the CUSIP numbers of the Series 2015 Bonds being called, the portion of the Series 2015 Bonds being called if less than all of the Series 2015 Bonds are being called, redemption date, redemption price, and place or places where amounts due upon such redemption will be payable. Such notice will further state that payment of the applicable redemption price plus accrued interest to the date fixed for redemption, if any, will be made upon presentation and surrender of the Bonds to be redeemed and that on the redemption date, the redemption price will become due and payable upon each Bond to be redeemed and that interest thereon will cease to accrue on and after such date. Any notice mailed as provided in the Indenture shall be conclusively presumed to have been duly given, whether or not the Owner of such Bonds actually receives the notice. Notwithstanding the foregoing, upon the written direction of the Company, the notice of redemption for optional redemption described herein shall contain a statement to the effect that the redemption of the Bonds is conditioned upon the receipt by the Trustee, prior to the date fixed for such redemption, of amounts equal to the redemption price of the Bonds to be redeemed, and that if such moneys shall not have been so received, the notice will be of no force and effect and the Issuer shall not be required to redeem such Bonds and such Bonds shall not become due and payable.

Effect of Redemption

Notice of redemption having been given as provided in the Indenture, the Bonds or portions thereof designated for redemption shall become and be due and payable on the date fixed for redemption at the redemption price provided for in the Indenture, provided immediately available funds for their redemption are on deposit at the place of payment at that time, and, unless the Issuer defaults in the payment of the principal thereof and premium, if any, and interest thereon, such Bonds or portions thereof shall cease to bear interest from and after the date fixed for redemption, whether or not such Bonds are presented and surrendered for payment on such date. If any Bond or portion thereof called for redemption is not so paid upon presentation and surrender thereof for redemption, such Bond or portion thereof shall continue to bear interest at the rate set forth therein until paid or until due provision is made for the payment of the same.

Issuance of Additional Bonds

So long as no Event of Default has then occurred and is continuing, the Issuer at the request of the Company may issue Additional Bonds for the purpose of (i) financing the costs of making such Additions or Alterations as the Company may deem necessary or desirable, (ii) financing the cost of completing the Projects or any Additions or Alterations, (iii) refunding any Bonds and (iv) in each such case, paying the costs of the issuance and sale of the Additional Bonds, paying capitalized or funded interest, funding a debt service reserve fund and such other costs reasonably related to the financing as shall be agreed upon by the Company and the Issuer.

(a) The terms of such Additional Bonds, the purchase price to be paid therefor, and manner in which the proceeds therefrom are to be disbursed shall be determined by the Company and the sale of any Additional Bonds shall be the sole responsibility of the Company. The Company and the Issuer shall enter into an amendment to the Loan Agreement to provide for additional promissory notes with Basic Loan Payments in an amount at least sufficient to pay principal of, premium, if any, and interest on the Additional Bonds when due and to provide for any additional terms or changes to the Loan Agreement required because of such Additional Bonds. The Issuer and the Trustee shall enter into such amendments or supplements to the Indenture as are required to effect the issuance of the Additional Bonds.

(b) As a condition for the issuance of Additional Bonds, (i) either (A) such Additional Bonds (including any refunding Additional Bonds) shall be rated in a rating category that is not lower than the underlying rating of then Outstanding Bonds (*i.e.*, the rating of the Outstanding Bonds without giving effect to any credit enhancement) or (B) the Company shall deliver to the Trustee (1) a certificate of an Authorized Company Representative that (x) the Additional Bonds will be used to finance or refinance costs related to a particular Project and (y) for each of the two Fiscal Years next preceding the issuance of the proposed Additional Bonds, the Debt Service Coverage Ratio of the Company for the related Project was not less than (AA) 1.00 if a Rental Agreement was in effect during each of the two applicable Fiscal Years for the related Project and (BB) 1.20 if no Rental Agreement was in effect during each of the two applicable Fiscal Years and (2) the forecasted financial statements, reported on by a Financial Consultant, for each Fiscal Year until such Additions or Alterations are expected to be placed in operation and for the three Fiscal Years immediately following the Fiscal Year in which such Additions or Alterations being paid for with the proceeds of such Additional Bonds are expected to be placed in operation, which give effect to the issuance or incurrence of such Additional Bonds and to the application of the proceeds thereof and resulting additional income from any Additions or Alterations constructed and acquired from such proceeds to the effect that: (x) the forecasted Debt Service Coverage Ratio of the Company for the Project to which the Additional Bonds are related for each of the three Fiscal Years immediately following the Fiscal Year in which such Additions or Alterations are expected to be placed in operation will be not less than (AA) 1.00 if a Rental Agreement is expected to be in effect during each of the three applicable Fiscal Years for the related Project and (BB) 1.20 if no Rental Agreement is expected to be in effect during each of the three applicable Fiscal Years and (y) the forecasted

Revenue Available for Debt Service of the Company for each Fiscal Year until such Additions or Alterations are expected to be placed in operation plus any funded interest shall be sufficient to pay the Debt Service which relate to the proposed Additional Bonds for each Fiscal Year until such Additions or Alterations are expected to be placed in operation, or (C) in the case of refunding Additional Bonds an Authorized Company Representative shall certify (1) that the annual Debt Service on the Additional Bonds will not exceed the annual Debt Service on the Bonds being refunded in any Bond Year, or (2) that the forecasted Debt Service Coverage Ratio of the Company for each of the three Fiscal Years following the Fiscal Year in which the refunding Additional Bonds are issued will be not less than 1.00, or (D) in the case of Additional Bonds issued to complete any Additions or Alterations, such Additional Bonds shall be in a principal amount that does not exceed 10% of the principal amount of the Additional Bonds issued to finance the Additions or Alterations; and (ii) prior to the issuance of such Additional Bonds, each Rating Agency then rating the Outstanding Bonds shall deliver a confirmation letter stating that the issuance of the Additional Bonds will not result in a qualification, downgrade, or withdrawal of the then current ratings on the then Outstanding Bonds.

(c) Any amounts received by the Trustee for payment of Debt Service shall be allocated between the Bonds and Additional Bonds on a pro rata basis.

SECURITY FOR THE SERIES 2015 BONDS

General

Trust Estate. The Series 2015 Bonds are limited obligations of the Issuer payable solely from the Trust Estate created by the Indenture. The Trust Estate includes all of the Issuer's right, title and interest in and to (a) the Loan Agreement (except for the Issuer's rights to payment of fees and expenses, to receive notices and documents and to indemnification pursuant to the terms thereof); (b) the Promissory Notes; (c) the Security Deeds; (d) the Assignments of Contract Documents; (e) moneys and securities held in any and all funds created under the Indenture (except the Rebate Fund); and (f) any and all other property from time to time by delivery or by writing conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Indenture by the Issuer or by anyone on its behalf or with its written consent to the Trustee.

Promissory Notes. Pursuant to the Loan Agreement, the Issuer will lend the proceeds derived from the sale of the Series 2015 Bonds to the Company, and the Company will agree to issue the Promissory Notes, each relating to a Project, to the Issuer, collectively obligating the Company to make payments to the Trustee for the account of the Issuer in amounts and at times sufficient in the aggregate to enable the Issuer to pay the principal of, premium, if any, and interest on the Series 2015 Bonds. **Each Promissory Note will be in the principal amount of the Series 2015 Bonds allocated to the related Project and will obligate the Company to make additional loan payments sufficient to fund a replacement reserve for and pay expenses of the related Project. The Company's sole source of revenue to make its periodic debt service payments due under each Promissory Note will be the rents it receives under the related Rental Agreement or from renting the related Project to a substitute tenant. The Company's liability under each Promissory Note is limited to the interest of the Company in the related Project, and no judgment for any deficiency may be sought against the Company in the event the liquidation of the collateral pledged to any Promissory Note is not sufficient to satisfy the amount due under such Promissory Note. Each Promissory Note will be a nonrecourse obligation of the Company, secured solely by the related Security Deed and related Assignment of Contract Documents.**

Security Deeds. Pursuant to each Security Deed, the Company will (a) grant to the Issuer a first lien on and first security title to its leasehold interest in certain real property constituting the related Project, (b) assign and pledge to the Issuer the Company's interest in certain rents and leases derived from the related Project, and (c) grant to the Issuer a first priority security interest in certain personal property constituting the related Project and in certain revenues derived from the related Project, all of which will be assigned by the Issuer to the Trustee. **Prospective investors should regard each Security Deed as collateral for only the related Promissory Note.**

A Title Insurance Policy will be delivered in the amount of the principal amount of each Promissory Note to insure that the Trustee will have a direct and valid first priority lien on the real property portion of the related Project, subject only to Permitted Encumbrances and the standard exclusions from the coverage of such policy.

Assignment of Contract Documents. Pursuant to each Assignment of Contract Documents, the Company assigned to the Issuer its interest in the Contract Documents. **The Contract Documents related to a particular Project will be assigned as collateral only for the related Promissory Note.**

Each Promissory Note, the related Security Deed and the related Assignment of Contract Documents will not be cross-collateralized or cross-defaulted with any other Promissory Note, Security Deed or Assignment of Contract Documents. The revenues derived from a particular Project will not be available to pay amounts due on a Promissory Note related to another Project and vice versa. A default with respect to one Promissory Note will not be a default with respect to another Promissory Note. A default with respect to the Series 2015 Bonds will not, by itself, cause a default with respect to any of the Promissory Notes or permit the Trustee to exercise remedies under any Security Deed or Assignment of Contract Documents. The Trustee will be permitted to exercise remedies under a Security Deed or an Assignment of Contract Documents only in the event of a payment default under the related Promissory Note, or a covenant breach under that particular Security Deed or Assignment of Contract Documents.

A summary of selected provisions of the Indenture, the Loan Agreement and the Security Deeds is set forth in Appendix B — "Definitions and Summaries of Principal Documents" hereto. Reference should be made thereto for the further covenants of the Issuer and the Company made in connection with those documents.

Ground Leases

Pursuant to each Ground Lease, the Board of Regents leases to the Company the site upon which the related Project is located for a term ending June 30, 2040. Each Ground Lease is renewable for an additional five-year term in limited circumstances. A form of the Ground Lease is attached hereto as Appendix F.

Rental Agreements

Under the terms of each Rental Agreement, the Company rents the related Project to the Board of Regents on an annually-renewable basis for use by the related Participating Constituent Institution. Assuming the continued renewal of each Rental Agreement by the Board of Regents, the Board of Regents will make fixed rental payments for the use and occupancy of each Project in aggregate amounts that the Company estimates will be sufficient to enable the Company to pay, among other things, the principal of and interest on the related Promissory Note when the same become due and payable. In addition, each Rental Agreement provides that the Board of Regents pays insurance for each Project, taxes and, to the extent insufficient funds are on deposit in the Replacement Fund for each particular Project, maintenance and repair costs of each Project and is responsible for repairs to each Project and for janitorial services, garbage removal, pest control, and utilities for each Project. The Board of Regents' obligation under each Rental Agreement to pay insurance for each Project, taxes and maintenance and repair costs of each Project is limited to the moneys budgeted by the related Participating Constituent Institution and agreed to by the Board of Regents in each fiscal year for such purpose, which budget is subject to annual review and modification. See "CERTAIN BONDHOLDERS' RISKS — Reimbursement Obligations of the Company" herein, and Appendix E for the form of the Rental Agreement.

The current term of each Rental Agreement expires on June 30, 2015. The Board of Regents has the option to renew or extend the rental term of each Rental Agreement on a year-to-year basis for consecutive one-year renewal terms beyond the initial term to end no later than June 30, 2040, provided that notice of the Board of Regents' desire to exercise such option shall be given to the Company at least sixty (60) days prior to the expiration date of the immediately preceding term.

The Board of Regents has given the requisite notice in order to renew each Rental Agreement for the annual term beginning July 1, 2015 and expiring on June 30, 2016. Since the expiration of the initial term of each Rental Agreement, the Board of Regents has elected to renew each Rental Agreement for each previous renewal term. The election to renew each Rental Agreement is at the sole option of the Board of Regents, and there can be no assurance that the Board of Regents will continue to renew any or all of them. Each Rental Agreement is a year-to-year operating lease that the Board of Regents has no moral or legal obligation to renew or keep in effect. If the Board of Regents elects not to renew any Rental Agreement and it expires by its terms at the end of the annual term beginning July 1, 2015 or any subsequent 12-month term, the Board of Regents will have no further obligations under that particular Rental Agreement. If the Board of Regents elects not to renew any Rental Agreement, the Company may not be able to rent the particular Project to another tenant for an amount sufficient to enable the Company to make its payments due under the Promissory Note related to that particular Project. The likelihood that the Board of Regents will renew each Rental Agreement past the annual term beginning July 1, 2015 depends in part upon its continuing need for the particular Project and depends in part upon the availability of appropriations received from the General Assembly of the State of Georgia. See "CERTAIN BONDHOLDERS' RISKS — Limitations on Board of Regents' Obligations Under Rental Agreement; Risk of Non-Renewal" herein.

The Board of Regents may elect to renew one or more of the Rental Agreements with no obligation to renew any of the other Rental Agreements. The Rental Agreements are not cross-defaulted. Failure of the Board of Regents to renew a Rental Agreement will not, by itself, constitute an Event of Default under the Indenture, the Loan Agreement or any Security Deed.

The likelihood that the Board of Regents will renew each Rental Agreement for each renewal term throughout the term of the Series 2015 Bonds will be dependent in part upon the amount of revenues generated by each Project. See "BOARD OF REGENTS" herein.

THE BOARD OF REGENTS HAS NO MORAL OR LEGAL OBLIGATION WITH RESPECT TO THE SERIES 2015 BONDS OR TO CONTINUE TO RENT ANY PROJECT IN A MANNER SUPPORTIVE OF THE CREDITWORTHINESS OF THE SERIES 2015 BONDS.

The Board of Regents is not permitted to assign any Rental Agreement or sublet components of any Project without the Company's express written consent; provided, however, the Board of Regents may sublet components of each Project without first obtaining the consent of the Company for short-term (24 hours) educational purposes. Any assignment or subletting without the Company's consent will be void, and, at the option of the Company, on 30 days' notice to the Board of Regents, will operate to terminate the Rental Agreement.

Each Rental Agreement provides that, if a Project is damaged, by any cause whatever, as to be rendered unfit for occupancy by the Board of Regents, and thereafter the Project is not repaired by the Company, at its expense, with reasonable promptness and dispatch, then the Board of Regents has the option to immediately cancel and terminate the related Rental Agreement by giving proper notice thereof. Each Rental Agreement further provides that, if a Project is partially destroyed, by any cause whatever, but not rendered unfit for occupancy by Board of Regents, then the Company, at its expense and with reasonable promptness and dispatch, will repair and restore the Project to substantially the same condition as before the damage. If a Project is partially destroyed there will be an abatement in the rent payable during the time such repairs or rebuilding is being made. Such proportionate deduction of rent will be based upon the extent to which the damage and the repairs or rebuilding interfere with the business carried on by the Board of Regents in the Project. Full rental will recommence after completion of the repairs and restoration of such component of the Project. See "CERTAIN BONDHOLDERS' RISKS — Condemnation/Casualty Risk of Rent Abatement" herein.

At the cost and expense of the Board of Regents, the Company is obligated to provide insurance coverage for each Project obtained from an insurance company licensed to transact business in Georgia for the applicable line of insurance and which has a Best Policyholders Rating of "A" or better and a financial rating size of Class IX or larger. The required insurance coverages for each Project are: (i) property insurance against loss or damage by fire and other casualties, for not less than the actual replacement cost of each Project, (ii) comprehensive general liability insurance with coverage limits of $1,000,000 per occurrence for personal injury and $2,000,000 general aggregate, (iii) commercial umbrella liability insurance to provide excess coverage over the commercial general liability coverage with limits of $2,000,000 per occurrence and $2,000,000 aggregate and (iv) rental interruption insurance for rents of up to two years. See "CERTAIN BONDHOLDERS' RISKS — Reimbursement Obligations of the Company" herein.

For a description of the condemnation and other provisions of each Rental Agreement, see Appendix E hereto.

No Debt Service Reserve Fund

No debt service reserve fund has been established for the Series 2015 Bonds.

Other Funds and Accounts

The Indenture provides for several funds to be held by the Trustee, into which will be deposited the proceeds of the sale of the Series 2015 Bonds and the periodic rental payments to be received under the Rental Agreements. For a description of the other funds and accounts created under the Indenture and their permitted uses, see "SUMMARY OF THE INDENTURE" in Appendix B hereto.

Covenants

The Company has agreed in the Loan Agreement and the Security Deeds to various operational and financial covenants and restrictions upon itself and the Projects, including, but not limited to, limitations on the incurrence of additional indebtedness, maintenance of certain amounts of insurance, limitations on mergers and transfers of assets, limitations on the creation of liens, and limitations on additional activities. See "SUMMARY OF THE LOAN AGREEMENT" in Appendix B hereto.

Parity Obligations

Under certain circumstances, the Indenture permits the Issuer, for specified purposes, to issue Additional Bonds, which will be equally and ratably secured on a parity basis with the Series 2015 Bonds under the Indenture. Any amounts on deposit in a Debt Service Reserve Fund for a series of Additional Bonds may not be available to pay the principal of and interest on the Series 2015 Bonds. See "THE SERIES 2015 BONDS – Issuance of Additional Bonds" herein and "THE INDENTURE – Issuance of Additional Bonds" in Appendix B hereto.

PLAN OF FINANCING

Sources and Uses of Funds

The schedule below contains the estimated sources and uses of funds in connection with the issuance of the Series 2015 Bonds.

Estimated Sources of Funds:	
Par Amount of Series 2015 Bonds	$85,570,000
Plus: Net Original Issue Premium	3,369,086
Plus: Various Funds and Accruals for Refunded Bonds	5,441,504
Total Sources of Funds	$94,380,590
Estimated Uses of Funds:	
Escrow Fund to Retire Refunded Bonds	$93,476,840
Issuance Costs[1]	903,750
Total Uses of Funds	$94,380,590

[1] Includes, without limitation, Underwriters' compensation, legal fees and expenses, initial Trustee's fees and accounting fees and expenses.

Plan of Refunding

Proceeds of the Series 2015 Bonds, together with certain other moneys and excluding proceeds to be used to pay costs of issuance, will be used for the purpose of paying when due and refunding the Refunded Bonds currently outstanding in the aggregate principal amount of $80,200,000. The Refunded Bonds will be called for redemption on or about June 15, 2018 (the "Redemption Date") at a redemption price of 100% of the principal amount thereof, plus accrued interest to the redemption date. The portion of the proceeds of the Series 2015 Bonds that will be used to refund the Refunded Bonds, together with certain other moneys, will be deposited into an escrow fund (the "Escrow Fund") created pursuant to an Escrow Deposit Agreement, dated as of June 9, 2015 (the "Escrow Agreement"), among the Issuer, the Company and Wells Fargo Bank, National Association, as escrow agent (the "Escrow Agent"). The proceeds held in the Escrow Fund will be used to acquire certain eligible government obligations (the "Government Obligations") and to establish an initial cash balance and will be held in trust by the Escrow Agent and the moneys received from such Government Obligations as they mature, together with such cash balance, will be applied (a) to pay the principal of and interest on the Refunded Bonds coming due through the Redemption Date and (b) to redeem the Refunded Bonds on the Redemption Date. The owners of the Series 2015 Bonds will not have a lien on or be entitled to the money in the Escrow Fund. Upon such deposits, the Refunded Bonds will be considered defeased in accordance with the Indenture and applicable law, and the Company's liability with respect thereto will be limited to the amounts deposited to the Escrow Fund. Samuel Klein and Company, Certified Public Accountants, will verify the mathematical accuracy of certain computations with respect to the sufficiency for such purpose of the cash on deposit and the Government Obligations on deposit in the Escrow Fund. See "MISCELLANEOUS – Verification of Mathematical Computations."

Description of the Projects

Dalton State Project. A portion of the proceeds of the Series 2008 Bonds were used to finance the acquisition, construction and equipping of an approximately 390-space parking deck on an approximately 1.07-acre site on the campus of Dalton State College located in Dalton, Georgia. The parking deck consists of three levels. The completion date was July 2009.

Darton Project. A portion of the proceeds of the Series 2008 Bonds were used to finance the acquisition, construction and equipping of an approximately 55,399 square foot addition to the student center located on an approximately 0.997-acre site on the campus of Darton State College located in Albany, Georgia. The addition includes recreation, dining, ballroom, lounge and meeting space. The completion date was February 2010.

Fort Valley Project. A portion of the proceeds of the Series 2008 Bonds were used to finance the acquisition, construction and equipping of an approximately 26,257 square foot student center and renovation of the football stadium on an approximately 2.798-acre site on the campus of Fort Valley State University located in Fort Valley, Georgia. The student center includes dining, lounge, recreation, ballroom and meeting space. The completion date was October 2009. The stadium renovation consists of new bleachers to seat 10,000, a press box, concessions, restrooms and associated support space. The completion date was July 2009.

The Fort Valley Project and two other housing projects on the campus of Fort Valley State University are expected to have insufficient revenues to make rental payments during fiscal years 2015 and 2016. The Board of Regents expects that Fort Valley State University will have sufficient funds available from other sources to make the required rent payments in fiscal year 2015. It is anticipated that the Capital Liability Reserve Fund maintained by the Board of Regents will be drawn upon to subsidize rental payments due in fiscal year 2016. The amount of the draw will be determined in the second quarter of fiscal year 2016 following the calculation of revenues related to fall enrollment at Fort Valley State University. Any amounts drawn upon with respect to the Rental Agreement related to the Fort Valley Project will be distributed from the Board of Regents directly to the Trustee and applied to make the debt service payment on the Series 2015 Bonds allocable to the Fort Valley Project. Repayment by Fort Valley State University to the Board of Regents will be deferred until Fort Valley State University's overall financial condition has improved. See "BOARD OF REGENTS – PPV Program" herein. For additional information regarding Fort Valley State University, see Appendix A – "INFORMATION REGARDING EACH PARTICIPATING CONSTITUENT INSTITUTION – Fort Valley State University" hereto.

UNG Project. A portion of the proceeds of the Series 2008 Bonds were used to finance the acquisition, construction and equipping of a parking deck and the extension of an existing surface parking lot to provide approximately 382 additional parking spaces on an approximately 2.18-acre site on the campus of UNG located in Gainesville, Georgia. The parking deck consists of two levels and includes an extension of surface parking. The completion date was June 2009.

GCSU Project. A portion of the proceeds of the Series 2008 Bonds were used to finance the acquisition, renovation and equipping of an approximately 21,985 square foot building to provide a bookstore and black box theater on an approximately 0.326-acre site near the campus of Georgia College and State University located in Milledgeville, Georgia. The renovation project consists of remodeling a circa 1948 movie theatre for use as a bookstore and blackbox theatre. The completion date was February 2010.

Kennesaw State Project. A portion of the proceeds of the Series 2008 Bonds were used to finance the acquisition, construction and equipping of an approximately 863-space parking deck on an approximately 1.667-acre site on the campus of Kennesaw State located in Marietta, Georgia. The parking deck consists of five levels. The completion date was October 2009.

Sufficiency of Payments under Rental Agreements

The Company has calculated the aggregate payments required to be made under the Rental Agreements to be sufficient in time and amount to enable the Company to pay the aggregate principal of and interest on the Promissory Notes and to fund repair and replacement reserves for the Projects, as required by the Indenture.

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ANNUAL DEBT SERVICE REQUIREMENTS

The aggregate principal (including principal payable at maturity and by mandatory sinking fund redemption) and interest payment requirements with respect to the Series 2015 Bonds are as follows:

	Series 2015 Bonds		
Ending June 15	Principal	Interest	Total
2016	$ 1,050,000	$ 3,689,661	$ 4,739,661
2017	1,235,000	3,608,175	4,843,175
2018	1,425,000	3,558,775	4,983,775
2019	1,635,000	3,487,525	5,122,525
2020	2,175,000	3,405,775	5,580,775
2021	2,495,000	3,297,025	5,792,025
2022	2,710,000	3,172,275	5,882,275
2023	2,895,000	3,036,775	5,931,775
2024	3,035,000	2,892,025	5,927,025
2025	3,195,000	2,740,275	5,935,275
2026	3,345,000	2,580,525	5,925,525
2027	3,445,000	2,480,175	5,925,175
2028	3,560,000	2,372,519	5,932,519
2029	3,700,000	2,230,119	5,930,119
2030	3,885,000	2,045,119	5,930,119
2031	4,080,000	1,850,869	5,930,869
2032	4,225,000	1,697,869	5,922,869
2033	4,405,000	1,528,869	5,933,869
2034	4,575,000	1,352,669	5,927,669
2035	4,765,000	1,169,669	5,934,669
2036	4,955,000	979,069	5,934,069
2037	5,150,000	774,675	5,924,675
2038	5,365,000	562,238	5,927,238
2039	5,580,000	340,931	5,920,931
2040	2,685,000	110,756	2,795,756
Totals	$85,570,000	$54,964,356	$140,534,356

See Appendix A hereto for the annual debt service requirements allocable to each Participating Constituent Institution.

THE COMPANY AND THE FOUNDATION

Company

The Company was organized on October 15, 2008 as a Georgia limited liability company. The Company is managed by the Manager. The Company was formed for the purpose of constructing the Projects and renting the Projects to the Board of Regents.

The Company has no significant assets other than the Projects, and no significant liabilities other than those pursuant to the Loan Agreement and the Promissory Notes. The Company is solely dependent upon the continued rental of the Projects to the Board of Regents to meet its obligations under the Loan Agreement and the Promissory Notes. The obligations of the Company under the Loan Agreement are not obligations of the Foundation or the Participating Constituent Institutions. See "CERTAIN BONDHOLDERS' RISKS – Operating History" and "– Limited Assets of the Company" herein.

Foundation

The sole member of the Company and the Manager is the Foundation. The Foundation has received a determination from the IRS that it is an organization exempt from federal income taxation pursuant to Section 501(c)(3) of the Code and is not a private foundation under Section 509(a) of the Code. The Foundation supports the educational mission of the University System through fundraising and the distribution of scholarships and awards. The Foundation is currently managed by a 17-member Board of Trustees.

THE FOUNDATION HAS NO OBLIGATION TO PAY DEBT SERVICE ON THE SERIES 2015 BONDS OR THE PROMISSORY NOTES. IN ANY ACTION OR PROCEEDING BROUGHT WITH RESPECT TO THE SERIES 2015 BONDS, THE PROMISSORY NOTES, THE LOAN AGREEMENT, THE PROJECTS OR THE SECURITY DEEDS, NO DEFICIENCY OR OTHER MONEY JUDGMENT SHALL BE ENFORCED AGAINST THE FOUNDATION. ANY JUDGMENT OBTAINED SHALL NOT BE ENFORCED AGAINST THE FOUNDATION OR ANY OFFICER, TRUSTEE OR AGENT OF THE FOUNDATION OR ANY SUCCESSOR OR ASSIGN OF THE FOUNDATION.

BOARD OF REGENTS

THE BOARD OF REGENTS HAS NO MORAL OR LEGAL OBLIGATION WITH RESPECT TO THE SERIES 2015 BONDS OR TO CONTINUE TO RENT THE PROJECTS IN A MANNER SUPPORTIVE OF THE CREDITWORTHINESS OF THE SERIES 2015 BONDS. THE BOARD OF REGENTS HAS MADE NO REPRESENTATION AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT CONCERNING THE BOARD OF REGENTS.

General

The Board of Regents is a constitutionally created agency of the State of Georgia. It governs, controls and manages all of the 30 public institutions of higher education within the University System.

Members

The 19 members of the Board of Regents are appointed by the Governor and confirmed by the Senate on a rotating basis to serve seven-year terms. The members consist of one member from each of the 14 congressional districts in Georgia and five additional at-large members from Georgia.

The Board of Regents conducts its operations through its staff. The Board of Regents elects a Chancellor, who serves as its chief executive officer and as the chief administrative officer of the University System. In the history of the Board of Regents, 12 individuals have served as Chancellor.

On July 1, 2011 Henry "Hank" Huckaby began service as the University System's twelfth Chancellor. Mr. Huckaby has an extensive prior record of public service within the State of Georgia and specifically within the University System. He has served in the Governor's Office of Planning and Budget, as a senior policy coordinator from 1973-1975 and then as its director from 1991-1995. From 1977 to 1980, Mr. Huckaby worked as commissioner of the Georgia Department of Community Affairs and thereafter joined the Georgia Residential Finance Authority as executive director from 1980 to 1991. In January of 2011, Mr. Huckaby was sworn in to represent Georgia House District 113 as a member of the General Assembly of the State of Georgia.

Mr. Huckaby's higher education experience includes several varied roles within the University System. He has served in the area of admissions at Georgia State University (1967-1971) and Gordon College (1972-1973). Mr. Huckaby was appointed as the director of the Fiscal Research Program at Georgia State University and served in that capacity from 1995 to 1997, worked as the director of the Carl Vinson Institute of Government at the University of Georgia from 1997 to 2000, continued his service at the University of Georgia as its senior vice president of Finance and Administration from 2000 to 2006 and thereafter served on a part-time basis from 2006 to 2009 as a special assistant to the President. Mr. Huckaby presently serves as a Trustee of the Ty Cobb Educational Foundation and as a trustee for Young Harris College.

Set forth below are the members of the Board of Regents, their respective districts and terms of office:

Regents	District	Term
James M. Hull	State-at-Large	November 7, 2013 – January 1, 2016
Donald M. Leebern, Jr.	State-at-Large	January 1, 2012 – January 1, 2019
T. Rogers Wade	State-at-Large	January 1, 2013 – January 1, 2020
Larry Walker	State-at-Large	August 1, 2009 – January 1, 2016
W. Paul Bowers	State-at-Large	April 18, 2014 – January 1, 2020
Don L. Waters	First District	January 1, 2013 – January 1, 2018
Doreen Stiles Poitevint	Second District	January 1, 2011 – January 1, 2018
C. Thomas Hopkins, Jr., MD	Third District	April 16, 2010 – January 1, 2017
C. Dean Alford, P.E.	Fourth District	January 1, 2012 – January 1, 2019
Larry R. Ellis	Fifth District	January 1, 2013 – January 1, 2017
Kessel Stelling, Jr., *Vice Chairman*	Sixth District	January 9, 2015– January 1, 2022
Richard L. Tucker	Seventh District	January 28, 2012 – January 1, 2019
Rutledge A. Griffin, Jr.	Eighth District	January 1, 2013 – January 1, 2018
Philip A. Wilheit, Sr.	Ninth District	January 9, 2015 – January 1, 2022
Benjamin J. Tarbutton III	Tenth District	January 1, 2013 – January 1, 2020
Neil L. Pruitt, Jr., *Chairman*	Eleventh District	January 1, 2013 – January 1, 2017
Lori Durden	Twelfth District	January 1, 2013 – January 1, 2020
Sachin Shailendra	Thirteenth District	April 4, 2014 – January 1, 2021
Scott Smith	Fourteenth District	January 1, 2013 – January 1, 2020

University System

The University System consists of 30 institutions: four research universities (the University of Georgia, Georgia Institute of Technology, Georgia State University, and Georgia Regents University), four comprehensive universities (Georgia Southern University, Kennesaw State University, University of West Georgia and Valdosta State University), nine state universities and 13 state colleges. These institutions enroll more than 314,000 students and employ more than 11,000 faculty and 28,600 staff to provide teaching and related services to students and the communities in which they are located.

All of the property of the constituent institutions comprising the University System is owned or leased by the Board of Regents. The President of each institution in the University System is the executive head of the institution and all of its departments. Each President is responsible to the Chancellor for the operation and management of the institution he or she leads and for the execution of the directives of the Chancellor and the Board of Regents.

Consolidation

On January 10, 2012, the Board of Regents approved the consolidation of eight of the University System of Georgia's colleges and universities into four institutions (the "2012 Plan"). The Board of Regents recommended consolidation for the following four pairs of schools: (a) Gainesville State College and North Georgia College & State University; (b) Middle Georgia College and Macon State College; (c) Waycross College and South Georgia College; and (d) Augusta State University and Georgia Health Sciences University. The 2012 Plan was finalized on January 8, 2013, resulting in 31 institutions. Each of the four consolidated universities operate under a new name.

On November 12, 2013, the Board of Regents approved the consolidation of Kennesaw State University and Southern Polytechnic State University into one new consolidated institution (the "2013 Plan"). On December 9, 2014, the Southern Association of Colleges and Schools approved the 2013 Plan, and the Board of Regents approved the consolidated institution now named Kennesaw State University on January 6, 2015.

On January 6, 2015, the Board of Regents approved the consolidation of Georgia State University and Georgia Perimeter College into one new consolidated institution to be named Georgia State University (the "2015 Plan"). Pursuant to the timeline described in a press release issued by the University System, the Southern Association of Colleges and Schools is expected to approve the consolidation plan by the end of 2015, and the Board of Regents is expected to approve the consolidated institution in early 2016.

The purpose of the 2012 Plan, the 2013 Plan and the 2015 Plan is to enable the University System to better serve the students and areas of the State more efficiently and effectively by reducing costs, avoiding duplication of academic programs in the same region and by creating economies of scale.

PPV Program

According to information published by the Board of Regents' Department of Facilities, as of June 30, 2014, the Board of Regents had entered into approximately 188 outstanding rental agreements with respect to facilities for 34 of the former 35 institutions (consolidated to 30 institutions as of January 6, 2015) comprising the University System (the "Public Private Ventures Program"). The total bonded indebtedness with respect to the facilities covered by the Public Private Ventures ("PPV") Program exceeds $3.6 billion. On November 13, 2012, the Board of Regents adopted three policy additions and one policy revision that govern the University System's PPV Programs. These policies (a) set a maximum capital liability capacity of 5% of annual revenues for the University System as a whole, (b) establish the University System of Georgia Capital Liability Reserve Fund (the "Capital Liability Reserve Fund") to serve as a pooled reserve to primarily address unanticipated shortfalls in rental payments, (c) require the University System's Central Office to review any proposed refinancing of a project financed through the PPV Program, to ensure that at least 50% of savings generated from refinancing are retained by the University System or its members and (d) revise the University System's current student housing policy to require University System institution presidents to notify the Chancellor of the Board of Regents prior to mandating that students live in on-campus housing or changing an existing residency policy, and gives the Chancellor the authority to reverse such decisions.

The Capital Liability Reserve Fund serves as a common reserve that is available to subsidize rental payments under a rental agreement (including each Rental Agreement) that may be deficient because of unforeseen events that negatively impact the revenues of a given project. Although project revenues are not specifically pledged to the payment of rent obligations under a rental agreement, the revenues generated by the facility financed are intended to cover the rent payments. The Capital Liability Reserve Fund is currently funded in an amount equal to approximately $22 million. The amount on deposit in the Capital Liability Reserve Fund fluctuates depending upon the amount of PPV debt outstanding at any given time. The Board of Regents expects the current balance of the Capital Liability Reserve Fund to decrease by approximately $ 2.1 million in connection with the defeasance of debt associated with the P3 initiative. See "- P3 Initiative for On-Campus Housing" below.

P3 Initiative for On-Campus Student Housing

On November 12, 2014, the Board of Regents selected Corvias Campus Living ("Corvias") as its partner for the initial phase of the University System's Public-Private Partnership (P3) initiative for on-campus student housing. The Board of Regents expects that Corvias will begin managing 6,195 existing beds and developing 3,683 new beds of on-campus student housing at nine institutions within the University System beginning in May 2015 with respect to the development and on July 1, 2015 with respect to the management. These nine institutions include Abraham Baldwin Agricultural College, Armstrong State University, College of Coastal Georgia, Columbus State University, Dalton State College, East Georgia State College, Georgia Regents University, Georgia State University and the University of North Georgia. The University System will retain oversight of this on-campus housing partnership. Approximately $296 million of PPV debt was defeased on May 14, 2015 in connection with the first phase of the P3 initiative.

Funding the University System

All appropriations made for the use of any or all institutions in the University System are required by the Georgia Constitution to be paid to the Board of Regents in a lump sum, with the power and authority in the Board of

Regents to allocate and distribute the same among the institutions under its control in such way and manner and in such amounts as will further an efficient and economical administration of the University System.

Each year the Board of Regents compiles the budget requests of all member colleges and universities and presents a total funding request for the University System to the Governor. The Governor reconciles the State of Georgia's available resources with total requests and submits a budget proposal to the General Assembly. Upon adoption of the budget, the Board of Regents receives a lump sum amount of funding from the General Assembly for the University System. The Board of Regents then allocates and disburses these funds to the individual institutions on the basis of strategic initiatives for the University System. These allocations are then used by the individual institutions to prepare detailed, line item budgets for consideration by the Board of Regents. Upon approval by the Board of Regents, the budgets are relied upon by each institution to monitor and control their economic resources.

As with all State agencies, the Board of Regents is funded on an annual appropriation basis. In addition, funds that are appropriated in any fiscal year by the Georgia General Assembly to a state agency may not, in every case, be allotted to that agency by the Governor's Office of Planning and Budget. For example, in June 2009 and June 2010, the Governor's Office of Planning and Budget withheld cash scheduled to be distributed to State agencies because State revenue collections were less than projected. The impact of this action upon the Board of Regents was a one-time reduction in cash allotments of $39,829,809 in June 2009 and $27,135,755 in June 2010; however, this reduction was partially offset by the receipt of $17,189,581 in federal stimulus funds in 2009 and $23,186,142 in federal stimulus funds in 2010. The Board of Regents' ability to make payments under the Rental Agreement may depend upon the financial condition of the State and the State's ability and willingness to make appropriations to the University System.

The Georgia General Assembly's final budgeted appropriation allotments of State funds for the University System for the fiscal year ended June 30, 2014 was $1,885,486,702, an increase of 3.1% as compared to the original budgeted appropriation for fiscal year 2013. The original budgeted appropriation allotments of State funds for the University System for the fiscal year ended June 30, 2015 was $1,939,087,764, an increase of 2.84% as compared to the amended budgeted appropriation allotments for the fiscal year ended June 30, 2014. The final amended appropriation allotments of State funds for the University System for the fiscal year ended June 30, 2015 is $1,944,621,492, an increase of 0.29% as compared to the original budgeted appropriation for the fiscal year ended June 30, 2015. The General Assembly appropriated $2,020,395,691 in state funds for the University System for fiscal year 2016, which represents a 4.19% increase over the original budgeted appropriation for fiscal year 2015.

Although the ultimate level of appropriations to the Board of Regents for the current and future fiscal years is determined by the General Assembly, general fund appropriations are constrained by the balanced budget requirement imposed by the Constitution and laws of the State.

There can be no assurance that future legislatures will continue to make appropriations at current levels, whether due to declining revenues resulting from unfavorable economic conditions, a change in philosophy as to the size of the State's government, or other reasons. Likewise, there can be no assurance that the Board of Regents will allocate funds to renew any Rental Agreement, whether due to declining appropriations from the State, reduced need for the property rented by the Board of Regents, declining enrollment at the related Participating Constituent Institution or other reasons.

For additional financial information on the Board of Regents, see Appendix H hereto. For the fiscal year ended June 30, 2014, the State Department of Audits and Accounts audited the University System of Georgia in accordance with auditing standards generally accepted in the United States of America. These standards require the State Department of Audits and Accounts to obtain reasonable assurance that the financial statements are free of material misstatement. The State Department of Audits and Accounts has concluded that the University System of Georgia's financial statements for the fiscal year 2014 present fairly, in all material respects, the University System of Georgia's financial position, results of operations, and cash flows for the fiscal years in accordance with generally accepted accounting principles in the United States of America. The State Department of Audits and Accounts has not consented to the use of the foregoing statement in this Official Statement and could use the defense of sovereign immunity against any claim based upon its negligence in performing the audit of the University System of Georgia's financial statements.

State Treasury Receipts[1]

The following table sets forth by category the budget-based State Treasury Receipts available for appropriation for the four fiscal years ended June 30, 2011-2014 and budgeted for fiscal year 2015.

	Fiscal Year Ended June 30,				
	2011	2012	2013	2014	2015[3]
Alcoholic Beverage Tax	$ 161,803,418	$ 175,050,571	$ 180,785,957	$ 181,874,583	$ 186,149,200
Estate Tax	—	27,923	(15,351,947)	—	—
Income Tax - Corporate	670,409,796	590,676,110	797,255,429	943,806,441	954,636,000
Income Tax - Individual	7,658,782,326	8,142,370,500	8,772,227,404	8,965,572,421	9,364,418,000
Insurance Premium Tax	360,669,593	309,192,735	329,236,920	372,121,805	381,564,200
Motor Fuel Taxes	932,702,991	1,019,300,802	1,000,625,732	1,006,493,364	992,162,800
Motor Vehicle License Tax	298,868,209	308,342,308	457,490,366	337,455,825	342,830,400
Title Ad Valorem Tax	—	—	—	741,933,576	779,918,901
Property Tax	76,704,325	68,951,095	53,491,655	38,856,854	19,000,000
Sales and Use tax – General	5,080,776,730	5,303,524,233	5,277,211,183	5,125,501,785	5,340,192,000
Tobacco Products Tax	228,858,070	227,146,091	211,618,073	216,640,134	212,635,000
Total Taxes	15,469,575,458	16,144,582,369	17,064,590,773	17,930,256,787	18,573,506,501
Total Interest, Regulatory Fees and Sales	1,089,072,069	1,125,393,105	1,231,267,815	1,237,549,854	1,240,260,199
Total State General Funds (Net Revenue Collections)	16,558,647,527	17,269,975,474	18,295,858,588	19,167,806,641	19,813,766,700
Total Other Revenues Retained[2]	987,728,566	1,046,821,574	1,243,832,470	1,088,958,853	1,092,098,888
Total State Treasury Receipts	$17,546,376,094	$18,316,797,048	$19,539,691,058	$20,256,765,495	$20,905,865,588

(1) Past years reports were entitled "State General Fund Receipts." The naming convention here has changed because revenues listed as "Total Other Revenues Retained" are not State General Fund revenues, as was implied by the original report name.
(2) "Total Other Revenues Retained" includes: Lottery Funds, Tobacco Settlement Funds, Guaranteed Revenue Debt Common Reserve Fund Interest Earnings, Brain and Spinal Injury Trust Fund, National Mortgage Settlement and Other.
(3) Final amended budgeted amount.
Note: Amounts may not add precisely due to rounding.
Source: FY 2011 – 2014, State Accounting Office; FY 2015, Governor's Office of Planning and Budget.

Summary of Appropriation Allotments to Board of Regents

The following table summarizes the appropriation allotments to the Board of Regents made from State General Funds for the four fiscal years ended June 30, 2011-2014 and budgeted for fiscal year 2015.

	Fiscal Year Ended June 30,				
	2011	2012	2013	2014	2015[2]
University System of Georgia[1]	$1,811,374,050	$1,704,966,581	$1,747,463,827	$1,885,486,702	$1,944,621,492

(1) Includes State tobacco settlement funds in the amount of $9,652,634 for FY 2011.
(2) Final amended budget amount. The budgeted amount for fiscal year 2016 is $2,020,395,691.
Source: FY 2011-2014, State Accounting Office; FY 2015, Governor's Office of Planning and Budget.

Student Financial Aid

The State offers the HOPE Scholarship, which is available to any State resident who graduates from high school with a B average and maintains a B average in college. The HOPE Scholarship, which is funded entirely by the Georgia Lottery, provides students of a State public college or university a scholarship in the amount of full tuition and mandatory fees plus a yearly book allowance and provides students of a private college or university in the State with a partial scholarship. Since the HOPE Scholarship Program began in 1993, more than $7.3 billion in HOPE funds have been awarded to more than 1.6 million students attending Georgia's colleges, universities and technical colleges.

Effective July 1, 2011, the HOPE Scholarship program began imposing additional restrictions on HOPE Scholarship qualifications, such as requiring advanced courses for high school students wishing to benefit from HOPE and by allowing students who have lost HOPE Scholarship eligibility to subsequently regain it only one time. Finally, to prevent future shortfalls like those currently facing the HOPE Scholarship, the new legislation ties future amounts to actual Georgia Lottery revenues rather than to tuition rates as they are at the present time. The program includes "Zell Miller Scholars" for students who achieve a 3.7 grade point average and a 1200 SAT score. These students are eligible for the full HOPE Scholarship tuition award.

CERTAIN BONDHOLDERS' RISKS

Introduction

In analyzing the Series 2015 Bonds and in order to make an informed investment decision, potential investors should carefully consider the following risk factors prior to making a decision to purchase the Series 2015 Bonds. The following risk factors are not intended to be exhaustive of the general or specific risk factors relating to the purchase of the Series 2015 Bonds. Additional risk factors relating to the purchase of the Series 2015 Bonds are described throughout this Official Statement, whether or not specifically designated as risk factors.

Limitations on Board of Regents' Obligations Under Rental Agreements; Risk of Non-Renewal

The Board of Regents has the option to renew any Rental Agreement on a year-to-year basis through at least the final maturity of the Series 2015 Bonds. The Company believes that the Projects will aid the Participating Constituent Institutions in fulfilling their educational missions and that it is likely that the Board of Regents will renew each Rental Agreement for successive renewal terms throughout the term of the Series 2015 Bonds; however, the renewal of any Rental Agreement during any of these successive renewal terms is at the sole option and discretion of the Board of Regents. There can be no assurance that the State and the Board of Regents will deem it in their best interests to continue to occupy and utilize each Project for the entire term of the Series 2015 Bonds. There can also be no assurance that the Board of Regents will continue to renew each Rental Agreement for each renewal term throughout the term of the Series 2015 Bonds. The likelihood that any Rental Agreement will be renewed will depend upon, among other things, the continuing need of the Board of Regents for the related Project, the appropriation of funds by the General Assembly of the State of Georgia to the Board of Regents in sufficient amounts to enable the Board of Regents to pay the rents due under such Rental Agreement, and the Board of Regents not substituting more desirable rental space for the related Project.

Each Rental Agreement and the obligations thereunder do not and will not constitute a pledge, liability or a charge upon the funds of the State or the Board of Regents and do not and will not constitute a debt or general obligation of the State or the Board of Regents. Neither the faith, credit nor taxing power of the State or the Board of Regents is or will be pledged to the payment of principal of or interest due with respect to the Series 2015 Bonds.

THE BOARD OF REGENTS HAS NO MORAL OR LEGAL OBLIGATION WITH RESPECT TO THE SERIES 2015 BONDS OR TO CONTINUE TO RENT ANY PROJECT IN A MANNER SUPPORTIVE OF THE CREDITWORTHINESS OF THE SERIES 2015 BONDS. For example, nothing would prevent the Board of Regents from failing to renew a Rental Agreement and then attempting to negotiate a lower annual rental payment for the related Project.

If a Rental Agreement is not renewed by the Board of Regents and, as a result, the Company (which has no assets other than its interest in the Projects) fails to continue to make the payments required by the related Promissory Note from other sources, the Trustee's sole remedy will be to recover and liquidate, relet or sell the related Project as provided in the related Security Deed. In the event of such nonrenewal, the Board of Regents' right to occupy the related Project and its obligation to pay the rental will continue until the expiration of the annual term then in effect, but not thereafter. The Company will then be entitled to relet or sell the related Project; however, each Project constitutes a special purpose facility and may have limited suitability for other purposes and tenants. No assurance can be given that the Company could relet or sell any Project for an amount sufficient to pay debt service on the related Promissory Note or that any amount realized upon a liquidation of any Project will be sufficient to provide for the payment of the related Promissory Note on a timely basis.

State Budgetary Constraints

The State is required by law to operate under an annual balanced budget, in which expenditures may not exceed revenues collected by the State and any surplus revenues accrued by the State, known as the "Revenue Shortfall Reserve." Should the State's revenues and other sources of funds available to pay expenditures decline, it may be necessary for the General Assembly in the future to reduce appropriations to the Board of Regents, which in turn may adversely affect the ability of the Board of Regents to renew any Rental Agreement.

Reimbursement Obligations of the Company

Under each Rental Agreement, the Company is obligated to reimburse the Board of Regents for any payments for insurance coverage that extend beyond the final term of each Rental Agreement, whether such termination of a Rental Agreement is due to cancellation, nonrenewal or expiration. The Company is also required to reimburse the Board of Regents for any capital expenditures paid for or by the Board of Regents having a useful life beyond the final term of the Rental Agreement, whether termination of a Rental Agreement is due to cancellation, nonrenewal or expiration.

In addition, the Board of Regents' obligation to pay the cost of all insurance coverages, taxes and maintenance and repairs of each Project is limited to the moneys budgeted by the Participating Constituent Institution in the applicable fiscal year for such purposes, which budget is subject to annual review and modification.

Such reimbursement obligations of the Company and required payments above the budget cap described above shall be paid from the Surplus Fund to the extent available moneys are on deposit therein. See "SUMMARY OF THE INDENTURE" in Appendix B hereto.

Condemnation/Casualty Risk of Rent Abatement

The Board of Regents has the right to terminate any Rental Agreement or to reduce or abate its rental payment if certain casualty events or condemnation proceedings occur. If these events or proceedings occur, there can be no assurance that payments under the Rental Agreement will be sufficient to pay debt service on the related Promissory Note, or in the case of a termination due to a condemnation of a Project in whole, that the proceeds will be sufficient to pay the amounts due under the related Promissory Note.

Operating History

The Company was formed in 2008 and has no operating history other than with respect to the Projects. The Company is relying upon the Board of Regents' agreements to rent the Projects and operate them as an integral part of the Participating Constituent Institutions' facilities. If the Participating Constituent Institutions are unable to perform their respective obligations, the Company has neither the staff nor the expertise needed to manage and market any or all of the Projects. None of the Board of Regents, the Participating Constituent Institutions or the Foundation has any obligation to pay debt service on the Series 2015 Bonds.

Limited Assets of the Company

The Company's assets and revenues available to make the payments required by the Promissory Notes are limited to its interest in the Projects and the rents and revenues from the Projects, including rents payable under the Rental Agreements. The Company has no other assets or revenues available to make payments required by the Promissory Notes or to satisfy any liabilities incurred as a result of ownership of the Projects. The Company's obligations under each Promissory Note are nonrecourse obligations of the Company, secured solely by the related Security Deed and Assignment of Contract Documents.

No Cross-Default or Cross-Collateralization

In the event of an Event of Default under a Security Deed (whether resulting from a payment default under the related Promissory Note or a covenant breach under that Security Deed or the related Assignment of Contract

Documents), the Trustee may accelerate the related Promissory Note and foreclose on the related Project under the related Security Deed, but such Event of Default will give the Trustee no acceleration rights under the Series 2015 Bonds or any other Promissory Note, and no access to payments under other Promissory Notes or collateral for such other Promissory Notes. No Promissory Note is cross-defaulted against any other Promissory Note or the Series 2015 Bonds, and the Series 2015 Bonds are not cross-defaulted against any Promissory Note. Each Security Deed and Assignment of Contract Documents only secures the related Promissory Note and does not secure any other Promissory Note. In the event of a shortfall in the liquidation value of a particular Project to pay the amounts due under the related Promissory Note, the Trustee may not sue under or foreclose the lien of another Security Deed. Any amounts realized by the Trustee from the exercise of remedies under a Security Deed will be applied to the extraordinary mandatory redemption of Bonds. See "THE SERIES 2015 BONDS – Extraordinary Redemption of Series 2015 Bonds" herein.

Enforceability of Remedies

The Company's assets and revenues available to make the payments required by the Promissory Notes are limited to its interest in the Projects and the rents and revenues from the Projects, including rents payable under the Rental Agreements. The Company has no other assets or revenues available to make payments required by the Promissory Notes or to satisfy any liabilities incurred as a result of ownership of the Projects. The Company's obligations under each Promissory Note are nonrecourse obligations of the Company, secured solely by the related Security Deed and Assignment of Contract Documents.

The realization of value from the pledge of the collateral under the Indenture, the Security Deeds, and the Assignments of Contract Documents upon any default will depend upon the exercise of various remedies specified by the Indenture, the Security Deeds and the Assignments of Contract Documents. These and other remedies may require judicial actions, which are often subject to discretion and delay and which may be difficult to pursue. The enforceability of rights and remedies with respect to the Series 2015 Bonds may be limited by state and federal laws, rulings, and decisions affecting remedies and by bankruptcy, reorganization, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereafter enacted. Under existing law (including particularly federal bankruptcy law), certain remedies specified by the Indenture, the Loan Agreement, the Security Deeds or the Assignments of Contract Documents may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in the Indenture, the Loan Agreement, the Security Deeds, the Assignments of Contract Documents or the Disclosure Certificate.

If the Company were to file a petition for relief under federal bankruptcy law, the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Company and its property and as an automatic stay of any act or proceeding to enforce a lien upon its property. If the bankruptcy court so ordered, the Company's property, including its revenues, could be used for the benefit of the Company despite the claims of the Trustee with respect to the Indenture, the Security Deeds, or the Assignments of Contract Documents, but only by giving appropriate recognition to the right of the Trustee as a secured creditor entitled to "adequate protection" to the extent of the value of the secured claim. If a bankruptcy court concludes that the Trustee has "adequate protection," it may (1) substitute other security for the property subject to the lien of the Indenture, the Security Deeds, or the Assignments of Contract Documents and (2) subordinate the lien of the Indenture, the Security Deeds, or the Assignments of Contract Documents (a) to claims by persons supplying goods, services, or credit to the Company after bankruptcy and (b) to the administrative expenses of the bankruptcy proceeding.

In a bankruptcy proceeding, the Company could file a plan for the adjustment of its debts, which modifies the rights of creditors generally, or any class of creditors, secured or unsecured. The plan, when confirmed by the court, would bind all creditors who had notice or knowledge of the plan and would discharge all claims against the Company provided for in the plan. No plan may be confirmed unless, among other conditions, the plan is in the best interests of creditors, is feasible, and has been accepted by each class of claims impaired thereunder. Each class of claims will have accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly in favor of junior creditors. In addition, federal bankruptcy law permits the adoption of a reorganization plan even though the plan has not been accepted by the owners of a majority in aggregate principal amount of the obligations outstanding under the Indenture, if such owners are provided with the value of their claim or the "indubitable equivalent" thereof.

In the event of bankruptcy of the Company, the amount realized by the Trustee might depend on a federal bankruptcy court's interpretation of "indubitable equivalent" and "adequate protection" under the then existing circumstances. A bankruptcy court may also have the power to prevent the exercise of remedies arising under certain provisions of the Indenture, the Loan Agreement, the Security Deeds or the Assignments of Contract Documents that make bankruptcy and related proceedings by the Company an event of default thereunder.

The various legal opinions to be delivered concurrently with the delivery of the Series 2015 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings, and decisions affecting remedies and by bankruptcy, insolvency, reorganization, fraudulent conveyance, or other similar laws affecting the enforcement of creditors' rights generally.

Section 36-80-5 of the Official Code of Georgia Annotated provides that no authority created under the Constitution or laws of the State of Georgia shall be authorized to file a petition for relief from payment of its debts as they mature or a petition for composition of its debts under any federal statute providing for such relief or composition or otherwise to take advantage of any federal statute providing for the adjustment of debts of political subdivisions and public agencies and instrumentalities. Section 36-80-5 of the Official Code of Georgia Annotated also provides that no chief executive or other governmental officer, governing body, or organization shall be empowered to cause or authorize the filing by or on behalf of any authority created under the Constitution or laws of the State of Georgia of any petition for relief from payment of its debts as they mature or a petition for composition of its debts under any federal statute providing for such relief or composition or otherwise to take advantage of any federal statute providing for the adjustment of debts of political subdivisions and public agencies and instrumentalities.

Ad Valorem Property Taxes

The Company believes that the Projects will be exempt from ad valorem property taxation. Although the Company believes that it has a sound basis to assert that the Projects will be exempt from ad valorem property taxation, no assurance can be given that the Company will not have to pay ad valorem property taxes on its leasehold estate in the Projects, which would reduce the Company's revenues available to make payments under the Promissory Notes. The Board of Regents has agreed to pay the ad valorem property taxes under the Rental Agreements should any such taxes be assessed.

Change in Tax Law

Future legislation, if enacted into law, administrative clarifications of the Code, or court decisions, may cause interest on the Series 2015 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Purchasers should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, administrative actions or litigation, as to which Bond Counsel expresses no opinion.

Limited Protection Against Loss of Tax Exemption

There is no provision for the redemption of the Series 2015 Bonds or for the payment of additional interest on the Series 2015 Bonds in the event that interest on the Series 2015 Bonds becomes includable in gross income for federal income tax purposes. In the event that interest on the Series 2015 Bonds becomes includable in gross income for federal income tax purposes, the value and marketability of the Series 2015 Bonds would likely be adversely affected.

The Company has covenanted and agreed in the Loan Agreement to comply with the provisions of the Code, relating to the exclusion from gross income of interest payable on the Series 2015 Bonds. The Indenture and the Loan Agreement contain provisions designed to assure compliance with such covenant. The Rental Agreements, however, contain no covenants by the Board of Regents relating to the use of the Projects in a manner designed to preserve the exclusion from gross income of the interest on the Series 2015 Bonds, and the Board of Regents is not bound by the covenants contained in the Loan Agreement. The Rental Agreements do prohibit the Board of Regents from assigning the Rental Agreements or subletting the Project without the prior consent of the Company, which may not be unreasonably withheld, and the Company has covenanted to not consent to any such assignment or sublease that would adversely affect the exclusion from gross income of the interest on the Series 2015 Bonds.

The occurrence of an event that results in the interest payable on the Series 2015 Bonds being includable in the gross income of the owners of the Series 2015 Bonds for federal income tax purposes is not an event of default under the Indenture and does not give rise to a redemption of the Series 2015 Bonds or to the payment to the owners of the Series 2015 Bonds of any amount denoted as supplemental interest, additional interest, penalty interest, liquidated damages, or otherwise, in addition to the amounts otherwise payable to the owners of the Series 2015 Bonds. Interest on the Series 2015 Bonds may become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2015 Bonds by reason of the Board of Regents' failure to comply with the requirements of federal tax law, and the Trustee will have no remedies available to it to mitigate the adverse economic effects to the owners of the Series 2015 Bonds of such inclusion by reason of the Board of Regents' noncompliance.

Liquidation of Security May Not Be Sufficient in the Event of a Default

It has been the experience of lenders in recent years that attempts to foreclose on commercial property or otherwise realize upon security for obligations are frequently met with defensive measures, such as protracted litigation or bankruptcy proceedings, and that such defensive measures can greatly increase the expense and time involved in achieving such foreclosure or other realization. The liquidation value of assets in a bankruptcy or creditors' proceeding is typically less than the replacement value of such assets for an ongoing business operation. The practical use of each Project is limited to its special use for the Board of Regents; it will not be generally suitable for commercial or industrial uses. Consequently, it may be difficult to find a buyer or tenant for a Project if it were necessary to foreclose on a Project. In addition, the same factors that lead to foreclosure may substantially reduce the value of a Project. If it becomes necessary to foreclose the lien of a Security Deed on a particular Project, net proceeds received from any foreclosure sale may be less than the aggregate principal amount of the related Promissory Note outstanding.

Normal Risks Attending Any Investment in Real Estate

There are many diverse risks attending any investment in real estate, not within the Company's control, which may have a substantial bearing on the desirability of a Project to the Board of Regents. Such risks include possible adverse use of adjoining land, fire or other casualty, condemnation, decline in the neighborhood and local or general economic conditions, and changing governmental regulations.

Environmental Risks

In anticipation of the lease of each Project site to the Company and in connection with the issuance of the Series 2008 Bonds, the Board of Regents retained environmental consultants to conduct an environmental site assessment on each Project site. The Company has not procured updated environmental assessments in connection with the issuance of the Series 2015 Bonds. The Company is not aware of any releases of pollutants or contaminants at any Project site that could give rise to enforcement actions under applicable Georgia or federal environmental statutes. There could, however, be other such releases not known to the Company as of the date of this Official Statement.

The Company is not aware of any enforcement actions currently in process with respect to any releases of pollutants or contaminants at any Project site. There can, however, be no assurance that an enforcement action or actions will not be instituted under such statutes at a future date. In the event such enforcement actions were initiated, the Company could be liable for the costs of removing or otherwise treating pollutants or contaminants located at any Project. In addition, under applicable environmental statutes, in the event an enforcement action were initiated, a lien superior to the lien of a Security Deed could attach to the related Project, which would adversely affect the Trustee's ability to realize value from the disposition of that Project upon foreclosure. Furthermore, in determining whether to exercise any foreclosure rights with respect to a Project under the related Security Deed, the

Trustee would need to take into account the potential liability of any owner of that Project, including an owner by foreclosure, for clean-up costs with respect to such pollutants and contaminants.

LITIGATION

The Issuer

There is no litigation now pending or threatened against the Issuer of which the Issuer has knowledge which restrains or enjoins the issuance or delivery of the Series 2015 Bonds or questions or affects the validity of the Series 2015 Bonds or the proceedings and authority under which they are to be issued. To the Issuer's knowledge, neither the creation, organization, or existence of the Issuer, nor the title of the present officials of the Issuer is being contested or questioned. There is no litigation pending of which the Issuer has knowledge which in any manner questions the right of the Issuer to enter into the Indenture or the Loan Agreement, to endorse the Promissory Notes to the order of the Trustee, or to secure the Series 2015 Bonds in the manner provided in the Indenture.

The Company

No litigation and no proceedings are pending or, to the Company's knowledge, threatened against the Company which would affect the sale of the Series 2015 Bonds, the security therefor, or the ability of the Company to perform its obligations under the Loan Agreement, the Promissory Notes, the Ground Leases, the Rental Agreements, the Security Deeds or the Assignments of Contract Documents.

Validation Proceedings

The State of Georgia instituted proceedings in the Superior Court of Fulton County, Georgia to validate the Series 2015 Bonds and the security therefor. The State of Georgia was the plaintiff in the proceeding, and the Issuer, the Company and the Board of Regents were the defendants. A final judgment confirming and validating the Series 2015 Bonds and the security therefor was entered on May 13, 2015. Under Georgia law, the judgment of validation is forever conclusive with respect to the validity of the Series 2015 Bonds and the security therefor against the Issuer, the Company and the Board of Regents.

Closing Certificates

At closing of the sale of the Series 2015 Bonds by the Underwriters, the Issuer and the Company will each deliver to the Underwriters a certificate (1) that no litigation is pending or threatened against it that would have a material effect on the issuance or validity of the Series 2015 Bonds or the security for the Series 2015 Bonds or on its financial condition, and (2) that the information contained in this Official Statement relating to it does not contain any misstatement of a material fact and does not omit to state any material fact necessary to make the statements herein contained, in light of the circumstances under which they were made, not misleading.

Neither the Board of Regents nor the State has made or will make any representation as to itself or the accuracy or completeness of the information contained in this Official Statement, including the financial statements included as Appendix A hereto.

TAX EXEMPTION AND OTHER TAX MATTERS

Opinion of Bond Counsel

Certain legal matters incident to the authorization, validity, and issuance of the Series 2015 Bonds are subject to the approval of McKenna Long & Aldridge LLP, Atlanta, Georgia, Bond Counsel, whose approving opinion will be available at the time of delivery of the Series 2015 Bonds. It is anticipated that the approving opinion will be in substantially the form attached to this Official Statement as Appendix C.

Federal Income Taxation

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions that apply to the Series 2015 Bonds. These include restrictions on investments, requirements for periodic payment of arbitrage profits to the United States, requirements regarding the use of Series 2015 Bond proceeds, requirements regarding the nature and use of the facilities financed or refinanced with Series 2015 Bond proceeds, and other restrictions and requirements. The Issuer and the Company have covenanted to comply with all requirements and restrictions of the Code that must be satisfied in order for the interest on the Series 2015 Bonds to be excluded from gross income for federal income tax purposes, but the Board of Regents has not so covenanted. Failure to comply with certain of such requirements and restrictions may cause interest on the Series 2015 Bonds to become subject to federal income taxation, retroactive, in some cases, to the date of issuance of the Series 2015 Bonds.

In the opinion of Bond Counsel, under existing law, interest on the Series 2015 Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes (including the tax imposed by Chapter 2A of Subtitle A of the Code) and is not an enumerated "item of tax preference" for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. See "- Collateral Federal Tax Consequences" below. For purposes of Chapter 2A of Subtitle A of the Code, interest on the Series 2015 Bonds, by virtue of being excluded from gross income under Chapter 1 of Subtitle A of the Code, is excluded from the modified adjusted gross income of individuals, from the adjusted gross income of estates and trusts, and from the net investment income of taxpayers that are subject to the tax imposed pursuant to Section 1411 of the Code (the "Affordable Care Tax"). The foregoing opinions are subject to the condition that the Issuer and the Company comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2015 Bonds in order that the interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer and the Company have covenanted to comply with all such requirements, but the Board of Regents has not so covenanted. Failure to comply with certain of such requirements may cause the inclusion of the interest on the Series 2015 Bonds in gross income for federal income tax purposes (including the tax imposed by Chapter 2A of Subtitle A of the Code) to be retroactive to the date of issuance of the Series 2015 Bonds.

In concluding that interest on the Series 2015 Bonds is excluded from gross income for federal income tax purposes (including the tax imposed by Chapter 2A of Subtitle A of the Code), Bond Counsel will rely, as to questions of fact material to its opinion, upon the following items, without undertaking to verify any of them by independent investigation: (a) certified proceedings and other certifications of public officials furnished to it, (b) certifications furnished to it by or on behalf of the Company and the Issuer (including certifications made in the tax certificate of the Company and the certificate as to arbitrage matters of the Issuer), and (c) representations of the Issuer and the Company contained in such proceedings and in documents delivered in connection with the issuance of the Series 2015 Bonds. If certain of these items are incorrect, interest on the Series 2015 Bonds may become included in gross income for federal income tax purposes (including the tax imposed by Chapter 2A of Subtitle A of the Code) retroactive, in some cases, to the date of issuance of the Series 2015 Bonds.

The Affordable Care Tax is imposed on individuals at the rate of 3.8% on the lesser of (1) net investment income and (2) any excess of the modified adjusted gross income over the applicable threshold amount. For individuals filing joint federal tax returns or as surviving spouses, the applicable threshold is $250,000; for married individuals filing separate returns, the applicable threshold is $125,000; and for other individuals, the applicable threshold is $200,000. This 3.8% tax is also imposed on estates and trusts on the lesser of (1) their undistributed net investment incomes and (2) any excess of their adjusted gross incomes over the dollar amount at which the highest tax bracket in Section 1(e) of the Code begins for the taxable year. Subject to the exceptions, conditions, and limitations set forth in the opinion of Bond Counsel, interest on the Series 2015 Bonds is excluded from modified adjusted gross income, adjusted gross income, and net investment income for purposes of the Affordable Care Tax. Gain, however, if any, from the sale or other disposition of Series 2015 Bonds will be taken into account in such calculations.

Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the Series 2015 Bonds. See "-Collateral Federal Tax Consequences" herein for a general discussion of other selected federal tax consequences associated with ownership of the Series 2015 Bonds.

State of Georgia Taxation

In the further opinion of Bond Counsel, under existing law, the Series 2015 Bonds are exempt from local property taxes in the State of Georgia, and the interest on the Series 2015 Bonds is exempt from State of Georgia income taxation, although the Series 2015 Bonds and the interest thereon may be included in the measure of certain State of Georgia business excise and franchise taxes. Bond Counsel has not opined as to whether interest on the Series 2015 Bonds is subject to state or local income taxation in jurisdictions other than Georgia; interest on the Series 2015 Bonds may or may not be subject to state or local income taxation in jurisdictions other than Georgia under applicable state or local laws. Each purchaser of Series 2015 Bonds should consult its own tax advisor regarding the tax-exempt status of the interest on the Series 2015 Bonds in a particular state or local jurisdiction other than Georgia.

Bond Premium

The Series 2015 Bonds maturing on June 15, 2016 through and including June 15, 2025 and June 15, 2028 through and including June 15, 2030 (the "Premium Bonds") are being sold at prices in excess of the principal amount thereof. Under the Code, the excess of an owner's cost basis of a federally tax-exempt bond over the principal amount of such bond (other than a bond held as inventory, stock in trade, or for sale to customers in the ordinary course of business) is generally characterized as "bond premium." For federal income tax purposes, bond premium on federally tax-exempt bonds is amortized from the purchase date to the maturity or earlier call date of the related bond. An owner will therefore be required to decrease its basis in the Premium Bonds by the amount of amortizable bond premium attributable to each taxable year it holds the Premium Bonds. The amount of amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate compounded on each interest payment date, based on the yield to maturity of the Premium Bond. As bond premium is amortized, the owner's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the owner's basis is reduced, the amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of the Premium Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption, or other disposition of the Premium Bonds and with respect to state and local tax consequences of owning the Premium Bonds.

Original Issue Discount

In the opinion of Bond Counsel, under existing law, the original issue discount in the selling price of the Series 2015 Bonds maturing on June 15, 2026, June 15, 2027, June 15, 2031, June 15, 2033, June 15, 2035 and June 15, 2040 (the "Discount Bonds"), to the extent properly allocable to each owner of such Discount Bond, is excluded from gross income for federal income tax (including the Affordable Care Tax) purposes with respect to such owner and is not an enumerated "item of tax preference" for purposes of the federal alternative minimum tax imposed on individuals and corporations. Original issue discount is the excess of the stated redemption price at maturity of such Discount Bond over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Discount Bonds were sold.

Under Section 1288 of the Code, original issue discount on tax-exempt obligations accrues on a constant yield-to-maturity basis. For an owner of a Discount Bond who acquires such Discount Bond in this offering at its issue price, the amount of original issue discount that accrues to such owner during any accrual period generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax (including the Affordable Care Tax) purposes, will not be an enumerated "item of tax preference" for purposes of the federal alternative minimum tax imposed on individuals and corporations, and will increase the owner's tax basis in such Discount Bond for the purpose of determining gain or loss upon a subsequent sale, exchange, payment, or redemption. Any gain realized by an owner from a sale, exchange, payment, or redemption of a Discount Bond will be treated as gain from the sale or exchange of such Discount Bond.

The foregoing discussion is directed at owners who purchased Discount Bonds in the initial offering at the issue price. Other owners should consult their own tax advisors to consider any additional tax consequences. Owners of Discount Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning Discount Bonds. Under the tax laws of certain state and local jurisdictions, the amount of interest considered to have accrued to an owner of a Discount Bond may also be deemed to be received in the year of such accrual, even though there will not be a corresponding cash payment, rather than upon the disposition, redemption, or maturity of such Discount Bond, for purposes of determining such owner's income tax liability under such state or local tax laws.

Collateral Federal Tax Consequences

Ownership of the Series 2015 Bonds may result in collateral federal tax consequences to certain taxpayers, including, without limitation, corporations, financial institutions and other taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2015 Bonds, property and casualty insurance companies, certain recipients of Social Security or railroad retirement benefits, foreign corporations with branches in the United States, certain Subchapter S corporations, and taxpayers subject to backup withholding. The following is a general description of certain of these consequences:

1. Interest on the Series 2015 Bonds may be included in the adjusted current earnings of any entity owning Series 2015 Bonds that is treated as a corporation for federal income tax purposes (other than any S corporation, regulated investment company, real estate investment trust, or REMIC), and any such entity may therefore be required to include as an adjustment in its calculation of alternative minimum taxable income 75% of the excess of adjusted current earnings over alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses).

2. No deduction is allowable for interest on indebtedness incurred or continued to purchase or carry the Series 2015 Bonds or, in the case of a financial institution, that portion of the owner's interest expense allocated to interest on the Series 2015 Bonds; however, certain *de minimis* exceptions may be applicable for owners of Series 2015 Bonds other than financial institutions.

3. Property and casualty insurance companies are required to reduce the amount of their deductible underwriting losses by 15% of their amount of tax-exempt interest, including interest on the Series 2015 Bonds. If the amount of this reduction exceeds the amount otherwise deductible as losses incurred, such excess may be includable in income.

4. Certain recipients of Social Security benefits and railroad retirement benefits will be required to include a portion of such benefits within gross income by reason of receipt or accrual of interest on the Series 2015 Bonds.

5. A branch-level tax is imposed on certain earnings and profits of foreign corporations with branches in the United States, and interest on the Series 2015 Bonds may be included in the determination of such domestic branches' taxable bases on which this tax is imposed.

6. Passive investment income, including interest on the Series 2015 Bonds, may be subject to federal income taxation for any Subchapter S corporation that has Subchapter C earnings and profits at the close of the taxable year, if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income.

7. Payments of interest on the Series 2015 Bonds are subject to reporting to the IRS and to payees on Form 1099-INT (or successor form). In addition, the Trustee (or its agent) may be required to withhold federal tax (referred to as "backup withholding") from any such payment on a Series 2015 Bond, which will be imposed at the rate of 28% of the gross amount of any such payment, if (i) the owner fails to furnish the Trustee (or its agent) with his or her taxpayer identification number ("TIN"), the accuracy of which has been certified under the penalty of perjury, (ii) the Trustee (or its agent) has been notified by the IRS that the owner of the Series 2015 Bond has supplied an incorrect TIN, (iii) the IRS has notified the Trustee (or its agent) that the owner of the Series 2015 Bond has failed properly to report certain income to the IRS, or (iv) when required to do so, the owner of the Series 2015 Bond fails to certify under the penalty of perjury that he or she is not subject to backup withholding.

The foregoing is not intended as a detailed or comprehensive description of all possible federal tax consequences of purchasing or holding the Series 2015 Bonds. Persons considering the purchase of the Series 2015 Bonds should consult with their tax advisors as to the federal tax consequences of buying or holding the Series 2015 Bonds in their particular circumstances.

Changes in Federal and State Tax Law

From time to time, legislative proposals may be made to change federal or state law that, if enacted, would eliminate the exclusion of interest on tax-exempt bonds from gross income for federal income tax purposes or any state law exemption or that would otherwise diminish the advantages of ownership of tax-exempt bonds for one or more categories of taxpayers for federal or state law purposes. Any such proposal could, in certain circumstances, even become effective with respect to tax-exempt bonds issued or purchased prior to enactment or announcement of the proposal. Recent federal tax proposals have included a surtax on a measure of income which included interest on tax-exempt bonds and a proposal that diminished the "tax value" of the tax exemption for higher-income taxpayers whose income as adjusted would be subject to federal income tax at higher marginal rates. Among these proposals is one included in the Obama Administration's Fiscal Year 2016 Revenue Proposals. This Obama proposal would, in effect, limit the "tax value" of specified deductions and exclusions, including interest on federally tax-exempt bonds, to 28% of such items. These items would be added as modifications to a taxpayer's adjusted gross income. If the marginal federal income tax rate(s) on this measure of income exceeded 28% for an affected taxpayer, an additional tax would be imposed on the amount of such items at a rate (or rates) equal to the excess of the taxpayer's abovementioned margin rate(s) over 28%. As so proposed, this proposal would be effective for taxable years beginning after 2015. This proposal, and possibly other proposals, if enacted, would adversely affect the ownership of federally tax-exempt bonds, including the ownership of federally tax-exempt bonds issued or purchased prior to enactment or announcement of the proposal.

In addition, from time to time, administrative actions, including regulations, rulings, and other administrative authorities, may be announced or proposed and litigation may be commenced or threatened that, if they become a legal authority, could eliminate or diminish the advantages of ownership of tax-exempt bonds for one or more categories of taxpayers for federal or state law purposes. The mere existence or announcement of any such legislative proposal or commencement or threatening of any such administrative action or litigation could impair the marketability or market value of the Series 2015 Bonds, at least temporarily, whether or not it is ultimately enacted into law or becomes a legal authority.

The opinion expressed by Bond Counsel is based upon the U.S. Constitution and the Constitution of the State of Georgia, implemented by statutes enacted thereunder, and as interpreted by judicial, regulatory, and other administrative authorities existing as of the date of issuance and delivery of the Series 2015 Bonds. Bond Counsel expresses no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation or proposed, pending, or threatened administrative actions or litigation. Potential purchasers of the Series 2015 Bonds should consult their tax advisors regarding any pending or proposed legislation, administrative action, or litigation of the type referred to or characterized above as part of their investment decision and thereafter, as appropriate.

MISCELLANEOUS

Underwriting

The Series 2015 Bonds are being purchased by the Underwriters pursuant to a Bond Purchase Agreement among the Issuer, the Company and the Underwriters (the "Purchase Agreement"). The Purchase Agreement provides that the Underwriters will purchase all of the Bonds if any are purchased. The Series 2015 Bonds are being purchased at a purchase price of $88,619,217.21 (par, plus net original issue premium of $3,369,086.10, less an Underwriters' discount of $319,868.89). The Purchase Agreement also provides that the obligation to make such purchase is subject to certain terms and conditions to be satisfied by the Issuer and the Company. The Purchase Agreement contains the agreement of the Company to indemnify the Underwriters and the Issuer against certain liabilities to the extent permitted by law. The Underwriters may offer and sell the Series 2015 Bonds to certain dealers (including dealers depositing the Series 2015 Bonds into investment trusts) and others at prices lower than the offering prices stated on the inside cover page. The offering prices may be changed from time to time by the Underwriters.

The Issuer intends to use a portion of the proceeds from this offering to redeem the Refunded Bonds. To the extent the Underwriters or an affiliate thereof is an owner of Refunded Bonds, the Underwriters or their respective affiliate, as applicable, would receive a portion of the proceeds from the issuance of the Series 2015 Bonds contemplated herein in connection with such Refunded Bonds being redeemed by the Issuer.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the Issuer or the Company, for which it may have received or will receive customary fees and expenses. In the ordinary course of its various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for its own account and for the accounts of its customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer or the Company. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long, and/or short positions in such assets, securities and instruments.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association ("WFNB"), one of the Underwriters of the Series 2015 Bonds. WFNB has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA") for the distribution of certain municipal securities offerings, including the Series 2015 Bonds. Pursuant to the Distribution Agreement, WFNB will share a portion of its underwriting compensation with respect to the Series 2015 Bonds with WFA. WFNB also utilizes the distribution capabilities of its affiliate, Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Series 2015 Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFNB pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFNB, WFSLLC and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Citigroup Global Markets Inc., one of the Underwriters of the Series 2015 Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Series 2015 Bonds.

Certain Relationships

Wells Fargo Bank, National Association is serving as both an Underwriter and Trustee for the Series 2015 Bonds.

Ratings

Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. has assigned a rating of "A+ (stable)" and Moody's Investors Service, Inc. has assigned a rating of "A1 (stable)" to the Series 2015 Bonds. Any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing such ratings. Generally, rating agencies base their ratings on the information and materials furnished to the agencies and on investigations, studies and assumptions made by the agencies. There is no assurance that a rating will continue for any given period of time or that a rating will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any such change or withdrawal of a rating could have an adverse effect on the market price of the Series 2015 Bonds. None of the Underwriters, the Foundation, the Company or the Issuer has undertaken any responsibility, after the issuance of the Series 2015 Bonds, to oppose any such change or withdrawal.

Verification of Mathematical Computation

The calculation of the defeasance requirements to pay the principal of and interest on the Refunded Bonds as set forth in the Escrow Agreement, and the arithmetical computations supporting the conclusion of Bond Counsel that the Series 2015 Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Code will be verified by Samuel Klein and Company, Certified Public Accountants, independent certified public accountants

Additional Information

Use of the words "shall," "must," or "will" in this Official Statement in summaries of documents or laws to describe future events or continuing obligations is not intended as a representation that such event will occur or obligation will be fulfilled but only that the document or law contemplates or requires such event to occur or obligation to be fulfilled.

Neither this Official Statement nor any statement that may have been made orally or in writing is to be construed as a contract with the owners of the Series 2015 Bonds.

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CERTIFICATION

Except for the information set forth under the heading "THE ISSUER," "LITIGATION – The Issuer" and "— Validation Proceedings" as it relates to the Issuer, the Issuer has not participated in the preparation of this Official Statement and makes no representation with respect to the accuracy or completeness of any of the material contained in this Official Statement. The Issuer is not responsible for providing any purchaser of the Series 2015 Bonds with any information relating to the Series 2015 Bonds or any of the parties in this transaction referred to in this Official Statement or for the accuracy or completeness of any such information furnished to any purchaser.

The execution, delivery and use of this Official Statement have been approved by the Issuer and the Company.

GEORGIA HIGHER EDUCATION FACILITIES AUTHORITY

By: /s/ Teresa MacCartney
Vice Chairperson

USG REAL ESTATE FOUNDATION I, LLC

By: USGREF MANAGER, LLC, its Manager

By: /s/ Kirby A. Thompson
Authorized Representative

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Appendix A

Information Regarding Each Participating Constituent Institution

INFORMATION REGARDING EACH PARTICIPATING CONSTITUENT INSTITUTION

Table of Contents

No Participating Constituent Institution has made or will make any representation as to the accuracy or completeness of the information contained in this Official Statement concerning it. The Issuer has not independently verified the accuracy, truthfulness, or completeness of such information, and by including such information in this Official Statement, the Issuer shall not assume any responsibility or make any representation or warranty, express or implied, for the accuracy, truthfulness, or completeness of such information or for any failure by any Participating Constituent Institution to disclose events that may have occurred or may affect the completeness or accuracy of any such information but which are unknown to the Issuer.

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DALTON STATE COLLEGE

General

Dalton Junior College was chartered in 1963, opened in 1967, and was renamed Dalton College in 1987. The college became Dalton State College ("Dalton State") in 1998. Dalton State is located on 141 acres in the City of Dalton, Georgia, in Whitfield County in northwest Georgia. Dalton State offers a number of bachelor's degrees and associate degree programs.

More than 4,800 traditional and non-traditional students at Dalton State come from a 12-county service area. Dalton State students may choose from 19 bachelor's degree programs offered through the Schools of Business, Education, Health, Liberal Arts, Natural Sciences and Mathematics. Dalton State also offers 12 associate's degrees and 14 career/certificate programs.

Enrollment

The following table reflects headcount enrollment information for the fall semesters of the academic years 2010-2014.

2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
5,988	5,485	5,047	5,015	4,854

Admissions

The following table reflects application, acceptance and matriculation information for the fall semesters of the academic years 2010-2014.

	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Number of Applications	3,540	3,651	3,084	3,463	3,592
Number of Acceptances	2,003	1,691	1,296	1,528	1,430
Acceptance Rate	57%	46%	42%	44%	40%
Number Enrolled	1,988	1,339	1,118	1,279	1,187
Matriculation Rate	99%	79%	86%	84%	83%

Tuition

The following table sets forth the undergraduate tuition for 15 hours or more per semester for the academic years 2011-2015 for Georgia residents and non-residents.

Academic Year	Resident	Non-Resident
2011-2012	$1,388	$5,129
2012-2013	1,423	5,257
2013-2014	1,459	5,388
2014-2015	1,495	5,523
2015-2016	1,532	5,661

Financial Information

The Board of Regents allocates and disburses funds to the institutions of the University System on an annual basis. The summary of the revenues and expenses and changes in net position of Dalton State for the three fiscal years ended June 30, 2012 through 2014 set forth below shows, among other things, the appropriation trends by the Board of Regents to Dalton State and Dalton State's historical collection of tuition and fees. **This financial**

information is provided for informational purposes only. No revenues of the Board of Regents or Dalton State are pledged as security for the Series 2015 Bonds.

For the fiscal years ended June 30, 2012 and 2013, the State Department of Audits and Accounts conducted agreed upon procedures in accordance with attestation standards established by the American Institute of Certified Public Accountants. The procedures performed were solely to assist in assessing the accuracy of the financial information reported. Accordingly, the State Department of Audits and Accounts has not expressed an opinion regarding the financial statements of Dalton State for the fiscal years ended June 30, 2012 and 2013.

For the fiscal year ended June 30, 2014, the State Department of Audits and Accounts audited Dalton State's financial statements in accordance with auditing standards generally accepted in the United States of America. These standards require the State Department of Audits and Accounts to obtain reasonable assurance that the financial statements are free of material misstatement. The State Department of Audits and Accounts has concluded that Dalton State's financial statements for the fiscal year 2014 present fairly, in all material respects, Dalton State's financial position, results of operations, and cash flows for the fiscal years in accordance with generally accepted accounting principles in the United States of America. The State Department of Audits and Accounts has not consented to the use of the foregoing statement in this Official Statement and could use the defense of sovereign immunity against any claim based upon its negligence in performing the audit of Dalton State's financial statements

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DALTON STATE COLLEGE

Statement of Revenues, Expenses and Changes in Net Position

	Years Ended June 30 (Unaudited)		Year Ended June 30 (Audited)
	2012[1]	2013[1]	2014
OPERATING REVENUES			
Student Tuition and Fees	$15,313,205	$14,797,618	$15,282,305
Less: Scholarship Allowances	(6,665,430)	(6,421,415)	(6,678,681)
Grants and Contracts			
Federal	729,413	694,800	409,594
Federal Stimulus	301,819	—	
State	249,877	212,395	52,146
Other	795,964	879,754	1,745,283
Sales and Services of Educational Departments	5,819	2,990	8,613
Auxiliary Enterprises			
Residence Halls	1,158,754	1,058,236	1,362,572
Bookstore	202,661	191,975	161,916
Food Services	6,235	—	10,122
Parking/Transportation	788,022	937,869	912,199
Intercollegiate Athletics	520,768	508,302	843,344
Other Organizations	251,970	280,764	258,802
Other Operating Revenues	87,022	95,737	107,442
Total Operating Revenues	13,746,099	13,239,025	14,475,657
OPERATING EXPENSES			
Salaries:			
Faculty	10,256,556	9,685,953	10,010,838
Staff	8,439,970	8,071,167	8,142,033
Employee Benefits	5,965,321	6,048,017	6,179,167
Other Personal Services	159,628	138,174	151,857
Travel	89,413	141,567	183,031
Scholarships and Fellowships	8,022,974	6,921,991	6,610,593
Utilities	1,289,614	1,214,053	1,286,399
Supplies and Other Services	3,647,201	4,677,303	7,626,428
Depreciation	1,712,408	1,899,071	1,903,296
Total Operating Expenses	39,583,085	38,797,296	42,093,642
Operating Income (Loss)	(25,836,986)	(25,558,271)	(27,617,985)
NON-OPERATING REVENUES (EXPENSES)			
State Appropriations	12,873,141	13,262,082	14,038,522
Grants and Contracts			
Federal	13,825,842	12,465,600	11,746,545
Gifts	137,857	290,172	1,577,718
Investment Income (endowments, auxiliary and other)	992	662	418
Interest Expense (Capital Assets)	(439,599)	(433,964)	(463,200)
Other Nonoperating Revenues	(2,066)	6,708	(2,130)
Net Nonoperating Revenues	26,396,167	25,591,260	26,897,873
Income (Loss) before other revenues, expenses, gains, or losses	559,181	32,989	(720,112)
Capital Grants and Gifts			
State	404,959	66,993	16,558,268
Other	—	76,771	411,054
Special Item – Capital Asset Transfer	—	(3,970,571)	—
Total other revenues, expenses, gains, or losses	404,959	(3,826,807)	16,969,322
Increase (Decrease) in Net Position	964,140	(3,793,818)	16,249,210
NET POSITION			
Net Position – Beginning of Year	29,932,224	30,875,800	27,081,982
Prior Year Adjustments	(20,564)	—	—
Net Position – Beginning of Year, Restated	29,911,660	30,875,800	27,081,982
Net Position – End of Year	$30,875,800	$27,081,982	$43,331,192

(1) Based upon limited agreed-upon procedures. See "Financial Information" above.

Debt Service Schedule

The principal (including principal payable at maturity or by operation of mandatory sinking fund redemption) and interest payment requirements with respect to the Series 2015 Bonds allocable to the Dalton State Project are as follows:

Bond Year Ending June 15	Principal	Interest	Total
2016	$ 165,000	$ 304,631	$ 469,631
2017	170,000	296,338	466,338
2018	180,000	289,538	469,538
2019	190,000	280,538	470,538
2020	200,000	271,038	471,038
2021	210,000	261,038	471,038
2022	220,000	250,538	470,538
2023	230,000	239,538	469,538
2024	240,000	228,038	468,038
2025	255,000	216,038	471,038
2026	265,000	203,288	468,288
2027	275,000	195,338	470,338
2028	280,000	186,744	466,744
2029	295,000	175,544	470,544
2030	310,000	160,794	470,794
2031	325,000	145,294	470,294
2032	335,000	133,106	468,106
2033	350,000	119,706	469,706
2034	365,000	105,706	470,706
2035	375,000	91,106	466,106
2036	390,000	76,106	466,106
2037	410,000	60,019	470,019
2038	425,000	43,106	468,106
2039	440,000	25,575	465,575
2040	180,000	7,425	187,425
Totals	$7,080,000	$4,366,125	$11,446,125

Sources of Funds to Make Rental Payments

In connection with the operation of the Dalton State Project, the Board of Regents approved a new student parking fee in the amount of $65 per student per semester which Dalton State began collecting in the fall semester 2008. This fee is designed to pay the rental payments and operating costs of the Dalton State Project. **However, this fee is not pledged under the Rental Agreement related to the Dalton State Project, and the Board of Regents is not required to allocate the net revenues of the Dalton State Project or the proceeds of this fee to its payments under the Rental Agreement.**

DARTON STATE COLLEGE

Darton State College ("Darton") was founded in 1963 as Albany Junior College, was renamed Darton College in 1987 and became Darton State College in 2012. Darton is a four-year college located on 180 acres in Albany, Georgia, the hub of southwest Georgia, surrounded by rural cotton, pecan, and peanut farms. Approximately 5,600 traditional and non-traditional students attend Darton. Students attend primarily from the southwest Georgia region, but Darton attracts students from 15 U.S. states and 19 nations.

Darton offers a challenging array of associate-degree programs and limited bachelor's degree programs, including 56 transfer degree majors, 23 two-year career degree programs, 37 certificate programs and a bachelor of science in nursing degree. Students can also choose from among 16 online degrees. As the nursing and allied health education center for southwest Georgia, Darton offers 13 allied health programs to serve the needs of the health-care industry in the region. These include cardiovascular technology, dental hygiene, diagnostic medical sonography, emergency medical service, health information technology, human services technology, medical laboratory technology, nursing paramedic-RN bridge, occupational therapy assistant, physical therapy assistant, psychiatric technology, and respiratory care. Graduates from the nursing program consistently have among the highest first-time pass rate on the licensing exam in the State.

Enrollment

The following table reflects headcount enrollment information for the fall semesters of the academic years 2010-2014.

2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
5,879	6,097	6,396	6,195	5,623

Admissions

The following table reflects application, acceptance and matriculation information for the fall semesters of the academic years 2010-2014.

	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Number of Applications	3,818	4,029	4,171	4,191	4,203
Number of Acceptances	2,478	2,677	2,646	2,646	2,612
Acceptance Rate	67%	66%	63%	63%	62%
Number Enrolled	1,913	1,972	1,995	1,946	1,850
Matriculation Rate	77%	74%	75%	74%	71%

Tuition

The following table sets forth the undergraduate tuition for 15 hours or more per semester for the academic years 2011-2015 for Georgia residents and non-residents.

Academic Year	Resident	Non-Resident
2011-2012	$1,235	$4,674
2012-2013	1,266	4,791
2013-2014	1,298	4,911
2014-2015	1,330	5,034
2015-2016	1,363	5,160

Financial Information

The Board of Regents allocates and disburses funds to the institutions of the University System on an annual basis. The summary of the revenues and expenses and changes in net position of Darton for the three fiscal years ended June 30, 2012 through 2014 set forth below shows, among other things, the appropriation trends by the Board of Regents to Darton and Darton's historical collection of tuition and fees. **This financial information is provided for informational purposes only. No revenues of the Board of Regents or Darton are pledged as security for the Series 2015 Bonds.**

For the fiscal years ended June 30, 2012, 2013 and 2014, the State Department of Audits and Accounts performed certain audit procedures with respect to the financial statements of Darton to the extent it considered necessary in order to express an opinion as to the fair presentation of the financial statements of the State. The State Department of Audits and Accounts issued Management Reports with respect to the financial statements of Darton that contain information that is a by-product of its engagement and is the representation of management of Darton. Accordingly, the State Department of Audits and Accounts has not expressed an opinion regarding the financial statements of Darton for the fiscal years ended June 30, 2012, 2013 and 2014.

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DARTON STATE COLLEGE

Statement of Revenues, Expenses and Changes in Net Position

	Years Ended June 30 (Unaudited)		
	2012[1]	2013[1]	2014[1]
OPERATING REVENUES			
Student Tuition and Fees	$19,434,612	$20,771,847	$19,838,165
Less: Scholarship Allowances	(7,692,540)	(8,305,435)	(8,315,329)
Grants and Contracts			
Federal	610,359	616,428	531,139
State	1,024,266	1,187,506	1,517,343
Other	663,386	523,880	727,834
Sales and Services of Educational Departments	182,991	204,377	189,435
Rents and Royalties	—	—	2,155
Auxiliary Enterprises			
Residence Halls	2,629,303	2,789,052	2,825,825
Bookstore	110,488	148,209	132,199
Food Services	1,249,909	1,366,740	1,333,660
Health Services	44,190	45,123	43,613
Intercollegiate Athletics	1,228,968	1,452,920	1,272,052
Other Organizations	195,436	207,176	166,715
Other Operating Revenues	188,800	149,650	218,773
Total Operating Revenues	19,870,168	21,157,473	20,483,579
OPERATING EXPENSES			
Salaries:			
Faculty	9,881,536	10,018,584	10,478,900
Staff	10,301,268	10,555,788	10,736,850
Employee Benefits	5,604,271	5,968,849	6,330,413
Other Personal Services	93,904	186,289	174,579
Travel	175,978	222,917	200,611
Scholarships and Fellowships	9,708,061	10,037,278	9,175,271
Utilities	1,210,998	1,273,831	1,417,380
Supplies and Other Services	8,088,583	8,868,555	9,795,207
Depreciation	3,033,224	3,098,867	3,470,072
Total Operating Expenses	48,097,823	50,230,958	51,779,283
Operating Income (Loss)	(28,227,655)	(29,073,485)	(31,295,704)
NON-OPERATING REVENUES (EXPENSES)			
State Appropriations	13,259,325	14,154,796	14,948,189
Grants and Contracts			
Federal	15,276,120	16,163,676	15,363,747
Federal Stimulus	565,932	—	—
Gifts	304,632	263,805	374,933
Investment Income (endowments, auxiliary and other)	36,345	21,540	9,800
Interest Expense (capital assets)	(2,696,177)	(2,704,276)	(2,881,135)
Other Nonoperating Revenues	(85)	—	(893,919)
Net Nonoperating Revenues	26,746,092	27,899,541	26,921,615
Income (Loss) before other revenues, expenses, gains, or losses	(1,481,563)	(1,173,944)	(4,374,089)
Capital Grants and Gifts			
State	82,839	941,146	1,086,150
Other	100,000	182,320	100,000
Total other revenues, expenses, gains, or losses	182,839	1,123,466	1,186,150
Increase/(Decrease) in Net Position	(1,298,724)	(50,478)	(3,187,939)
NET POSITION			
Net Position – Beginning of Year	38,953,609	38,242,648	38,192,170
Net Position – End of Year	$37,654,885	$38,192,170	$35,004,231

[1] Based upon limited agreed-upon procedures. See "Financial Information" above.

Debt Service Schedule

The principal (including principal payable at maturity or by operation of mandatory sinking fund redemption) and interest payment requirements with respect to the Series 2015 Bonds allocable to the Darton Project are as follows:

Bond Year Ending June 15	Principal	Interest	Total
2016	$ 330,000	$ 990,119	$ 1,320,119
2017	395,000	967,288	1,362,288
2018	455,000	951,488	1,406,488
2019	525,000	928,738	1,453,738
2020	595,000	902,488	1,497,488
2021	675,000	872,738	1,547,738
2022	730,000	838,988	1,568,988
2023	765,000	802,488	1,567,488
2024	805,000	764,238	1,569,238
2025	845,000	723,988	1,568,988
2026	885,000	681,738	1,566,738
2027	910,000	655,188	1,565,188
2028	940,000	626,750	1,566,750
2029	975,000	589,150	1,564,150
2030	1,025,000	540,400	1,565,400
2031	1,075,000	489,150	1,564,150
2032	1,120,000	448,838	1,568,838
2033	1,165,000	404,038	1,569,038
2034	1,210,000	357,438	1,567,438
2035	1,260,000	309,038	1,569,038
2036	1,310,000	258,638	1,568,638
2037	1,360,000	204,600	1,564,600
2038	1,420,000	148,500	1,568,500
2039	1,475,000	89,925	1,564,925
2040	705,000	29,081	734,081
Totals	$22,955,000	$14,575,025	$37,530,025

Sources of Funds to Make Rental Payments

In connection with the operation of the Darton Project, the Board of Regents approved a new student activity fee in the amount of $200 per student per semester which Darton began collecting in the fall semester 2008. This fee is designed to pay the rental payments and operating costs of the Darton Project. **However, this fee is not pledged under the Rental Agreement related to the Darton Project, and the Board of Regents is not required to allocate the net revenues of the Darton Project or the proceeds of this fee to its payments under the Rental Agreement.**

FORT VALLEY STATE UNIVERSITY

The Fort Valley High and Industrial School, chartered in 1895, and the State Teachers and Agricultural College of Forsyth, founded in 1902, were consolidated in 1939 to form Fort Valley State College. It became Fort Valley State University ("Fort Valley State") in June 1996. The campus is located on 1,365 acres in Peach County in middle Georgia. It is a fully-accredited, comprehensive, four-year institution committed to providing strong academic programs, online courses and extracurricular activities to students.

Fort Valley State's more than 2,500 students represent 136 of Georgia's 159 counties, more than 25 states and approximately seven international countries. Fort Valley State offers bachelor's degrees in more than 50 majors, as well as master's degrees in education and counseling. Fort Valley State has the only certified veterinary technology program in the State. A unique partnership with Zoo Atlanta provides future veterinarians hands-on experience in caring for exotic animals. Fort Valley State's Cooperative Developmental Energy Program (CDEP) teams with major oil and energy companies across the nation to launch the careers of minorities and women in the industry. CDEP, the only program of its kind in the nation, offers dual degrees in math, engineering, chemistry, biology, health physics and geoscience. The master's degree in mental health counseling is also a signature program in the University System and is only offered at Fort Valley State.

Enrollment

The following table reflects headcount enrollment information for the fall semesters of the academic years 2010-2014.

2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
3,728	3,896	3,568	3,180	2,594

Admissions

The following table reflects application, acceptance and matriculation information for the fall semesters of the academic years 2010-2014.

	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Number of Applications	5,697	5,967	7,005	4,119	2,967
Number of Acceptances	2,243	2,457	2,271	1,362	878
Acceptance Rate	39%	41%	32%	33%	30%
Number Enrolled	856	1,030	805	729	483
Matriculation Rate	38%	40%	35%	53%	55%

Tuition

The following table sets forth the undergraduate tuition for 15 hours or more per semester for the academic years 2011-2015 for Georgia residents and non-residents.

Academic Year	Resident	Non-Resident
2011-2012	$2,201	$8,008
2012-2013	2,256	8,208
2013-2014	2,312	8,413
2014-2015	2,370	8,623
2015-2016	2,429	8,839

Financial Information

The Board of Regents allocates and disburses funds to the institutions of the University System on an annual basis. The summary of the revenues and expenses and changes in net position of Fort Valley State for the three fiscal years ended June 30, 2012 through 2014 set forth below shows, among other things, the appropriation trends by the Board of Regents to Fort Valley State and Fort Valley State's historical collection of tuition and fees. **This financial information is provided for informational purposes only. No revenues of the Board of Regents or Fort Valley State are pledged as security for the Series 2015 Bonds.**

For the fiscal years ended June 30, 2012 and 2013, the State Department of Audits and Accounts audited Fort Valley State's financial statements in accordance with auditing standards generally accepted in the United States of America. These standards require the State Department of Audits and Accounts to obtain reasonable assurance that the financial statements are free of material misstatement. The State Department of Audits and Accounts has concluded that Fort Valley State's financial statements for the fiscal years 2012 and 2013 present fairly, in all material respects, Fort Valley State's financial position, results of operations, and cash flows for each of the respective fiscal years in accordance with generally accepted accounting principles in the United States of America. The State Department of Audits and Accounts has not consented to the use of the foregoing statement in this Official Statement and could use the defense of sovereign immunity against any claim based upon its negligence in performing the audit of Fort Valley State's financial statements.

For the fiscal year ended June 30, 2014, the State Department of Audits and Accounts performed certain audit procedures with respect to the financial statements of Fort Valley State to the extent it considered necessary in order to express an opinion as to the fair presentation of the financial statements of the State. The State Department of Audits and Accounts issued a Management Report with respect to the financial statements of Fort Valley State that contains information that is a by-product of its engagement and is the representation of management of Fort Valley State. Accordingly, the State Department of Audits and Accounts has not expressed an opinion regarding the financial statements of Fort Valley State for the fiscal year ended June 30, 2014.

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FORT VALLEY STATE UNIVERSITY

Statement of Revenues, Expenses and Changes in Net Position

	Years Ended June 30 (Audited)		Year Ended June 30 (Unaudited)
	2012	2013	2014[1]
Operating Revenues			
Student Tuition and Fees	$20,183,586	$17,279,068	$16,709,211
Less: Scholarship Allowances	(8,737,788)	(7,766,117)	(6,879,020)
Federal Appropriations	4,922,812	4,912,296	5,282,647
Grants and Contracts			
Federal	10,460,044	1,215,321	916,918
State	107,638	74,740	88,601
Other	1,058,020	175,044	202,910
Sales and Services of Educational Departments	528,952	677,923	468,025
Auxiliary Enterprises			
Residence Halls	8,307,955	6,952,848	6,549,683
Bookstore	881,507	75,991	54,804
Food Services	5,888,850	5,009,331	4,567,908
Parking/Transportation	249,581	248,152	179,146
Health Services	534,626	492,024	429,344
Intercollegiate Athletics	1,647,568	1,619,564	1,507,693
Other Organizations	933,504	904,465	974,805
Other Operating Revenues	751,904	287,662	188,522
Total Operating Revenues	47,718,759	32,158,312	31,241,197
Operating Expenses			
Salaries			
Faculty	12,897,731	11,108,753	10,370,160
Staff	21,059,388	20,021,666	18,908,617
Employee Benefits	10,736,170	10,067,569	9,878,539
Other Personal Services	10,162	260,781	457,829
Travel	663,768	596,930	591,462
Scholarships and Fellowships	7,301,425	6,639,939	5,639,146
Utilities	4,476,741	4,667,158	4,707,157
Supplies and Other Services	19,180,476	18,837,896	14,297,886
Depreciation	5,386,972	5,827,729	5,722,982
Total Operating Expenses	81,712,833	78,028,421	70,573,778
Operation Income (Loss)	(33,994,074)	(45,870,109)	(39,332,581)
Nonoperating Revenues (Expenses)			
State Appropriations	19,832,028	21,758,049	24,002,876
Grants and Contracts			
Federal	14,107,266	20,806,457	18,595,197
State	—	2,236	—
Other	—	703,612	731,655
Gifts	—	1,923,547	168,608
Interest Income (endowments, auxiliary and other)	13,528	8,357	8,819
Interest Expense (capital assets)	(4,283,242)	(3,969,872)	(4,557,700)
Other Nonoperating Revenues	3,234	(1,418)	11,341
Net Nonoperating Revenues	29,672,814	41,230,968	38,960,796
Income(Loss) Before Other Revenues, Expenses, Gains or Losses	(4,321,260)	(4,639,141)	(371,785)
Capital Grants and Gifts			
Federal	113,041	2,948,320	697,472
State	13,608,096	1,893,527	1,301,421
Total other revenues, expenses, gains, or losses	13,721,137	4,841,847	1,998,893
Increase (Decrease) in Net Position	9,399,877	202,706	1,627,108
NET POSITION			
Net Position – Beginning of Year, as Originally Reported	62,640,398	72,040,275	72,555,228
Prior Year Adjustments	—	312,247	—
Net Position – Beginning of Year Restated	62,640,398	72,352,522	72,555,228
Net Position – End of Year	$72,040,275	$72,555,228	$74,182,336

(1) Based upon limited agreed-upon procedures. See “Financial Information” above

Debt Service Schedule

The principal (including principal payable at maturity or by operation of mandatory sinking fund redemption) and interest payment requirements with respect to the Series 2015 Bonds allocable to the Fort Valley State Project are as follows:

Bond Year Ending June 15	Principal	Interest	Total
2016	$ —	$ 929,113	$ 929,113
2017	25,000	913,881	938,881
2018	65,000	912,881	977,881
2019	110,000	909,631	1,019,631
2020	460,000	904,131	1,364,131
2021	620,000	881,131	1,501,131
2022	700,000	850,131	1,550,131
2023	770,000	815,131	1,585,131
2024	810,000	776,631	1,586,631
2025	855,000	736,131	1,591,131
2026	895,000	693,381	1,588,381
2027	920,000	666,531	1,586,531
2028	955,000	637,781	1,592,781
2029	990,000	599,581	1,589,581
2030	1,040,000	550,081	1,590,081
2031	1,095,000	498,081	1,593,081
2032	1,130,000	457,019	1,587,019
2033	1,180,000	411,819	1,591,819
2034	1,225,000	364,619	1,589,619
2035	1,275,000	315,619	1,590,619
2036	1,325,000	264,619	1,589,619
2037	1,380,000	209,963	1,589,963
2038	1,435,000	153,038	1,588,038
2039	1,490,000	93,844	1,583,844
2040	785,000	32,381	817,381
Totals	$21,535,000	$14,577,150	$36,112,150

Sources of Funds to Make Rental Payments

In connection with the operation of the Fort Valley State Project, the Board of Regents approved a new student activity fee in the amount of $150 per student per semester which Fort Valley State began collecting in the fall semester 2008. This fee is designed to pay the rental payments and operating costs of the Fort Valley State Project. **However, this fee is not pledged under the Rental Agreement related to the Fort Valley State Project, and the Board of Regents is not required to allocate the net revenues of the Fort Valley State Project or the proceeds of this fee to its payments under the Rental Agreement.**

UNIVERSITY OF NORTH GEORGIA

University of North ("UNG") is a State leadership institution and has been designated by the Georgia General Assembly as The Military College of Georgia. The institution was created in January 2013 through the consolidation of North Georgia College & State University ("NGCSU") and Gainesville State College ("GSC"). UNG is the second oldest public institution of higher learning in Georgia. UNG is one of only six military colleges in the United States, and its Corps of Cadets includes more than 700 students. UNG comprises four campuses, all located in the fastest-growing region in Georgia.

UNG offers more than 100 programs of study ranging from certificate and associate's degrees to professional doctoral programs in the following colleges and units: College of Arts & Letters, College of Education, College of Health Sciences & Professions, College of Science & Mathematics, Mike Cottrell College of Business, University College, and the Institute for Environmental and Spatial Analysis. With approximately 16,000 full- and part-time students, UNG is the seventh largest university in Georgia.

Enrollment

The following table reflects headcount enrollment information for the fall semesters of the academic years 2010-2014.

2010-2011[(1)]	2011-2012[(1)]	2012-2013[(1)]	2013-2014	2014-2015
14,795	14,636	15,072	15,455	16,064

(1) Prior to academic year 2013, GSC and NGCSU operated as separate institutions. Statistics of each institution for academic years 2010-2012 have been combined for presentation purposes only.

Admissions

The following table reflects application, acceptance and matriculation information for the fall semesters of the academic years 2010-2014.

	2010-2011[(1)]	2011-2012[(1)]	2012-2013[(1)]	2013-2014	2014-2015
Number of Applications	19,330	13,480	13,162	8,471	10,774
Number of Acceptances	15,116	9,703	9,247	5,169	7,774
Acceptance Rate	78%	72%	70%	61%	72%
Number Enrolled	8,635	5,943	6,072	3,231	4,882
Matriculation Rate	57%	61%	66%	63%	63%

(1) Prior to academic year 2013, GSC and NGCSU operated as separate institutions. Statistics of each institution for academic years 2010-2012 have been combined for presentation purposes only.

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Tuition

The following table sets forth the undergraduate tuition for 15 hours or more per semester for the academic years 2011-2015 for Georgia residents and non-residents.

	Resident		Non-Resident	
Academic Year	2-Year	4-Year	2-Year	4-Year
2011-2012[1]	$1,388	$2,367	$5,129	$8,355
2012-2013[1]	1,423	2,426	5,257	8,564
2013-2014	1,459	2,487	5,388	8,778
2014-2015	1,495	2,549	5,523	8,997
2015-2016	1,532	2,676	5,661	9,447

(1) Prior to academic year 2013, GSC and NGCSU operated as separate institutions. Statistics of each institution for academic years 2011-2012 have been combined for presentation purposes only.

Financial Information

The Board of Regents allocates and disburses funds to the institutions of the University System on an annual basis. The summary of the revenues and expenses and changes in net position of NGCSU and GSC for the fiscal year ended June 30, 2012 and the UNG for the two fiscal years ended June 30, 2013 and 2014 set forth below shows, among other things, the appropriation trends by the Board of Regents to NGCSU, GSC and UNG, respectively, and NGCSU's, GSC's and UNG's historical collection of tuition and fees. **This financial information is provided for informational purposes only. No revenues of the Board of Regents or UNG are pledged as security for the Series 2015 Bonds.**

For the fiscal year ended June 30, 2012, the State Department of Audits and Accounts performed certain audit procedures with respect to the financial statements of NGCSU and GSC, respectively, to the extent it considered necessary in order to express an opinion as to the fair presentation of the financial statements of the State. The State Department of Audits and Accounts issued Management Reports with respect to the financial statements of NGCSU and GSC, respectively, that contain information that is a by-product of its engagement and is the representation of management of NGCSU and GSC. Accordingly, the State Department of Audits and Accounts has not expressed an opinion regarding the financial statements of NGCSU or GSC for the fiscal year ended June 30, 2012.

For the fiscal year ended June 30, 2013, the State Department of Audits and Accounts performed certain audit procedures with respect to the financial statements of UNG to the extent it considered necessary in order to express an opinion as to the fair presentation of the financial statements of the State. The State Department of Audits and Accounts issued Management Reports with respect to the financial statements of UNG that contain information that is a by-product of its engagement and is the representation of management of UNG. Accordingly, the State Department of Audits and Accounts has not expressed an opinion regarding the financial statements of UNG for the fiscal years ended June 30, 2013.

For the fiscal year ended June 30, 2014, the State Department of Audits and Accounts conducted agreed upon procedures in accordance with attestation standards established by the American Institute of Certified Public Accountants. The procedures performed were solely to assist in assessing the accuracy of the financial information reported. Accordingly, the State Department of Audits and Accounts has not expressed an opinion regarding the financial statements of UNG for the fiscal year ended June 30, 2014.

GAINESVILLE STATE COLLEGE

Statement of Revenues, Expenses and Changes in Net Position

	Year Ended June 30 (Unaudited) 2012[1][2]
OPERATING REVENUES	
Student Tuition and Fees	$26,889,246
Less: Scholarship Allowances	(5,469,537)
Grants and Contracts	
Federal	—
Sales and Services of Educational Departments	690,096
Auxiliary Enterprises	
Residence Halls	—
Bookstore	2,344,152
Food Services	5,563
Parking/Transportation	1,338,865
Health Services	—
Intercollegiate Athletics	—
Other Organizations	45,702
Other Operating Revenues	392,124
Total Operating Revenues	26,236,211
OPERATING EXPENSES	
Salaries:	
Faculty	14,725,233
Staff	11,967,196
Employee Benefits	7,392,181
Other Personal Services	188,751
Travel	297,836
Scholarships and Fellowships	9,707,862
Utilities	1,201,712
Supplies and Other Services	12,124,217
Depreciation	3,284,250
Total Operating Expenses	60,889,238
Operating Income (Loss)	(34,653,027)
NON-OPERATING REVENUES (EXPENSES)	
State Appropriations	18,719,950
Grants and Contracts	
Federal	15,181,013
State	34,524
Other	48,681
Gifts	469,757
Investment Income (endowments, auxiliary and other)	33,542
Interest Expense	(604,428)
Loss on Disposal of Capital Assets	—
Other Nonoperating Revenues	(1,303)
Net Nonoperating Revenues	33,881,736
Income (Loss) before other revenues, expenses, gains, or losses	(771,291)
Capital Grants and Gifts	
State	35,561,495
Other	63,650
Total other revenues, expenses, gains, or losses	35,625,145
Increase/(Decrease) in Net Position	34,853,854
NET POSITION	
Net Position – Beginning of Year	39,764,199
Net Position – End of Year	$74,618,053

(1) Based upon limited agreed-upon procedures. See "Financial Information" above.
(2) Prior to fiscal year 2013, GSC operated as an institution separate and distinct from NGCSU.

NORTH GEORGIA COLLEGE & STATE UNIVERSITY

Statement of Revenues, Expenses and Changes in Net Position

	Year Ended June 30 (Unaudited)
	2012[(1)(2)]
OPERATING REVENUES	
Student Tuition and Fees	$36,498,574
Less: Scholarship Allowances	(7,229,115)
Grants and Contracts	
Federal	97,619
Other	1,870
Sales and Services of Educational Departments	713,203
Auxiliary Enterprises	
Residence Halls	8,664,419
Bookstore	3,933,773
Food Services	6,717,245
Parking/Transportation	2,323,664
Health Services	849,685
Intercollegiate Athletics	2,330,278
Other Organizations	69,439
Other Operating Revenues	758,991
Total Operating Revenues	55,729,645
OPERATING EXPENSES	
Salaries:	
Faculty	19,715,016
Staff	19,824,343
Employee Benefits	12,167,518
Other Personal Services	148,181
Travel	827,741
Scholarships and Fellowships	4,166,405
Utilities	3,175,547
Supplies and Other Services	21,296,192
Depreciation	9,054,698
Total Operating Expenses	90,375,641
Operating Income (Loss)	(34,645,996)
NON-OPERATING REVENUES (EXPENSES)	
State Appropriations	20,634,869
Grants and Contracts	
Federal	11,526,362
State	39,444
Other	1,546,022
Gifts	866,020
Investment Income (endowments, auxiliary and other)	72,797
Interest Expense	(7,235,779)
Loss on Disposal of Capital Assets	—
Other Nonoperating Revenues	(22,440)
Net Nonoperating Revenues	27,427,295
Income (Loss) before other revenues, expenses, gains, or losses	(7,218,701)
Capital Grants and Gifts	
State	124,112
Other	35,360
Total other revenues, expenses, gains, or losses	159,472
Increase/(Decrease) in Net Position	(7,059,229)
NET POSITION	
Net Position – Beginning of Year	84,747,107
Net Position – End of Year	$77,687,878

(1) Based upon limited agreed-upon procedures. See "Financial Information" above.
(2) Prior to fiscal year 2013, NGCSU operated as an institution separate and distinct from GSC.

UNIVERSITY OF NORTH GEORGIA

Statement of Revenues, Expenses and Changes in Net Position

	Years Ended June 30 (Unaudited)	
	2013[(1)]	2014[(1)]
OPERATING REVENUES		
Student Tuition and Fees	$65,670,316	$71,453,623
Less: Scholarship Allowances	(13,676,444)	(16,186,561)
Grants and Contracts		
Federal	73,858	249,806
Sales and Services of Educational Departments	2,042,507	2,043,640
Rents and Royalties	—	138,938
Auxiliary Enterprises		
Residence Halls	9,992,275	10,609,061
Bookstore	6,594,367	7,143,475
Food Services	7,077,938	7,716,323
Parking/Transportation	3,256,655	3,791,787
Health Services	877,332	900,596
Intercollegiate Athletics	2,518,174	2,480,191
Other Organizations	125,433	126,249
Other Operating Revenues	2,167,996	614,312
Total Operating Revenues	86,720,407	91,081,440
OPERATING EXPENSES		
Salaries:		
Faculty	34,855,383	35,316,806
Staff	34,610,596	36,159,524
Employee Benefits	20,656,244	22,327,463
Other Personal Services	373,812	519,640
Travel	1,168,054	1,324,581
Scholarships and Fellowships	13,586,710	12,304,624
Utilities	4,196,173	4,239,157
Supplies and Other Services	31,240,917	32,670,701
Depreciation	16,318,538	15,171,543
Total Operating Expenses	157,006,427	160,034,039
Operating Income (Loss)	(70,286,020)	(68,952,599)
NON-OPERATING REVENUES (EXPENSES)		
State Appropriations	40,968,231	44,963,866
Grants and Contracts		
Federal	26,172,269	26,514,361
State	109,890	88,295
Other	1,684,801	2,758,781
Gifts	345,345	155,174
Investment Income (endowments, auxiliary and other)	(39,432)	134,129
Interest Expense	(8,702,815)	(9,745,744)
Loss on Disposal of Capital Assets	(819,852)	—
Other Nonoperating Revenues	—	(596,253)
Net Nonoperating Revenues	59,718,437	64,272,609
Income (Loss) before other revenues, expenses, gains, or losses	(10,567,583)	(4,679,990)
Capital Grants and Gifts		
State	23,592,771	1,744,460
Other	2,192,000	3,584,172
Total other revenues, expenses, gains, or losses	25,784,771	5,328,632
Increase/(Decrease) in Net Position	15,217,188	648,642
NET POSITION		
Net Position – Beginning of Year	152,305,931	167,523,119
Net Position – End of Year	$167,523,119	$168,171,761

(1) Based upon limited agreed-upon procedures. See “Financial Information” above.

Debt Service Schedule

The principal (including principal payable at maturity or by operation of mandatory sinking fund redemption) and interest payment requirements with respect to the Series 2015 Bonds allocable to the Gainesville State Project are as follows:

Bond Year Ending June 15	Principal	Interest	Total
2016	$ 125,000	$ 228,375	$ 353,375
2017	130,000	222,131	352,131
2018	135,000	216,931	351,931
2019	140,000	210,181	350,181
2020	150,000	203,181	353,181
2021	155,000	195,681	350,681
2022	165,000	187,931	352,931
2023	175,000	179,681	354,681
2024	180,000	170,931	350,931
2025	190,000	161,931	351,931
2026	200,000	152,431	352,431
2027	205,000	146,431	351,431
2028	210,000	140,025	350,025
2029	220,000	131,625	351,625
2030	230,000	120,625	350,625
2031	245,000	109,125	354,125
2032	250,000	99,938	349,938
2033	260,000	89,938	349,938
2034	270,000	79,538	349,538
2035	285,000	68,738	353,738
2036	295,000	57,338	352,338
2037	305,000	45,169	350,169
2038	320,000	32,588	352,588
2039	335,000	19,388	354,388
2040	135,000	5,569	140,569
Totals	$5,310,000	$3,275,419	$8,585,419

Sources of Funds to Make Rental Payments

In connection with the operation of the UNG Project, the Board of Regents approved a new student parking fee in the amount of $65 per student per semester which UNG began collecting in the fall semester 2008. This fee is designed to pay the rental payments and operating costs of the UNG Project. **However, this fee is not pledged under the Rental Agreement related to the UNG Project, and the Board of Regents is not required to allocate the net revenues of the UNG Project or the proceeds of this fee to its payments under the Rental Agreement.**

GEORGIA COLLEGE & STATE UNIVERSITY

Founded in 1889, Georgia College & State University ("GCSU") is located in the center of Milledgeville, Georgia's capital from 1804 to 1868. Designated by the University System as Georgia's public liberal arts university, this residential institution offers students a diverse array of more than 36 undergraduate degree programs and 25 graduate programs in the schools of liberal arts and sciences, business, education and health sciences.

The campus occupies 43 acres within the City of Milledgeville, with facilities for athletics, recreation and outdoor education located nearby on an additional 600 acres. With its blend of classical red brick buildings and white Corinthian columns, the campus appeals to those seeking a classic academic environment in which to pursue a comprehensive program of higher education. GCSU's campus also features the recently restored Old Governor's Mansion, a national historic landmark that serves as an educational center and museum. GCSU enrolls more than 6,500 undergraduate and graduate students, ninety percent of whom come from Georgia. Additionally, individuals from 19 other states and 12 foreign nations attend GCSU.

Enrollment

The following table reflects headcount enrollment information for the fall semesters of the academic years 2010-2014.

2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
6,737	6,636	6,444	6,551	6,772

Admissions

The following table reflects application, acceptance and matriculation information for the fall semesters of the academic years 2010-2014.

	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Number of Applications	4,122	3,799	3,885	4,048	4,362
Number of Acceptances	2,526	2,526	2,688	2,729	2,877
Acceptance Rate	61%	70%	69%	67%	66%
Number Enrolled	1,199	1,203	1,293	1,401	1,445
Matriculation Rate	48%	45%	48%	51%	50%

Tuition

The following table sets forth the undergraduate tuition for 15 hours or more per semester for the academic years 2011-2015 for Georgia residents and non-residents.

Academic Year	Resident	Non-Resident
2011-2012	$3,236	$11,755
2012-2013	3,317	12,049
2013-2014	3,400	12,350
2014-2015	3,485	12,659
2015-2016	3,590	12,764

Financial Information

The Board of Regents allocates and disburses funds to the institutions of the University System on an annual basis. The summary of the revenues and expenses and changes in net position of GCSU for the three fiscal years ended June 30, 2012 through 2014 set forth below shows, among other things, the appropriation trends by the

Board of Regents to GCSU and GCSU's historical collection of tuition and fees. **This financial information is provided for informational purposes only. No revenues of the Board of Regents or GCSU are pledged as security for the Series 2015 Bonds.**

For the fiscal year ended June 30, 2012, the State Department of Audits and Accounts conducted agreed upon procedures in accordance with attestation standards established by the American Institute of Certified Public Accountants. The procedures performed were solely to assist in assessing the accuracy of the financial information reported. Accordingly, the State Department of Audits and Accounts has not expressed an opinion regarding the financial statements of GCSU for the fiscal year ended June 30, 2012.

For the fiscal year ended June 30, 2013, the State Department of Audits and Accounts performed certain audit procedures with respect to the financial statements of GCSU to the extent it considered necessary in order to express an opinion as to the fair presentation of the financial statements of the State. The State Department of Audits and Accounts issued a Management Report with respect to the financial statements of GCSU that contains information that is a by-product of its engagement and is the representation of management of GCSU. Accordingly, the State Department of Audits and Accounts has not expressed an opinion regarding the financial statements of GCSU for the fiscal year ended June 30, 2013.

For the fiscal year ended June 30, 2014, the State Department of Audits and Accounts audited GCSU's financial statements in accordance with auditing standards generally accepted in the United States of America. These standards require the State Department of Audits and Accounts to obtain reasonable assurance that the financial statements are free of material misstatement. The State Department of Audits and Accounts has concluded that GCSU's financial statements for the fiscal year 2014 present fairly, in all material respects, GCSU's financial position, results of operations, and cash flows for the fiscal years in accordance with generally accepted accounting principles in the United States of America. The State Department of Audits and Accounts has not consented to the use of the foregoing statement in this Official Statement and could use the defense of sovereign immunity against any claim based upon its negligence in performing the audit of GCSU's financial statements.

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GEORGIA COLLEGE & STATE UNIVERSITY

Statement of Revenues, Expenses and Changes in Net Position

	Years Ended June 30 (Unaudited)		Year Ended June 30 (Audited)
	2012[1]	2013[1]	2014
OPERATING REVENUES			
Student Tuition and Fees	$52,082,160	$54,378,846	$57,471,880
Less: Scholarship Allowances	(6,170,189)	(6,042,475)	(6,659,158)
Grants and Contracts			
Federal	386,820	318,409	443,848
State	—	—	22,525
Other	42,482	42,993	65,362
Sales and Services of Educational Departments	1,758,510	1,629,651	1,774,767
Rents and Royalties	28,430	21,288	33,927
Auxiliary Enterprises			
Residence Halls	12,761,710	12,496,038	13,734,672
Bookstore	679,536	505,226	809,369
Food Services	6,397,798	6,715,242	7,163,043
Parking/Transportation	1,373,812	1,268,837	1,315,774
Health Services	1,273,987	1,231,648	1,252,183
Intercollegiate Athletics	2,714,000	2,594,719	2,578,584
Other Organizations	646,081	491,854	301,333
Other Operating Revenues	740,768	470,964	342,211
Total Operating Revenues	74,715,905	76,123,240	80,650,320
OPERATING EXPENSES			
Salaries:			
Faculty	24,943,391	26,154,266	26,152,719
Staff	25,648,381	27,179,559	27,825,132
Employee Benefits	14,691,821	15,659,917	16,525,975
Other Personal Services	223,048	235,056	258,812
Travel	935,375	1,031,301	1,105,802
Scholarships and Fellowships	3,208,215	2,861,676	2,825,832
Utilities	3,964,365	3,639,373	3,962,786
Supplies and Other Services	29,356,589	28,467,655	29,087,947
Depreciation	7,717,746	8,246,334	7,600,397
Total Operating Expenses	110,688,931	113,475,137	115,345,402
Operating Income (Loss)	(35,973,026)	(37,351,897)	(34,695,082)
NON-OPERATING REVENUES (EXPENSES)			
State Appropriations	27,160,310	27,229,767	29,005,791
Grants and Contracts			
Federal	7,101,960	6,732,953	6,815,133
Federal Stimulus	1,784,144	—	—
State	117,051	79,182	39,635
Other	1,063,459	1,190,596	1,396,278
Gifts	1,806,708	1,426,205	2,223,769
Investment Income (endowments, auxiliary and other)	759,515	587,334	1,024,071
Interest Expense (capital assets)	(6,661,731)	(6,614,858)	(7,825,511)
Other Nonoperating Revenues	121,536	51,842	330,995
Net Nonoperating Revenues	33,252,952	30,683,021	33,010,161
Income (Loss) before other revenues, expenses, gains, or losses	(2,720,074)	(6,668,876)	(1,684,921)
Capital Grants and Gifts			
State	592,531	264,370	9,210,474
Other	245,181	281,645	441,166
Total other revenues, expenses, gains, or losses	837,712	546,015	9,651,640
Increase/(Decrease) in Net Position	(1,882,362)	(6,122,861)	7,966,719
NET POSITION			
Net Position – Beginning of Year	$67,826,497	65,944,135	59,821,274
Net Position – End of Year	$65,944,135	$59,821,274	$67,787,993

(1) Based upon limited agreed-upon procedures. See "Financial Information" above.

Debt Service Schedule

The principal (including principal payable at maturity or by operation of mandatory sinking fund redemption) and interest payment requirements with respect to the Series 2015 Bonds allocable to the GCSU Project are as follows:

Bond Year Ending June 15	Principal	Interest	Total
2016	$ 110,000	$ 382,235	$ 492,235
2017	140,000	373,769	513,769
2018	160,000	368,169	528,169
2019	185,000	360,169	545,169
2020	215,000	350,919	565,919
2021	240,000	340,169	580,169
2022	275,000	328,169	603,169
2023	300,000	314,419	614,419
2024	315,000	299,419	614,419
2025	330,000	283,669	613,669
2026	345,000	267,169	612,169
2027	355,000	256,819	611,819
2028	370,000	245,725	615,725
2029	385,000	230,925	615,925
2030	405,000	211,675	616,675
2031	420,000	191,425	611,425
2032	435,000	175,675	610,675
2033	455,000	158,275	613,275
2034	470,000	140,075	610,075
2035	495,000	121,275	616,275
2036	515,000	101,475	616,475
2037	530,000	80,231	610,231
2038	555,000	58,369	613,369
2039	580,000	35,475	615,475
2040	280,000	11,550	291,550
Totals	$8,865,000	$5,687,241	$14,552,241

Sources of Funds to Make Rental Payments

Tenant rent and sales revenues from the GCSU Project are designed to pay the rental payments and operating costs of the GCSU Project. **However, these revenues are not pledged under the Rental Agreement related to the GCSU Project, and the Board of Regents is not required to allocate the net revenues of the GCSU Project to its payments under the Rental Agreement.**

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KENNESAW STATE UNIVERSITY

In January 2015 the Board of Regents approved the consolidation into one institution of Kennesaw State University ("KSU") and Southern Polytechnic State University ("Southern Polytechnic") now named Kennesaw State University ("Kennesaw State"). Kennesaw State has more than 30,000 commuter and residential students, including more than 1,700 from 136 countries. The student body is a mix of traditional and nontraditional students.

Kennesaw State students can choose majors from more than 60 bachelor's and master's degree programs, including undergraduate degrees in education, health, business, the humanities, the arts, science and math. Nearly 20 graduate degree programs are offered in professional concentrations including nursing, business, information systems, conflict management, education and professional writing. In addition, as part of the global learning effort, increasing ties between Kennesaw State and institutions abroad are being fostered in China, Morocco, Egypt and other nations.

Enrollment

The following table reflects headcount enrollment information for the fall semesters of the academic years 2010-2014.

2010-2011[(1)]	2011-2012[(1)]	2012-2013[(1)]	2013-2014[(1)]	2014-2015[(1)]
28,966	29,974	30,806	31,178	32,500

(1) Prior to academic year 2015, Southern Polytechnic and KSU operated as separate institutions. Statistics of each institution for academic years 2010-2014 have been combined for presentation purposes only.

Admissions

The following table reflects application, acceptance and matriculation information for the fall semesters of the academic years 2010-2014.

	2010-2011[(1)]	2011-2012[(1)]	2012-2013[(1)]	2013-2014[(1)]	2014-2015[(1)]
Number of Applications	11,667	11,926	12,930	14,519	15,919
Number of Acceptances	8,014	7,996	8,629	9,153	9,938
Acceptance Rate	69%	67%	67%	63%	62%
Number Enrolled	4,407	4,330	4,807	5,027	5,608
Matriculation Rate	55%	54%	56%	55%	56%

(1) Prior to academic year 2015, Southern Polytechnic and KSU operated as separate institutions. Statistics of each institution for academic years 2010-2014 have been combined for presentation purposes only.

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Tuition

The following table sets forth the undergraduate tuition for 15 hours or more per semester for the academic years 2011-2015 for Georgia residents and non-residents.

	Resident		Non-Resident	
Academic Year	Southern Polytechnic	KSU	Southern Polytechnic	KSU
2011-2012[(1)]	$2,564	$2,367	$9,124	$8,355
2012-2013[(1)]	2,628	2,426	9,352	8,564
2013-2014[(1)]	2,694	2,487	9,586	8,778
2014-2015[(1)]	2,761	2,549	9,826	8,997
2015-2016	$2,660		$9,388	

(1) Prior to academic year 2015, Southern Polytechnic and KSU operated as separate institutions. The tuition rate for 2015-2016 is the rate for the combined institution.

Financial Information

The Board of Regents allocates and disburses funds to the institutions of the University System on an annual basis. The summary of the revenues and expenses and changes in net position of KSU and Southern Polytechnic, respectively, for the three fiscal years ended June 30, 2012 through 2014 set forth below shows, among other things, the appropriation trends by the Board of Regents to KSU and Southern Polytechnic, respectively, and KSU's and Southern Polytechnic's historical collection of tuition and fees. **This financial information is provided for informational purposes only. No revenues of the Board of Regents or Kennesaw State are pledged as security for the Series 2015 Bonds.**

For the fiscal years ended June 30, 2012, 2013 and 2014, the State Department of Audits and Accounts audited Southern Polytechnic's financial statements in accordance with auditing standards generally accepted in the United States of America. These standards require the State Department of Audits and Accounts to obtain reasonable assurance that the financial statements are free of material misstatement. The State Department of Audits and Accounts has concluded that Southern Polytechnic's financial statements for the fiscal years 2012, 2013 and 2014 present fairly, in all material respects, Southern Polytechnic's financial position, results of operations, and cash flows for the fiscal year in accordance with generally accepted accounting principles in the United States of America. The State Department of Audits and Accounts has not consented to the use of the foregoing statement in this Official Statement and could use the defense of sovereign immunity against any claim based upon its negligence in performing the audit of Southern Polytechnic's financial statements.

For the fiscal years ended June 30, 2012, 2013 and 2014, the State Department of Audits and Accounts audited KSU's financial statements in accordance with auditing standards generally accepted in the United States of America. These standards require the State Department of Audits and Accounts to obtain reasonable assurance that the financial statements are free of material misstatement. The State Department of Audits and Accounts has concluded that KSU's financial statements for the fiscal years 2012, 2013 and 2014 present fairly, in all material respects, KSU's financial position, results of operations, and cash flows for each of the respective fiscal years in accordance with generally accepted accounting principles in the United States of America. The State Department of Audits and Accounts has not consented to the use of the foregoing statement in this Official Statement and could use the defense of sovereign immunity against any claim based upon its negligence in performing the audit of KSU's financial statements.

SOUTHERN POLYTECHNIC STATE UNIVERSITY

Statement of Revenues, Expenses and Changes in Net Position

	Years Ended June 30 (Audited)		
	2012[1]	2013[1]	2014[1]
OPERATING REVENUES			
Student Tuition and Fees	$35,193,294	$39,156,654	$41,099,942
Less: Scholarship Allowances	(6,470,047)	(6,350,384)	(6,998,581)
Grants and Contracts			
Federal	1,056,743	148,058	28,411
State	318,217	577,813	212,441
Other	39,495	40,122	84,021
Sales and Services	618,586	107,455	861,509
Auxiliary Enterprises			—
Residence Halls	8,129,442	9,737,371	9,684,504
Bookstore	114,459	267,299	96,821
Food Services	2,454,075	2,848,560	3,145,203
Parking/Transportation	—	1,900,945	1,925,559
Health Services	302,314	294,129	304,613
Intercollegiate Athletics	1,426,786	1,308,147	1,383,120
Other Organizations	268,845	337,090	303,121
Other Operating Revenues	424,258	458,124	594,301
Total Operating Revenues	45,750,105	50,831,383	52,724,985
OPERATING EXPENSES			
Salaries:			
Faculty	17,590,612	17,897,851	19,172,177
Staff	15,727,294	16,655,073	17,514,535
Employee Benefits	9,435,250	10,169,758	11,346,926
Other Personal Services	155,072	243,757	304,999
Travel	441,938	481,393	539,885
Scholarships and Fellowships	5,631,208	6,209,839	5,786,021
Utilities	2,702,683	3,086,526	3,147,148
Supplies and Other Services	15,552,322	18,406,860	16,669,119
Depreciation	7,259,313	7,816,669	8,466,776
Total Operating Expenses	74,495,692	80,967,726	82,947,586
Operating Income (Loss)	(28,745,587)	(30,136,343)	(30,222,601)
NON-OPERATING REVENUES (EXPENSES)			
State Appropriations	19,023,434	19,276,552	21,228,613
Grants and Contracts			
Federal	9,100,682	10,287,678	10,631,682
Federal Stimulus	271,788	—	—
State	213,406	49,899	203,275
Gifts	1,037,953	1,237,112	761,579
Investment Income (endowments, auxiliary and other)	264,902	160,660	497,453
Interest Expense (capital assets)	(4,955,867)	(4,862,170)	(4,916,860)
Other Nonoperating Revenues	363,621	408,588	(384,822)
Net Nonoperating Revenues	25,319,919	26,558,319	28,020,920
Income (Loss) before other revenues, expenses, gains, or losses	(3,425,668)	(3,578,024)	(2,201,681)
Capital Grants and Gifts			
State	2,796,847	762,206	101,164
Other	—	—	257,496
Special Item – Loss on Transfer of Endowment	—	(175,454)	(76,088)
Total Other Revenues, Expenses, Gains or Losses	2,796,847	586,752	282,572
Increase/(Decrease) in Net Position	(628,821)	(2,991,272)	(1,919,109)
NET POSITION			
Net Position – Beginning of Year, as Originally Reported	97,949,323	100,109,471	86,356,052
Prior Year Adjustments	2,788,969	(10,762,147)[2]	1,916,609
Net Position – Beginning of Year, Restated	100,738,292	89,347,324	88,272,661
Net Position – End of Year	$100,109,471	$86,356,052	$86,353,552

(1) Prior to fiscal year 2015, Southern Polytechnic operated as an institution separate and distinct from KSU.

(2) For fiscal year 2013, Southern Polytechnic made a variety of prior period adjustments because of various errors or omissions, which required restatement of net position. The result is a decrease in net position at July 1, 2012, of $10,762,147. This is due primarily to an adjustment related to depreciation of capital leases and buildings. The audit report states that these changes were made in accordance with generally accepted accounting principles.

KENNESAW STATE UNIVERSITY

Statement of Revenues, Expenses and Changes in Net Position

	Years Ended June 30 (Audited)		
	2012[(1)]	2013[(1)]	2014[(1)]
OPERATING REVENUES			
Student Tuition and Fees	$144,211,156	$152,044,382	$158,859,718
Less: Scholarship Allowances	(25,974,102)	(29,509,267)	(30,450,952)
Grants and Contracts			
Federal	1,377,643	1,331,242	2,002,152
Federal Stimulus	83,966	52,698	—
State	4,270,198	4,730,661	737,464
Other	700,409	673,321	422,061
Sales and Services for Educational Departments	7,637,563	8,921,239	9,435,622
Rents and Royalties	290,670	370,719	267,421
Auxiliary Enterprises			
Residence Halls	974,425	3,973,500	4,137,887
Bookstore	10,958,615	11,405,110	11,418,050
Food Services	11,889,321	13,269,081	14,547,054
Parking/Transportation	7,638,098	8,547,424	8,395,153
Health Services	2,783,588	2,714,201	2,691,804
Intercollegiate Athletics	7,763,250	7,717,942	12,247,856
Other Organizations	303,627	558,430	447,154
Other Operating Revenues	1,796,445	1,036,793	1,659,110
Total Operating Revenues	176,704,872	187,837,476	196,817,554
OPERATING EXPENSES			
Salaries:			
Faculty	64,278,260	64,142,185	66,508,459
Staff	80,486,833	86,010,168	86,114,387
Employee Benefits	37,585,290	40,408,878	41,983,438
Other Personal Services	642,314	652,187	491,714
Travel	2,959,393	2,851,736	2,718,304
Scholarships and Fellowships	23,085,221	22,595,412	22,939,453
Utilities	6,069,022	5,737,846	6,195,341
Supplies and Other Services	61,459,353	66,790,300	71,589,436
Depreciation	14,251,997	19,814,355	20,528,632
Total Operating Expenses	290,817,683	309,003,067	319,069,164
Operating Income (Loss)	(114,112,811)	(121,165,591)	(122,251,610)
NON-OPERATING REVENUES (EXPENSES)			
State Appropriations	73,079,254	75,897,167	82,371,326
Grants and Contracts			
Federal	42,230,104	43,682,254	42,525,236
Federal Stimulus	1,319,442	302,361	78,213
State	184,910	238,908	22,993
Other	3,711,514	4,117,602	3,896,803
Gifts	779,525	508,260	1,282,229
Investment Income (endowments, auxiliary and other)	659,240	323,721	399,639
Interest Expense (capital assets)	(10,487,097)	(11,811,257)	(11,859,160)
Other Nonoperating Revenues	(144,172)	3,573,868	(33,034)
Net Nonoperating Revenues	111,332,720	116,832,884	118,684,245
Income (Loss) before other revenues, expenses, gains, or losses	(2,780,091)	(4,332,707	(3,567,365)
Capital Grants and Gifts			
State	—	20,037,198	108,378
Other	64,305	107,337	3,768,768
Total Other Revenues, Expenses, Gaines or Losses	65,305	20,144,535	3,877,146
Increase/(Decrease) in Net Position	(2,715,786)	15,811,828	309,781
NET POSITION			
Net Position – Beginning of Year, Restated	221,034,459	218,318,673	234,130,501
Net Position – End of Year	$218,318,673	$234,130,501	$234,440,282

(1) Prior to fiscal year 2015, KSU operated as an institution separate and distinct from Southern Polytechnic.

Debt Service Schedule

The principal (including principal payable at maturity or by operation of mandatory sinking fund redemption) and interest payment requirements with respect to the Series 2015 Bonds allocable to the Southern Polytechnic Project are as follows:

Bond Year Ending June 15	Principal	Interest	Total
2016	$ 320,000	$ 855,188	$ 1,175,188
2017	375,000	834,769	1,209,769
2018	430,000	819,769	1,249,769
2019	485,000	798,269	1,283,269
2020	555,000	774,019	1,329,019
2021	595,000	746,269	1,341,269
2022	620,000	716,519	1,336,519
2023	655,000	685,519	1,340,519
2024	685,000	652,769	1,337,769
2025	720,000	618,519	1,338,519
2026	755,000	582,519	1,337,519
2027	780,000	559,869	1,339,869
2028	805,000	535,494	1,340,494
2029	835,000	503,294	1,338,294
2030	875,000	461,544	1,336,544
2031	920,000	417,794	1,337,794
2032	955,000	383,294	1,338,294
2033	995,000	345,094	1,340,094
2034	1,035,000	305,294	1,340,294
2035	1,075,000	263,894	1,338,894
2036	1,120,000	220,894	1,340,894
2037	1,165,000	174,694	1,339,694
2038	1,210,000	126,638	1,336,638
2039	1,260,000	76,725	1,336,725
2040	600,000	24,750	624,750
Totals	$19,825,000	$12,483,395	$32,308,395

Sources of Funds to Make Rental Payments

In connection with the operation of the Kennesaw State Project, the Board of Regents approved a new student parking fee in the amount of $50 per student per semester, which Kennesaw State began collecting in the fall semester 2008, and which has increased to $93 per student per semester. This fee is designed to pay the rental payments and operating costs of the Kennesaw State Project. **However, this fee is not pledged under the Rental Agreement related to the Kennesaw State Project, and the Board of Regents is not required to allocate the net revenues of the Kennesaw State Project or the proceeds of this fee to its payments under the Rental Agreement.**

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Appendix B

Definitions and Summaries of Principal Documents

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DEFINITIONS AND SUMMARIES OF PRINCIPAL DOCUMENTS

Following the definitions are summaries of the Loan Agreement, the Amended Notes, the Security Deeds, and the Indenture. The statements made herein relating to such documents are summaries and do not purport to be complete. Complete copies of the Loan Agreement, the Amended Notes, the Security Deeds, and the Indenture are on file at the principal corporate trust office of the Trustee. The following summaries are qualified in their entirety by express reference to such documents.

DEFINITIONS OF TERMS IN PRINCIPAL DOCUMENTS

Set forth below is a summary of certain of the defined terms used in the Loan Agreement, the Amended Notes, the Security Deeds, and the Indenture and in this Summary of the provisions thereof. Reference is made to such documents for the full definition of all terms and for the definition of capitalized terms used herein but not defined herein.

"Act" means the Georgia Higher Education Facilities Authority Act, O.C.G.A. § 20-16-1 et. seq., as it may be amended.

"Additional Bonds" means the additional parity Bonds authorized to be issued by the Issuer pursuant to the terms and conditions of the Indenture.

"Additional Loan Payments" means the loan payments payable by the Company, described under the heading **"SUMMARY OF THE AMENDED NOTES - Payment Terms** -- *Additional Loan Payments***"** herein.

"Additions" or **"Alterations"** means modifications, repairs, renewals, improvements, replacements, alterations, additions, enlargements, or expansions in, on, or to the Projects (other than routine repair or maintenance), including any and all machinery, furnishings, and equipment therefor.

"Affiliate" means any Person (a) directly or indirectly controlling, controlled by, or under common control with the Company; or (b) a majority of the members of the Directing Body of which are members of the Directing Body of the Company. For purposes of this definition, control means with respect to: (a) a corporation having stock, the ownership, directly or indirectly, of more than 50% of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the directors of such corporation; (b) a not for profit corporation not having stock, having the power to elect or appoint, directly or indirectly, a majority of the members of the Directing Body of such corporation; or (c) any other entity, the power to direct the management of such entity through the ownership of at least a majority of its voting securities or the right to designate or elect at least a majority of the members of its Directing Body, by contract or otherwise. For the purposes of this definition, "Directing Body" means with respect to: (a) a corporation having stock, such corporation's board of directors and owners, directly or indirectly, of more than 50% of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the directors of such corporation (both of which groups will be considered a Directing Body); (b) a not for profit corporation not having stock, such corporation's members if the members have complete discretion to elect the corporation's directors, or the corporation's directors ¯lithe corporation's members do not have such discretion; or (c) any other entity, its governing body or board. For the purposes of this definition, all references to directors and members will be deemed to include all entities performing the function of directors or members however denominated.

"Agreement Term" means the duration of the Loan Agreement as specified under the heading **"SUMMARY OF THE LOAN AGREEMENT - Term of the Loan Agreement"** herein.

"Amended Notes" or "Promissory Notes" means, collectively, the Dalton State Note, the Darton Note, the Fort Valley Note, the Gainesville State Note, the Georgia College Note, and the Southern Polytechnic Note.

"Assignments of Contract Documents" means, collectively, the Dalton State Assignment of Contract Documents, the Dalton Assignment of Contract Documents, the Fort Valley Assignment of Contract Documents, the Gainesville State Assignment of Contract Documents, the Georgia College Assignment of Contract Documents, and the Southern Polytechnic Assignment of Contract Documents; provided, however, that any of the foregoing may be referred to herein individually as an "Assignment of Contract Documents."

"Authorized Company Representative" means the person or persons at the time designated to act on behalf of the Company by written certificate furnished to the Issuer and the Trustee, containing the specimen signature of such person and signed on behalf of the Company by the manager of the Company. Such certificate or any subsequent or supplemental certificate so executed may designate an alternate or alternates.

"Available Monies" means monies which are continuously on deposit with the Trustee or the paying agent in trust for the benefit of the Owners in a separate and segregated account in which only Available Monies are held and which constitute (i) proceeds of the Bonds received contemporaneously with the issuance, delivery and sale of the Bonds, (ii) other monies held in any fund created under the Indenture that have been continuously on deposit in trust with the Trustee or the paying agent for the benefit of the Owners for a period of one hundred twenty-three (123) consecutive days during and prior to which no petition in bankruptcy under the United States Bankruptcy Code has been filed by or against the Issuer or the Company and no similar proceedings have been instituted under State insolvency or other laws affecting creditors' rights generally, (iii) proceeds of a credit facility, (iv) funds for which the Trustee and any rating agency then maintaining a rating on the Bonds have received a written opinion of Independent Counsel nationally recognized in bankruptcy matters and acceptable to the Trustee, and any rating agency then maintaining a rating on the Bonds, to the effect that payment of such monies to the Owners would not constitute a voidable preference under Section 547 of the United States Bankruptcy Code or under applicable State law if the Issuer or the Company were to become a debtor under the United States Bankruptcy Code or under applicable State law, or (v) the earnings on, and other proceeds of, investment of funds qualifying as Available Monies under the foregoing clauses.

"Basic Loan Payments" means the loan payments payable by the Company to the Issuer, described under the heading **"SUMMARY OF THE AMENDED NOTES - Payment Terms** *--Basic Loan Payments***"** herein.

"Bond Counsel" means Independent Counsel nationally recognized as experienced in matters relating to the exclusion from gross income for federal tax purposes of interest on obligations of states and political subdivisions, and which is reasonably acceptable to the Issuer and the Trustee, such acceptance not to be unreasonably withheld.

"Bond Documents" means, collectively, the Loan Agreement, the Amended Notes, the Indenture, the Security Deeds, the Assignments of Contract Documents, the Bond Purchase Agreement, the Continuing Disclosure Certificate, and the Tax Agreement.

"Bond Fund" means the fund by that name created in the Indenture.

"Bondholders" or **"Bondowners"** or **"Owners"** means the Persons in whose names any of the Bonds are registered on the books kept and maintained by the Trustee as Bond registrar.

"Bond Purchase Agreement" means the Bond Purchase Agreement among the Issuer, the Company, and the Underwriters.

"Bonds" means the Series 2015 Bonds and all series of Additional Bonds from time to time authenticated and delivered under the Indenture.

"Bond Year" means the twelve-month period beginning on June 16 of each calendar year and ending on June 15 of the next succeeding calendar year.

"Building" means the Improvements (as such term is defined in the Security Deeds) described in each of the Security Deeds.

"Business Day" means any day other than a day on which (a) banks located in the city in which the principal corporate trust office of the Trustee is located are authorized or required by law to close, or (b) The New York Stock Exchange or the payment system of the Federal Reserve System is closed.

"Capitalized Interest" means amounts deposited to pay interest on Indebtedness and interest earned on such amounts to the extent that such interest earned is required to be applied to pay interest on Indebtedness.

"Closing Date" means the date of issuance and delivery of the relevant series of Bonds.

"Code" means Internal Revenue Code of 1986, as amended from time to time, including, when appropriate, the statutory predecessor thereof, or any applicable corresponding provisions of any future laws of the United States of America relating to federal income taxation, and except as otherwise provided herein or required by the context hereof, includes interpretations thereof contained or set forth in the applicable regulations of the Department of the Treasury (including applicable final or temporary regulations and also including regulations issued pursuant to the statutory predecessor of the Code, the applicable rulings of the Internal Revenue Service (including published Revenue Rulings and private letter rulings), and applicable court decisions).

"Company" means USG Real Estate Foundation I, LLC, a limited liability company duly organized and existing under the laws of the State of Georgia, and its successors and assigns.

“Company Documents” means, collectively, the Loan Agreement, the Amended Notes, the Security Deeds, the Ground Leases, the Rental Agreements, the Assignments of Contract Documents, the Tax Agreement, the Bond Purchase Agreement, and the Continuing Disclosure Certificate.

“Condemnation Fund” means the fund by that name created in the Indenture.

“Consulting Architect” means the architect or architectural firm at the time employed by the Company and designated by written certificate furnished to the Trustee and signed on behalf of the Company by an Authorized Company Representative. The Consulting Architect will be registered and qualified to practice under the laws of the State and cannot be not be a full-time employee of the Issuer or the Company.

“Dalton Bonds” means that portion of the Series 2015 Bonds allocable to the Dalton State Project as shown on Exhibit B to the Indenture.

“Dalton State Assignment of Contract Documents” means the Assignment of Contract Documents (Dalton State Project) dated as of November 1, 2008 from the Company in favor of the Issuer.

“Dalton State Ground Lease” means the Dalton State College Parking Deck Ground Lease, dated as of November 26, 2008, between the Board of Regents and the Company.

“Dalton State Note” means the amended and restated promissory note of the Company, dated the Closing Date of the Series 2015 Bonds, in the original principal amount of $7,080,000, payable to the Issuer, given to evidence the obligation to pay Loan Payments to repay that portion of the Loan relating to the Dalton State Project.

“Dalton State Project” means the acquisition, construction and equipping of a parking deck on the campus of Dalton State College, all as more particularly described on Exhibit A-I to the Loan Agreement.

“Dalton State Rental Agreement” means the Dalton State College Parking Deck Rental Agreement, dated as of November 26, 2008, between the Company and the Board of Regents.

“Dalton State Security Deed” means, together, the Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement (Dalton State Project) dated as of November 1, 2008, as supplemented and amended by the First Amendment to Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement (Dalton State Project) dated as of May 1, 2015, from the Company to the Issuer and the Assignment of Leasehold Deeds to Secure Debt, Assignments of Rents and Leases, and Security Agreements dated as of November 1, 2008 from the Issuer to the Trustee, as the same may be amended or supplemented from time to time in accordance with the provisions of the Indenture.

“Darton Assignment of Contract Documents” means the Assignment of Contract Documents (Darton Project) dated as of November 1, 2008 from the Company in favor of the Issuer.

“Darton Bonds” means that portion of the Series 2015 Bonds allocable to the Darton Project as shown on Exhibit B to the Indenture.

“Darton Ground Lease” means the Darton College Student Center Ground Lease, dated as of November 26, 2008 between the Board of Regents and the Company.

“Darton Note” means the amended and restated promissory note of the Company, dated the Closing Date of the Series 2015 Bonds, in the original principal amount of $22,955,000, payable to the Issuer, given to evidence the obligation to pay Loan Payments to repay that portion of the Loan relating to the Darton Project.

“Darton Project” means the acquisition, construction and equipping of an addition to a student center located on the campus of Darton College, all as more particularly described on Exhibit A-2 to the Loan Agreement.

“Darton Rental Agreement” means the Darton College Student Center Rental Agreement, dated as of November 26, 2008, between the Company and the Board of Regents.

“Darton Security Deed” means, together, the Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement (Darton Project) dated as of November 1, 2008, as supplemented and amended by the First Amendment to Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement (Darton Project) dated as of May 1, 2015, from the Company to the Issuer and the Assignment of Leasehold Deeds to Secure Debt, Assignments of Rents and Leases, and Security Agreements dated as of November 1, 2008 from the Issuer to the Trustee, as the same may be amended or supplemented from time to time in accordance with the provisions of the Indenture.

"Debt Service" means the aggregate principal (whether at maturity or pursuant to mandatory redemption requirements), interest payments and other payments of the Company on Long-Term Indebtedness during the period in question.

"Debt Service Coverage Ratio" means, for any period, the ratio of Revenue Available for Debt Service to Debt Service.

"Equipment" means the personal property described in the definition of "Project" in each of the Security Deeds.

"Event of Default" means, unless otherwise provided to the contrary, any of the events constituting an "Event of Default" under the Loan Agreement, which events are more particularly described in the summary of the Loan Agreement below.

"Expenses" mean, for any period, the aggregate of all expenses calculated under GAAP, but excluding (i) extraordinary expenses (including without limitation losses on the sale of assets other than in the ordinary course of business and losses on the extinguishment of debt or termination of pension plans), (ii) any expenses resulting from a forgiveness of or the establishment of reserves against Indebtedness of an Affiliate which does not constitute extraordinary expense, (iii) losses resulting from any reappraisal, revaluation, or write-down of assets and (iv) unrealized losses on investments.

"Extraordinary Services of the Trustee" and **"Extraordinary Expenses of the Trustee"** mean all reasonably necessary services rendered and all reasonably necessary expenses incurred by the Trustee under the Indenture after an Event of Default, including reasonable counsel fees, other than Ordinary Services of the Trustee and the Ordinary Expenses of the Trustee.

"Favorable Opinion of Bond Counsel" means, with respect to any action the taking of which requires such an opinion, an unqualified opinion of Bond Counsel to the effect that such action will not impair the exclusion of interest on the Tax-Exempt Bonds from gross income for purposes of federal income taxation (subject to the inclusion of any exceptions contained in the opinion delivered upon the original issuance of the Bonds).

"Financial Consultant" means a firm of consultants, knowledgeable in the operation and financial affairs of businesses operating Projects such as the Projects, reasonably acceptable to the Trustee, which is to be employed by the Company to make reports with respect to rents, operating expenses, and operations and to provide other functions and duties provided for in the Loan Agreement.

"First Supplement Indenture" means the First Supplemental Trust Indenture, dated as of May 1, 2015, between the Issuer and the Trustee.

"Fiscal Year" means any period of 12 consecutive months adopted by the Company as its fiscal year for financial reporting purposes initially means the period beginning on July 1 of each calendar year and ending on June 30 of the next calendar year.

"Fitch" means Fitch, Inc., doing business as Fitch Ratings, its successors and their assigns, and, if such corporation will be dissolved or liquidated or no longer performs the functions of a securities rating agency, "Fitch" will be deemed to refer to any other nationally recognized securities rating agency designated by the Company.

"Fort Valley Assignment of Contract Documents" means the Assignment of Contract Documents (Fort Valley Project) dated as of November 1, 2008 from the Company in favor of the Issuer.

"Fort Valley Bonds" means that portion of the Series 2015 Bonds allocable to the Fort Valley Project as shown on Exhibit B to the Indenture.

"Fort Valley Ground Lease" means the Fort Valley State University Student Center/Stadium Ground Lease, dated as of November 26, 2008, between the Board of Regents and the Company.

"Fort Valley Note" means the amended and restated promissory note of the Company, dated the Closing Date of the Series 2015 Bonds, in the original principal amount of $21,535,000, payable to the Issuer, given to evidence the obligation to pay Loan Payments to repay that portion of the Loan relating to the Fort Valley Project.

"Fort Valley Project" means the acquisition, construction and equipping of a student center and stadium on the campus of Fort Valley State University, all as more particularly described on Exhibit A-3 to the Loan Agreement.

"Fort Valley Rental Agreement" means the Fort Valley State University Student Center/Stadium Rental Agreement, dated as of November 26, 2008, between the Company and the Board of Regents.

"Fort Valley Security Deed" means, together, the Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement (Fort Valley Project) dated as of November 1, 2008, as supplemented and amended by the First Amendment to Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement (Fort Valley Project) dated as of May 1, 2015, from the Company to the Issuer and the Assignment of Leasehold Deeds to Secure Debt, Assignments of Rents and Leases, and Security Agreements dated as of November 1, 2008 from the Issuer to the Trustee, as the same may be amended or supplemented from time to time in accordance with the provisions of the Indenture.

"GAAP" means those principles of accounting set forth in pronouncements of the Financial Accounting Standards Board and its predecessors or pronouncements of the American Institute of Certified Public Accountants or those principles of accounting which have other substantial authoritative support and are applicable in the circumstances as of the date of application, as such principles are from time to time supplemented or amended.

"Gainesville State Assignment of Contract Documents" means the Assignment of Contract Documents (Gainesville State Project) dated as of November 1, 2008 from the Company in favor of the Issuer.

"Gainesville State Bonds" means that portion of the Series 2015 Bonds allocable to the Gainesville State Project as shown on Exhibit B to the Indenture.

"Gainesville State Ground Lease" means the Gainesville State College Parking Deck Ground Lease, dated as of November 26, 2008, between the Board of Regents and the Company.

"Gainesville State Note" means the amended and restated promissory note of the Company, dated the Closing Date of the Series 2015 Bonds, in the original principal amount of $5,310,000, payable to the Issuer, given to evidence the obligation to pay Loan Payments to repay that portion of the Loan relating to the Gainesville State Project.

"Gainesville State Project" means the acquisition, construction and equipping of a parking deck and the extension of an existing parking lot on the campus of Gainesville State College, all as more particularly described on Exhibit A-4 to the Loan Agreement.

"Gainesville State Rental Agreement" means the Gainesville State College Parking Deck Rental Agreement, dated as of November 26, 2008, between the Company and the Board of Regents.

"Gainesville State Security Deed" means, together, the Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement (Gainesville State Project) dated as of November 1, 2008, as supplemented and amended by the First Amendment to Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement (Gainesville State Project) dated as of May 1, 2015, from the Company to the Issuer and the Assignment of Leasehold Deeds to Secure Debt, Assignments of Rents and Leases, and Security Agreements dated as of November 1, 2008 from the Issuer to the Trustee, as the same may be amended or supplemented from time to time in accordance with the provisions of the Indenture.

"Georgia College Assignment of Contract Documents" means the Assignment of Contract Documents (Georgia College Project) dated as of November 1, 2008 from the Company in favor of the Issuer.

"Georgia College Bonds" means that portion of the Series 2008 Bonds allocable to the Georgia College Project as shown on Exhibit B to the Indenture.

"Georgia College Ground Lease" means the Georgia College & State University Theater & Bookstore Ground Lease, dated as of November 26, 2008, between the Board of Regents and the Company.

"Georgia College Note" means the amended and restated promissory note of the Company, dated the Closing Date of the Series 2015 Bonds, in the original principal amount of $8,865,000, payable to the Issuer, given to evidence the obligation to pay Loan Payments to repay that portion of the Loan relating to the Georgia College Project.

"Georgia College Project" means the acquisition, renovation and equipping of an existing building to provide a theater and bookstore on or near the campus of Georgia College and State University, all as more particularly described on Exhibit A-5 to the Loan Agreement.

"Georgia College Rental Agreement" means the Georgia College & State University Theater & Bookstore Rental Agreement, dated as of November 26, 2008, between the Company and the Board of Regents.

"Georgia College Security Deed" means, together, the Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement (Georgia College Project) dated as of November 1, 2008, as supplemented and amended by the First Amendment to Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement

(Georgia College Project) dated as of May 1, 2015, from the Company to the Issuer and the Assignment of Leasehold Deeds to Secure Debt, Assignments of Rents and Leases, and Security Agreements dated as of November 1, 2008 from the Issuer to the Trustee, as the same may be amended or supplemented from time to time in accordance with the provisions of the Indenture.

"Governing Body" means with respect to the Issuer the members of the Issuer and with respect to the Company the manager of the Company.

"Government Obligations" means direct obligations of, or obligations the payment of the principal of and interest on which when due are unconditionally guaranteed by the United States of America.

"Ground Leases" means, collectively, the Dalton State Ground Lease, the Darton Ground Lease, the Fort Valley Ground Lease, the Gainesville State Ground Lease, the Georgia College Ground Lease, and the Southern Polytechnic Ground Lease, as the same may be amended or supplemented from time to time in accordance with the terms thereof; provided, however, that any of the preceding may be referred to individually herein as a "Ground Lease."

"Ground Lessor" means, with respect to each Ground Lease, the Board of Regents of the University System of Georgia, in its capacity as ground lessor, together with its successors and assigns thereunder.

"Indebtedness" means with respect to the Company (i) all indebtedness, whether or not represented by Bonds, debentures, notes, or other securities, for the repayment of money borrowed, (ii) all deferred indebtedness for the payment of the purchase price of properties or assets purchased, (iii) all guaranties, endorsements (other than endorsements in the ordinary course of business), assumptions, and other contingent obligations in respect of, or to purchase or to otherwise acquire, indebtedness of others, (iv) all indebtedness secured by a mortgage, pledge, security interest, or lien existing on property owned which is subject to such mortgage, pledge, security interest, or lien, whether or not the indebtedness secured thereby is assumed, and (v) all capitalized lease obligations; provided, however, that for the purpose of computing Indebtedness, there will be excluded any particular Indebtedness if, upon or prior to the maturity thereof, there is deposited with the proper depository in trust the necessary funds (or direct obligations of the United States of America not redeemable by the issuer) for the payment, redemption, or satisfaction of such Indebtedness, and thereafter such funds and such direct obligations of the United States of America so deposited will not be included in any computation of the assets of the Company and the income derived from such funds and such direct obligations of the United States of America so deposited will not be included in any computation of the income of the Company.

"Indenture" means the Trust Indenture dated as of November 1, 2008 between the Issuer and the Trustee, as supplemented and amended by the First Supplemental Indenture, as the same may be amended or supplemented from time to time in accordance with the provisions of the Indenture.

"Independent Counsel" means an attorney or firm of attorneys duly admitted to practice law before the highest court of any state of the United States and not in the full-time employment of the Issuer or the Company.

"Insurance Fund" means the fund by that name created in the Indenture.

"Interest Payment Date" means June 15 and December 15 of each year, commencing December 15, 2015 , in the case of Series 2015 Bonds, and the dates on which interest is scheduled to be paid, in the case of Additional Bonds.

"Issuance Cost Fund" means the fund by that name created in the Indenture.

"Issuance Costs" means:

(a) the initial or acceptance fee of the Trustee, the fees and taxes for recording and filing the Security Deeds, financing statements, and any title curative documents that either the Trustee or Independent Counsel may reasonably deem desirable to file for record in order to perfect or protect the title of the Company to the Projects or the lien or security interest created or granted by the Security Deeds, and the reasonable fees and expenses in connection with any actions or proceedings that either the Trustee or Independent Counsel may reasonably deem desirable to bring in order to perfect or protect the lien or security interest created or granted by the Security Deeds;

(b) the costs of legal fees and expenses, including counsel to the Issuer, the Company, the Trustee, and Underwriters' Counsel, Disclosure Counsel and Bond Counsel, underwriter's spread, underwriting fees, financing costs, Issuer's fees and expenses, financial advisor's fees, accounting fees and expenses, consulting fees, Trustee's fees, paying agent and certifying and authenticating agent fees, publication costs, title insurance premiums, and printing and engraving costs incurred in connection with the authorization, sale, issuance, and carrying of Bonds, and preparation of the Bond Documents, the Real Estate Documents and all other documents in connection therewith; and

(c) other costs in connection with the issuance of Bonds permitted by the Act to be paid or reimbursed from Bond proceeds.

"Issuer" means Georgia Higher Education Facilities Authority, a public body corporate and politic created and existing under the laws of the State, and its successors and assigns.

"Loan" means the loan of the proceeds of Bonds by the Issuer to the Company pursuant to the Loan Agreement, which is evidenced by the Notes.

"Loan Agreement" means the Loan Agreement dated as of November 1, 2008 between the Issuer and the Company, as supplemented and amended by the Frist Amendment to Loan Agreement, between the Issuer and the Company, dated as of May 1, 2015, as the same may be amended from time to time.

"Loan Documents" means, with respect to each Project, the corresponding Security Deed, Amended Note, and Assignment of Contract Documents.

"Loan Payments" means the loan payments payable by the Company to the Issuer, described under the heading **"SUMMARY OF THE LOAN AGREEMENT - Loan Payments and Other Amounts Payable"** herein.

"Long-Term Indebtedness" means any Indebtedness other than Short-Term Indebtedness.

"Majority Bondowners" means, at the time of determination, the Owners of a majority in principal amount of Bonds then Outstanding.

"Moody's" means 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 will be dissolved or liquidated or no longer performs the functions of a securities rating agency, "Moody's" will be deemed to refer to any other nationally recognized securities rating agency designated by the Company.

"Net Proceeds," when used with respect to any insurance or condemnation award or with respect to any other recovery on a contractual claim or claim for damage to or for taking of property, means the gross proceeds from the insurance or condemnation award or recovery remaining after payment of all expenses (including attorneys' fees and any Extraordinary Expenses of the Trustee) incurred in the collection of such gross proceeds.

"Notes" means the Amended Notes and any promissory notes issued in connection with Additional Bonds.

"Operating Expenses" of a particular Project means all current expenses, paid or accrued, for the operation, maintenance and repair of all facilities of the Project, as calculated in accordance with GAAP, and includes, without limiting the generality of the foregoing, salaries, wages, the cost of audits, trustee, paying agent and bond registrar fees and expenses, ad valorem taxes, marketing expenses, insurance premiums, the calculation of any rebate amount owed to the United States pursuant to Section 148 of the Code and related to the Bonds, labor, cost of materials and supplies used for current operation, expenses for account services, shuttle services, public safety, cable, telephone, technology and the physical plant and charges for the accumulation of appropriate reserves for current expenses not annually recurrent but which are such as may reasonably be expected to be incurred in accordance with sound accounting practice, but excluding any reserve for renewals or replacements for extraordinary repairs or any allowance for depreciation and excluding any expenses of operation paid directly by the Board of Regents or any tenant under the respective Rental Agreement.

"Operating Fund" means the fund by that name created in the Indenture, which fund consists of the following accounts: Dalton State Account, Darton Account, Fort Valley Account, Gainesville State Account, Georgia College Account, Southern Polytechnic Account, and General Account.

"Operation and Maintenance Reserve Fund" means the fund by that name created in the Indenture. The Operation and Maintenance Reserve Fund consists of the following accounts: Dalton State Account, Darton Account, Fort Valley Account, Gainesville State Account, Georgia College Account, Southern Polytechnic Account, and General Account.

"Operation and Maintenance Reserve Requirement" means the estimated expenses of operating and maintaining the applicable Project for the succeeding three calendar months, as established in the current annual budget of the Company with respect to such Project.

"Ordinary Services of the Trustee" and **"Ordinary Expenses of the Trustee"** mean those reasonable services rendered and those reasonable expenses incurred by the Trustee in the performance of its duties under the Indenture of the type ordinarily performed by corporate trustees under like indentures, including reasonable counsel fees.

"**Outstanding Bonds**" or **"Bonds Outstanding"** or **"Outstanding"** means all Bonds that have been duly authenticated and delivered by the Trustee under the Indenture, except:

(a) Bonds theretofore canceled or required to be canceled by the Trustee,

(b) Bonds which are deemed to have been paid in accordance with Article IX of the Indenture, and

(c) Bonds in substitution for which other Bonds have been authenticated and delivered under the Indenture.

If the Indenture will be discharged pursuant to the terms thereof, no Bonds will be deemed to be Outstanding within the meaning of this provision.

"Permitted Encumbrances" means, as of any particular time, (i) liens for ad valorem taxes, special assessments, and other charges not then delinquent or for taxes, assessments, and other charges being contested in accordance with the provisions of the Security Deeds, (ii) the Bond Documents, (iii) presently existing utility, access, and other easements and rights of way, restrictions, and exceptions described in the Title Policy, (iv) inchoate mechanics' and materialmen's liens which arise by operation of law, but which have not been perfected by the required filing of record, for work done or materials delivered after the date of recording the Security Deeds in connection with the Projects or Additions or Alterations, (v) the mechanics' and materialmen's liens being contested in accordance with the provisions of the Security Deeds, (vi) the subordination and the easements permitted under the Loan Agreement, (vii) liens or encumbrances securing, on a parity basis, the Series 2015 Bonds and Additional Bonds permitted by the Indenture, (viii) mortgages and purchase money security interests (including, without limitation, financing leases) in after acquired property of the Company which becomes part of any of the Projects securing Indebtedness permitted by the Loan Agreement and (ix) rights granted under the Rental Agreements and any liens created thereby.

"Permitted Title Exceptions" means, with respect to each Security Deed, the applicable title exceptions described on the Exhibit thereto entitled "Permitted Title Exceptions."

"Person" means natural persons, firms, associations, trusts, partnerships, corporations, limited liability companies, public bodies, and similar entities.

"Premises" means the "Premises" described in each Security Deed.

"Project Bonds" refers individually to each of the Dalton Bonds, the Darton Bonds, the Fort Valley Bonds, the Gainesville State Bonds, the Georgia College Bonds, and the Southern Polytechnic Bonds.

"Project Fund" means the fund by that name created in the Indenture, which fund consists of the following accounts: Dalton State Account, Darton Account, Fort Valley Account, Gainesville State Account, Georgia College Account, Southern Polytechnic Account, and General Account.

"Projects" means, collectively, the Dalton State Project, the Darton Project, the Fort Valley Project, the Gainesville State Project, the Georgia College Project, and the Southern Polytechnic Project; provided, however, that, except as otherwise provided herein to the contrary, any of the foregoing may be referred to herein individually as a "Project."

"Rating Agency" means whichever of Fitch, Moody's, or S&P is, at the time of determination, rating any Bonds.

"Real Estate Documents" means, collectively, the Ground Leases, and the Rental Agreements.

"Rebate Fund" means the fund by that name created in the Indenture.

"Record Date" means the first (1st) day of the month (whether or not a Business Day) that occurs in the same month as each Interest Payment Date.

"Refunded Bonds" means all of the Series 2008 Bonds, presently outstanding in the aggregate principal amount of $80,200,000.

"Rental Agreements" means, collectively, the Dalton State Rental Agreement, the Darton Rental Agreement, the Fort Valley Rental Agreement, the Gainesville State Rental Agreement, the Georgia College Rental Agreement, and the

Southern Polytechnic Rental Agreement, as the same may be amended or supplemented from time to time in accordance with the terms thereof; provided, however, that any of the foregoing may be referred to herein individually as a "Rental Agreement."

"Repair, Replacement and Maintenance Fund" means the fund by that name created in the Indenture. The Repair, Replacement and Maintenance Fund consists of the following accounts: Dalton State Account, Darton Account, Fort Valley Account, Gainesville State Account, Georgia College Account, Southern Polytechnic Account, and General Account.

"Repair, Replacement and Maintenance Requirement" means the amounts shown on the exhibit to the Loan Agreement entitled "Repair, Replacement and Maintenance Requirement."

"Revenue Available For Debt Service" means, for any period, the excess of Revenues over Expenses of the Company, plus amounts deducted in arriving at such excess of Revenues over Expenses for (i) interest on Indebtedness other than Short-Term Indebtedness, (ii) depreciation, (iii) amortization, or (iv) any other noncash Expenses.

"Revenue Fund" means the fund by that name created in the Indenture. The Revenue Fund consists of the following accounts: Dalton State Revenue Account, Darton Revenue Account, Fort Valley Revenue Account, Gainesville State Revenue Account, Georgia College Revenue Account, Southern Polytechnic Revenue Account, and General Account.

"Revenues" means, for any period, the sum of (a) the rents, including payments under the Rental Agreement, plus (b) other operating revenues, plus (c) non-operating revenues (other than contributions, income derived from the sale of assets not in the ordinary course of business or any gain from the extinguishment of debt, termination of pension plans, or other extraordinary items or earnings which constitute Capitalized Interest or earnings on amounts which are irrevocably deposited in escrow to pay the principal of or interest on Indebtedness), plus (d) Unrestricted Contributions, all as determined in accordance with GAAP, but excluding in any event (x) any gains on the sale of or other disposition of investments or fixed or capital assets not in the ordinary course of business, and (y) earnings resulting from any reappraisal, revaluation, or write-up of assets and (z) contributions from any Affiliate.

"S&P" means Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation will be dissolved or liquidated or no longer performs the functions of a securities rating agency, "S&P" will be deemed to refer to any other nationally recognized securities rating agency designated by the Company.

"Security Deeds" means, collectively, the Dalton State Security Deed, the Darton Security Deed, the Fort Valley Security Deed, the Gainesville State Security Deed, the Georgia College Security Deed, and the Southern Polytechnic Security Deed; provided, however, that any of the foregoing may be referred to herein individually as a "Security Deed"

"Series 2008 Bonds" means the revenue bonds designated "Georgia Higher Education Facilities Authority Revenue Refunding Bonds (USG Real Estate Foundation I, LLC Project) Series 2008," dated November 26, 2008, in the original aggregate principal amount of $99,855,000, issued pursuant to the Indenture.

"Series 2008 Escrow Agreement" means the Escrow Deposit Agreement, dated the Closing Date of the Series 2015 Bonds, among the Issuer, the Company, and the Trustee, as escrow agent, as the same may be amended from time to time in accordance with the terms thereof.

"Series 2015 Bonds" means the revenue bonds designated "Georgia Higher Education Facilities Authority Refunding Revenue Bonds (USG Real Estate Foundation I, LLC Projects) Series 2015," to be dated their Closing Date, in the aggregate principal amount of $85,570,000, to be issued pursuant to the Indenture.

"Short-Term Indebtedness" means any Indebtedness maturing not more than 365 days after it is incurred or which is payable on demand, except for any such Indebtedness which is renewable or extendable at the sole option of the debtor to a date more than 365 days after it is incurred, or any such Indebtedness, which, although payable within 365 days, constitutes payments required to be made on account of Indebtedness expressed to mature more than 365 days after it was incurred.

"Southern Polytechnic Assignment of Contract Documents" means the Assignment of Contract Documents (Southern Polytechnic Project) dated as of November 1, 2008 from the Company in favor of the Issuer.

"Southern Polytechnic Bonds" means that portion of the Series 2008 Bonds allocable to the Southern Polytechnic Project as shown on Exhibit B to the Indenture.

“Southern Polytechnic Ground Lease” means the Southern Polytechnic State University Parking Deck Ground Lease, dated as of November 26, 2008, between the Board of Regents and the Company.

“Southern Polytechnic Note” means the amended and restated promissory note of the Company, dated the Closing Date of the Series 2015 Bonds, in the original principal amount of $19,825,000, payable to the Issuer, given to evidence the obligation to pay Loan Payments to repay that portion of the Loan relating to the Southern Polytechnic Project.

“Southern Polytechnic Project” means the acquisition, construction and equipping of a parking deck on the campus of Southern Polytechnic State University, all as more particularly described on Exhibit A-7 to the Loan Agreement.

“Southern Polytechnic Rental Agreement” means the Southern Polytechnic State University Parking Deck Rental Agreement, dated as of November 26, 2008, between the Company and the Board of Regents.

“Southern Polytechnic Security Deed” means, together, the Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement (Southern Polytechnic Project) dated as of November 1, 2008, as supplemented and amended by the First Amendment to Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement (Southern Polytechnic Project) dated as of May 1, 2015, from the Company to the Issuer, and the Assignment of Leasehold Deeds to Secure Debt, Assignments of Rents and Leases, and Security Agreements dated as of November 1, 2008 from the Issuer to the Trustee, as the same may be amended or supplemented from time to time in accordance with the provisions of the Indenture.

“State” means the State of Georgia.

“Surplus Fund” means the fund by that name created in the Indenture, which fund consists of the following accounts: Dalton State Account, Darton Account, Fort Valley Account, Gainesville State Account, Georgia College Account, Southern Polytechnic Account, and General Account.

“Tax Agreement” means (i) the Borrower’s Tax Certificate and Agreement, between the Company and the Issuer, dated the Closing Date of the Series 2008 Bonds, and (ii) the Tax Certificate of the Company, dated the Closing Date of the Series 2015 Bonds.

“Tax-Exempt Bonds” means the Series 2008 Bonds, Series 2015 Bonds, and any other Bonds that as originally issued were the subject of an opinion of Bond Counsel to the effect that the interest thereon is excluded from the gross income of the Owners thereof for federal income tax purposes.

“Title Policy” means title insurance for each Project in the form of an ALTA leasehold mortgagee’s title policy issued by a title insurance company acceptable to the Underwriters and the Trustee, in the aggregate face amount of at least $85,570,000, insuring that the Trustee has a valid lien in the premises constituting each such Project subject only to Permitted Encumbrances.

“Trust Estate” means any and all property subject to the operation of the granting clauses of the Indenture.

“Trustee” means the trustee and/or the co-trustee at the time serving as such under the Indenture. Wells Fargo Bank, National Association, Atlanta, Georgia, is the initial Trustee for the Series 2015 Bonds.

“Unassigned Rights” means all of the rights of the Issuer to receive reimbursements and payments pursuant to the applicable provisions of the Loan Agreement and the Notes, to be named as an additional insured pursuant to the applicable provisions of each Security Deed, to receive notices pursuant to the applicable provisions of the Loan Agreement, to receive the documents to be furnished to the Issuer and to be held harmless and indemnified pursuant to the applicable provisions of each of the Security Deeds and the Loan Agreement.

“Underwriters” means Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wells Fargo Securities, and Citigroup Global Markets Inc. and their successors and assigns.

“Unrestricted Contributions” means contributions that are not restricted in any way, which would prevent their application to the payment of Debt Service on Indebtedness of the Person receiving such contributions.

SUMMARY OF THE LOAN AGREEMENT

Introduction

The Loan Agreement is a contract that provides for the loan of the proceeds of the Series 2015 Bonds by the Issuer to the Company to refund the Refunded Bonds. The following is a summary, which does not purport to be comprehensive or definitive, of certain provisions of the Loan Agreement. Reference is made to the Loan Agreement in its entirety for a complete recital of the detailed provisions thereof.

Agreement to Issue the Series 2015 Bonds; Application of Proceeds

In order to provide funds to refund the Refunded Bonds, the Issuer agreed in the Loan Agreement to issue and sell the Series 2015 Bonds and will thereupon deposit the proceeds of the sale of the Series 2015 Bonds the amounts specified in the Indenture, which will be applied to (i) pay principal of and redemption premium and interest on the Refunded Bonds and (ii) pay the costs of issuing the Series 2015 Bonds and refunding the Refunded Bonds.

Term of the Loan Agreement

The Loan Agreement is effective until June 15, 2040, subject to earlier termination as set forth therein or until such date as payment or provision is made for the Bonds.

Security for the Payments under the Loan Agreement

As security for the payments required to be made to the Issuer under the Loan Agreement, the Company has executed and delivered the Security Deeds. There is a separate Security Deed securing each Amended Note.

Security for the Payments under the Series 2015 Bonds

As security for the payment of the Bonds, the Issuer has executed and delivered the Indenture under the terms of which all of the right, title, interest, and remedies of the Issuer in the Loan Agreement, the Amended Notes, and the Security Deeds, together with all revenues and amounts to be received and all property to be held by the Issuer thereunder, will be assigned and will be the subject of a grant of a security interest to the Trustee and will be pledged as security for, among other things, the payment of the Bonds. Pursuant to the Loan Agreement, the Company has consented to such assignment and granted a security interest and agreed that its obligations to make all payments under the Loan Agreement are absolute and are not subject to any defense, except payment, or to any right of setoff, counterclaim, or recoupment arising out of any breach by the Issuer of any obligation to the Company, whether under the Loan Agreement or otherwise, or arising out of any indebtedness or liability at any time owing to the Company by the Issuer. The Trustee will have all rights and remedies accorded to the Issuer under the Loan Agreement (except for Unassigned Rights), and any reference in the Loan Agreement to the Issuer will be deemed, with the necessary changes in detail, to include the Trustee, and the Trustee and the Bondholders are deemed to be and are third party beneficiaries of the representations, covenants, and agreements of the Company contained in the Loan Agreement.

Loan Payments and Other Amounts Payable

Basic Loan Payments: The Loan of the proceeds of the Series 2015 Bonds will be repayable as provided in the Amended Notes, but solely from the sources specified therein.

Simultaneously with the issuance of any Additional Bonds, additional promissory notes of the Company will be delivered to the Issuer and endorsed to the Trustee without recourse or warranty to cover the payment of principal of, premium, if any, and interest on any Additional Bonds.

Additional Loan Payments: Additional Loan Payments will be made as provided in the Amended Notes, but solely from the sources specified therein.

Agreement to Deposit Revenues

In the Loan Agreement, the Company acknowledges that the Issuer has established a Revenue Fund with the Trustee under the Indenture. The Company agrees to deliver all Revenues to the Trustee for deposit in the Revenue Fund upon receipt thereof. It is intended that the payments to be made by the Company under the Notes will be paid with such Revenues; provided, however, such deposit will not diminish or otherwise affect the obligations of the Company under the Notes unless such obligations are in fact paid or otherwise satisfied with such Revenues. The Company will cause rental payments under the Rental Agreements to be paid directly by the Board of Regents to the Trustee as directed by the Indenture.

Depository Account

The Loan Agreement provides that in the event that any Rental Agreement is terminated or not renewed, the Company will establish a depository account (the "Depository Account") to be held separate and apart from all other accounts of the Company. The Company will deposit the Revenues for the Project to which such terminated Rental Agreement is related, as the same are collected into the Depository Account. The Loan Agreement requires the Company to direct the depository of the Depository Account to transfer all amounts in the Depository Account to the account of the Revenue Fund for the applicable Project at least weekly (except Net Proceeds which the Company will direct to be transferred directly to the Insurance Fund or to the account of the Condemnation Fund for the applicable Project) and daily after the occurrence of an Event of Default under the Indenture. The Company will cause the depository of the Depository Account to enter into a written agreement, which will be satisfactory in form and substance to the Trustee, pursuant to which the depository will agree that the amounts on deposit therein constitute Revenues that the depository holds on deposit in the Depository Account for the Trustee for the benefit of the Owners of the Bonds. Except for one or more operating accounts for the Projects, the Company agrees that it will not create any other accounts or deposit any moneys with a financial institution other than the financial institution holding the Depository Account.

Damage and Destruction

In the event any Project is damaged, by any cause whatever, as to be rendered unfit for occupancy by the occupant occupying it immediately prior to such damages, and such Project is not thereafter repaired by the Company, resulting in the termination of the applicable Rental Agreement, the Company will redeem all of the Bonds allocated to the Project, applying Net Proceeds of insurance to the cost of such redemption.

In the event any Project is partially destroyed, by any cause whatever, but not rendered unfit for occupancy by the occupant occupying it immediately prior to such damage, then the Company will, at the Company's expense and with reasonable promptness and dispatch, repair and restore such Project to substantially the same condition as before the damage. All Net Proceeds of insurance will be deposited in the Insurance Fund and will be disbursed to pay the costs of such repair and restoration.

Net Proceeds of insurance will not be applied to pay the costs of repairing, rebuilding, restoring, or re-equipping any Project unless the Company demonstrates to the reasonable satisfaction of the Trustee that (1) such Net Proceeds, together with other available moneys on deposit with the Trustee, will be sufficient to pay the costs of such repair, rebuilding, restoration, and re-equipping and (2) the Company will have adequate funds, either from the proceeds of business interruption insurance or other available funds, to pay debt service on the related Note until such repair, rebuilding, restoration and re-equipping is expected to be completed. If Net Proceeds of insurance are not applied to pay the costs of repairing, rebuilding, restoring or re-equipping any Project because the Company does not satisfy the requirements of the preceding sentence, such Net Proceeds will be applied to redeem Bonds allocated to such Project.

Condemnation

In the event, during the Agreement Term, the whole of any Project is appropriated or taken by any municipal, county, State, federal or other authority for any public or quasi-public use through the exercise of the power of eminent domain or condemnation proceeding, or sold to the possessor of such power under the threat of its exercise, or if by reason of law, ordinance or by court decree, whether by consent or otherwise, such Project is used by the occupant occupying it for any purpose which is prohibited, resulting in the termination of the applicable Rental Agreement, the Company will redeem all of the Bonds allocated to such Project, applying Net Proceeds of such eminent domain or condemnation proceedings to the cost of such redemption.

In the event only a portion of a Project is acquired for public or quasi-public use through the exercise of or under the threat of eminent domain or condemnation proceedings, the Company will have the option to redeem a portion of the Bonds allocated to such Project. All Net Proceeds of such eminent domain or condemnation proceedings will be deposited in the Condemnation Fund and will be (i) transferred to the account of the Bond Fund for such Project to pay the costs of redeeming Bonds allocated to such Project and/or (ii) disbursed to pay the costs of making all necessary alterations and repairs which will be required because of such partial acquisition.

Net Proceeds of condemnation or eminent domain awards will be not be applied to pay the costs of altering or repairing any Project unless the Company demonstrates to the reasonable satisfaction of the Trustee that (1) such Net Proceeds, together with other available moneys on deposit with the Trustee, will be sufficient to pay the costs of such alteration or repair and (2) the Company will have adequate funds, either from the proceeds of business interruption insurance or other available funds, to pay debt service on the related Note until such alteration or repair is expected to be completed. If Net Proceeds of condemnation or eminent domain awards are not applied to pay the costs of altering or repairing any Project because the Company does not satisfy the requirements of the preceding sentence, such Net Proceeds will be applied to redeem Bonds allocated to such Project.

Company to Maintain its Existence; Conditions Under Which Exceptions Permitted

The Company agrees that during the Agreement Term to maintain its legal existence as a Georgia limited liability company, not merge into another entity or permit another entity to merge into it, and not dissolve or otherwise dispose of all or substantially all of its assets. The Company may, without violating the Loan Agreement, sell or otherwise transfer to another Person all or substantially all of its assets as an entirety and thereafter dissolve, provided the surviving, resulting, or transferee Person (i) is authorized to do business in the State, (ii) is a domestic limited liability company, corporation, partnership, or other entity having the status and powers set forth in the Company Documents, (iii) assumes in writing all of the obligations of the Company under the Company Documents, (iv) conducts no business other than the operation of the Projects, (v) obtains all licenses and permits required by law to operate the Projects, (vi) obtains the consent of the Board of Regents to the assignment of the Real Estate Documents to the transferee Person, (vii) notifies the Issuer and the Trustee of any change in the name of the Company, (viii) executes, delivers, registers, records, and files such other instruments as the Issuer or the Trustee may reasonably require to confirm, perfect, or maintain the security granted under the Real Estate Documents, and (ix) delivers to the Trustee an opinion of Bond Counsel or a ruling of the Internal Revenue Service to the effect that such merger, sale, or transfer will not cause the interest on any Tax-Exempt Bond to become includable in gross income for federal income tax purposes. The Company agrees to preserve and keep in full force and effect all licenses, accreditation, and permits necessary to the proper conduct of its business, The Issuer will execute any documents and instruct the Trustee to execute any documents reasonably necessary to effectuate a merger, sale, or transfer permitted by the Loan Agreement.

Operation of Project

In the Loan Agreement, the Company warrants that throughout the Agreement Term it will operate the Projects or cause the Projects to be operated (i) in such manner that they do not cease to be a qualifying "project" under the Act and (ii) in such manner that does not cause the interest on any Tax-Exempt Bond to become includable in gross income for federal income tax purposes.

Permitted Indebtedness

In the Loan Agreement, the Company covenants and agrees that, until all of its indebtedness and obligations under the Loan Agreement have been fully paid and discharged, the Company will not, directly or indirectly, incur, assume, or guarantee any Indebtedness (secured or unsecured) except the following:

(1) Indebtedness incurred as a result of the issuance of Additional Bonds; and

(2) Accounts payable and trade payables incurred in the ordinary course of business.

Limited Purpose Covenants; Operating Agreement

In the Loan Agreement, the Company agrees not to: (i) enter into any business or activity, hold any assets, or contract for, create, incur or assume any indebtedness or other liability, in each case other than as contemplated by the Loan Agreement, the Indenture, the Security Deeds or the construction documents related to the Projects, (ii) issue any equity interests other than those existing on the date of the Loan Agreement, or (iii) amend, or permit or suffer the amendment of, the provisions of its operating agreement, except as required to issue Bonds as permitted by the Indenture or to incur debt to refinance Notes.

Assignment and Leasing

The rights and obligations of the Company under the Loan Agreement may not be assigned or delegated except as expressly provided in the Loan Agreement. Any of the Projects may be leased by the Company, as a whole or in part, without the necessity of obtaining the consent of the Trustee, provided the Issuer consents to the lease. No lease with any Person will be entered into by the Company without first furnishing to the Trustee an opinion of Bond Counsel or a ruling from the Internal Revenue Service to the effect that such lease will not cause the interest on any Tax-Exempt Bonds to become includable in gross income for federal income tax purposes.

Restrictions on Sale, Encumbrance, or Conveyance of the Project by the Company

In the Loan Agreement, the Company agrees that, except as set forth in certain provisions of the Loan Agreement or the Indenture, to not (i) directly, indirectly, or beneficially sell, convey, or otherwise dispose of any part of its interest in the Projects during the Agreement Term, (ii) permit any part of the Projects or the Premises to become subject to any mortgage, lien, claim of title, encumbrance, security interest, conditional sale contract, title retention arrangement, finance lease, or other charge of any kind, except for Permitted Encumbrances and student rental agreements in the ordinary course of business or except as otherwise permitted under the Loan Agreement, and (iii) assign, transfer, or hypothecate (other than to the Trustee pursuant to the Security Deeds) any rent (or analogous payment) then due or to accrue in the future under any lease of the Projects or the Premises, except for Permitted Encumbrances or except as otherwise permitted the applicable provisions of the Loan Agreement. Notwithstanding the foregoing, the Company may rent the Projects to the Board of Regents.

Release of Certain Land and Subordination; Granting of Easements

In addition to the rights granted by the applicable provision of the Loan Agreement, the parties reserve the right at any time and from time to time to (i) effect the release and removal from the applicable Security Deed of any part (or interest in such part) of the Premises with respect to which the Company proposes to convey its interest in the Premises to the Board of Regents pursuant a Ground Lease or lease to a public utility or public body in order that utility services or public services may be provided to the Projects, or to effect the subordination of the lien of any of the applicable Security Deed to rights granted to a public utility or public body in order that utility services or public services may be provided to the applicable Project, (ii) grant easements, licenses, rights of way (including the dedication of public highways), and other rights or privileges in the nature of easements with respect to any property included in a Project, free from the lien of the Security Deeds, or (iii) release existing easements, licenses, rights of way, and other rights or privileges with or without consideration; provided, that if at the time any such release, removal, or grant is made any of the Bonds are Outstanding and unpaid, the Company will deposit with the Trustee the following:

(a) a copy of the relevant amendment to the applicable Security Deed as executed;

(b) a resolution of the Governing Body of the Company (i) giving an adequate legal description of that portion of the Premises to be released or subordinated, (ii) stating the purpose for which the Company desires the release or subordination and (iii) approving an appropriate amendment to the applicable Security Deed;

(c) a certificate of the Company requesting such release or subordination to the effect that the Company is not in default under any of the provisions of the Loan Agreement and that neither the applicable Buildings nor any other improvements are located on a portion of the Premises with respect to which the release or subordination is to be granted, accompanied by a plat of survey of the Premises certified by a registered surveyor of the State depicting (i) the boundaries of the portion of the Premises with respect to which the release or subordination is to be granted, (ii) all improvements located on the property surveyed and the relation of the improvements by distances to the boundaries of the portion of such property with respect to which the release or subordination is to be granted, and (iii) all easements and rights of way with recording data and instruments establishing the same;

(d) a copy of the instrument conveying the title to, leasing to or subordinating the lien of the applicable Security Deed in favor of a public utility or public body or conveying to the Board of Regents under the applicable Ground Lease; and

(e) a certificate of a Consulting Architect, dated not more than sixty (60) days prior to the date of the release or subordination and stating that, in the opinion of the person signing such certificate, (i) the portion of the Premises so proposed to be released or with respect to which the subordination is proposed or with respect to which an easement, license or right of way is proposed to be granted is necessary or desirable in order to obtain utility services or public services to benefit the applicable Project or is required to comply with the applicable Ground Lease and (ii) the release or subordination so proposed to be made will not impair the usefulness of the applicable Project for its intended purpose and will not destroy the means of ingress thereto and egress therefrom.

If such release or subordination relates to a part of the Premises on which transportation or utility facilities are located, the Company will retain an easement to use such transportation or utility facilities to the extent necessary for the efficient operation of the applicable Project for its intended purpose. Any money consideration received in connection with the granting or release of any portion of the Premises or the subordination of the lien of the applicable Security Deed pursuant to the Loan Agreement will be deposited in the account of the Bond Fund for the applicable Project and used to redeem Bonds allocable to the applicable Project, pursuant to the Indenture.

Under the Loan Agreement, the Trustee is authorized to release any such property from the lien of the applicable Security Deed or subordinate such lien or execute and deliver any instrument necessary or appropriate to confirm and grant or release any such easement, license, right of way, or other right or privilege.

No release or conveyance effected under the provisions above will entitle the Company to any abatement or diminution of the loan payments.

Redemption of Bonds

The Issuer, at the written request of the Company at any time if the Bonds are then callable or available for purchase, will take all steps that may be necessary under the applicable redemption or purchase provisions of the

Indenture to effect redemption or purchase of all or part of the then outstanding Bonds, as may be specified by the Company, on the earliest date on which such redemption or purchase may be made under such applicable provisions. In the case of mandatory redemption pursuant to the applicable provisions of the Indenture, Bonds will be redeemed by the Issuer automatically without the request of the Company.

Events of Default Defined

The following are "Events of Default" under the Loan Agreement, and the terms "Event of Default" or "Default" mean, whenever they are used in the Loan Agreement, any one or more of the following events:

(a) The Company's breach in any material respect of any representation or warranty contained in the Loan Agreement or the Company's failure to observe, perform, or comply with any covenant, condition, or agreement in the Loan Agreement on the part of the Company to be observed or performed (other than as excluded) for a period of thirty (30) days after written notice specifying such breach or failure and requesting that it be remedied, given to the Company by the Issuer or the Trustee, unless the Trustee agrees in writing to an extension of such time prior to its expiration, provided, however, that in the case of any such breach or default (other than a payment default) which cannot with due diligence be cured within such thirty (30) day period but can be wholly cured within a period of one hundred eighty (180) days, it will not constitute an Event of Default if corrective action is instituted by the Company within the applicable period and diligently pursued until the breach or default is cured within one hundred eighty (180) days.

(b) The Company (i) applies for or consents to the appointment of or the taking of possession by a receiver, custodian, trustee, or liquidator of it or of all or a substantial part of its property or of the Projects, (ii) fails to lift or bond (if legally permissible) promptly any execution, garnishment, or attachment of such consequence as will impair the ability of the Company to carry on its operations at the Projects, (iii) enters into an agreement of composition with its creditors, (iv) admits in writing its inability to pay its debts as such debts become due, (v) makes a general assignment for the benefit of its creditors, (vi) commences a voluntary case under the federal bankruptcy law or any similar law in effect in a foreign jurisdiction (as now or hereafter in effect), (vii) files a petition or answer seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, (viii) fails to controvert in a timely or appropriate manner or acquiesce in writing to any petition filed against it in an involuntary case under such federal bankruptcy law or any similar law in effect in a foreign jurisdiction, or (ix) takes any action for the purpose of effecting any of the foregoing.

(c) A proceeding or case is be commenced, without the application of the Company, in any court of competent jurisdiction, seeking (i) the liquidation, reorganization, dissolution, winding-up, or composition or adjustment of debts of the Company, (ii) the appointment of a trustee, receiver, custodian, liquidator, or the like of the Company or of all or any substantial part of the assets of it, or (iii) similar relief in respect of the Company under any law relating to bankruptcy, insolvency, reorganization, winding-up, or composition and adjustment of debts, and such proceeding or case will continue undismissed or an order, judgment, or decree approving or ordering any of the foregoing will be entered and will continue unvacated and unstayed and in effect for a period of ninety (90) days, whether consecutive or not.

Remedies on Default

Whenever any Event of Default occurs and continues, the Trustee, as assignee of the Issuer, to the extent permitted by law, may take any one or more of the following remedial steps:

(a) If any of the Bonds at the time will be outstanding and unpaid, the Trustee may have access to and inspect, examine, and make copies of the books and records and any and all accounts, similar data, and income tax and other tax returns of the Company.

(b) The Trustee, as assignee of the Issuer, may from time to time take whatever action at law or in equity or under the terms of the Bond Documents may appear necessary or desirable to collect the Notes and other amounts payable by the Company under the Loan Agreement then due and/or thereafter to become due, or to enforce performance and observance of any obligation, agreement, or covenant of the Company under the Loan Agreement or any of the Bond Documents; provided, however, that all unpaid amounts due on a particular Note may be declared to be immediately due and payable only if such declaration is permissible under such Note or the related Security Deed.

Under the Loan Agreement, amounts collected pursuant to action taken as described under this heading "Remedies on Default" will be applied in accordance with the provisions of the Indenture or, if the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture) and the Company has paid all amounts due under the Notes, the Security Deeds and the Loan Agreement, then any amounts remaining will be paid to the Company. If there is no Trustee serving under the Indenture, the Issuer will have the right to exercise all remedies under this heading "Remedies on Default" at the direction of the Majority Bondowners.

No Remedy Exclusive

No remedy conferred upon or reserved to the Trustee, as assignee of the Issuer, in the Loan Agreement is exclusive of any other available remedy or remedies, but each and every such remedy is be cumulative and in addition to every other remedy given under the Loan Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved to it in the Loan Agreement, it will not be necessary to give any notice, other than such notice as may be expressly required in the Loan Agreement. Such rights and remedies as are given the Issuer under the Loan Agreement will also extend to the Trustee, and the Trustee and the owners of the Bonds will be deemed third party beneficiaries of all covenants and agreements contained in the Loan Agreement.

Waiver of Events of Default

At the direction of the Majority Bondowners, the Trustee, on behalf of the Issuer, may waive any Event of Default under the Loan Agreement and its consequences or rescind any declaration of acceleration of payments of the Notes. In case of any such waiver or rescission, or in case any proceeding taken by the Issuer or the Trustee on account of any such Event of Default will be discontinued or abandoned or determined adversely to the Issuer or the Trustee, then and in every such case the Issuer and the Company will be restored to their former position and rights under the Loan Agreement, but no such waiver or rescission will extend to any subsequent or other Event of Default or impair any right consequent thereon.

No Cross-Default or Cross-Collateralization

It is the intent of the Company and the Issuer that, notwithstanding anything in the Security Deeds, the Loan Agreement, the Notes or elsewhere to the contrary, each Security Deed and the Premises described thereunder secure only the related Note and the other obligations described therein, and do not secure:

(a) any Notes other than the related Note;

(b) any of the Security Deeds other than related Security Deed; or

(c) any obligations of the Company under the Loan Agreement.

In addition, it is the intent of the Company and the Issuer that none of the Security Deeds is, nor will be, cross-defaulted with:

(a) any Bonds;

(b) any Notes other than the related Note;

(c) any of the Security Deeds other than the related Security Deed;

(d) any obligations of the Company under the Loan Agreement; or

(e) any obligation under the Indenture.

General Options to Terminate Agreement

The Company has the following options to terminate the Loan Agreement. The Company may terminate the Agreement Term by (i) paying to the Trustee an amount which, when added to the amount on deposit in the Bond Fund, will be sufficient to pay, retire, and redeem all of the Outstanding Bonds in accordance with the provisions of the Indenture (including, without limiting the generality of the foregoing, principal, redemption premium, interest to maturity or earliest applicable redemption date, as the case may be, premium, if any, expenses of redemption, and Trustee's and paying agents' fees and expenses, including reasonable attorneys' fees), (ii) in the case of redemption, making arrangements satisfactory to the Trustee for giving the required notice of redemption, (iii) paying to the Issuer any and all sums then due to the Issuer under the Loan Agreement, and (iv) otherwise complying with the provisions of the Indenture.

Option to Prepay Loan and Redeem Series 2015 Bonds at Optional Redemption Dates

The Company has the option to prepay the Loan by prepaying Basic Loan Payments due under the Notes in such manner and amounts as will enable the Issuer to redeem the Series 2015 Bonds prior to maturity in whole or in part on any date, as provided in the Indenture.

Option to Release Unimproved Land

If no Event of Default has occurred or is continuing, the Company will have the option to release from the lien of the applicable Security Deed any part of the Premises on which neither the applicable Building nor any of the Equipment is situated (although transportation or utility facilities may be located thereon), at any time and from time to time, at and for a release price determined by an independent appraiser who is a member of the American Institute of Real Estate Appraisers (and designated an "MAI" appraiser) selected by the Company in a report acceptable to the Trustee.

SUMMARY OF THE AMENDED NOTES

Introduction

The Amended Notes will be executed and delivered by the Company to the Issuer and endorsed without recourse or warranty by the Issuer to the order of the Trustee as security for the payment of the Series 2015 Bonds. Each Amended Note will evidence the Company's obligation to pay the Loan Payments related to the corresponding Project Bonds. The following is a summary, which does not purport to be comprehensive or definitive, of certain provisions included in each of the Amended Notes. Reference is made to the Amended Notes in their entirety for a complete recital of the detailed provisions thereof.

Payment Terms

Basic Loan Payments: Until the principal of, premium, if any, and interest on the corresponding Project Bonds is fully paid or provision for the payment thereof is made in accordance with the Indenture, the Company will pay to the Trustee for the account of the Issuer as loan payments, the following amounts:

(a) on or before December 1, 2015, the amount payable on December 15, 2015 as interest on the corresponding Project Bonds, and on or before each June 1 and December 1 thereafter, the amount payable on the next succeeding Interest Payment Date as interest on the corresponding Project Bonds;

(b) on or before June 1, 2016 and on or before each June 1 thereafter, the principal due on the maturity dates or mandatory sinking fund redemption dates of the corresponding Project Bonds; and

(c) for deposit in the corresponding account within the Bond Fund in immediately available funds on the Business Day prior to any date on which the corresponding Project Bonds are to be redeemed pursuant to the redemption provisions of the Indenture (other than mandatory sinking fund redemption pursuant the subsection of the First Supplemental Indenture entitled "Mandatory Striking Fund Redemption"), an amount in immediately available funds equal to the principal amount of and premium, if any, and interest on, the corresponding Project Bonds to be redeemed (taking into account amounts then on deposit in the corresponding account within the Bond Fund to be used for the payment of the corresponding Project Bonds to be redeemed). Any Basic Loan Payments will be reduced or need not be made to the extent that there are moneys on deposit in the corresponding account within the Bond Fund in excess of scheduled payments of Basic Loan Payments plus the amount required for the payment of the corresponding Project Bonds theretofore matured or called for redemption, the amount required for the payment of interest for which checks or drafts have been mailed by the Trustee, and past due interest in all cases where the corresponding Project Bonds have not been presented for payment. Further, if the amount held by the Trustee in the corresponding account within the Bond Fund should be sufficient to pay at the times required the principal of and interest on the corresponding Project Bonds then remaining unpaid, the Company will not be obligated to make any further payments of Basic Loan Payments under the provisions of the applicable Amended Note. There will also be a credit against remaining Basic Loan Payments for the corresponding Project Bonds purchased, redeemed, or canceled, as provided in the Article of the Indenture entitled "Redemption of Bonds Before Maturity." Payment of Basic Loan Payments will be made by deposits to the corresponding account within the Bond Fund from the corresponding account within the Revenue Fund pursuant to the Section of the Indenture entitled "Revenue Fund."

Additional Loan Payments: The Company will agree to pay (1) to the Trustee (1) for deposit in the corresponding account within the Repair, Replacement and Maintenance Fund on or prior to each June 1 and

December 1 beginning on the dates shown on the Exhibit to the Loan Agreement entitled "Repair, Replacement and Maintenance Requirement," (2) in the event that the corresponding Rental Agreement is terminated, for deposit in the corresponding account within the Operation and Maintenance Reserve Fund on or before the first (1st) day of each month commencing with the first month after the Completion Date for the corresponding Project, the amount necessary to meet the Operation and Maintenance Reserve Requirement as set forth in the Indenture, (3) the portion of the annual fee of the Board of Regents allocable to the corresponding Project as set forth on the applicable Schedule to the Amended Note, (4) the portion of the annual fee of the Issuer allocable to the corresponding Project as set forth on the applicable Schedule to the Amended Note, (5) the portion of the annual fee of the Trustee for Ordinary Services of the Trustee rendered and Ordinary Expenses of the Trustee incurred under the Indenture allocable to the corresponding Project, as and when the same become due, and as shown on the applicable schedule to the Amended Note, (6) the portion of the reasonable fees and charges of the Trustee, as Bond registrar and paying agent, and of any other paying agents on the Series 2015 Bonds for acting as paying agents as provided in the Indenture allocable to the corresponding Project, as and when the same become due, and as shown on the applicable schedule to the Amended Note, (7) the reasonable fees and charges of the Trustee for the necessary Extraordinary Services of the Trustee rendered by it and Extraordinary Expenses of the Trustee incurred by it under the Indenture and allocable to the corresponding Project, as and when the same become due; provided, that the Company may, without creating a default under the applicable Amended Note, contest in good faith the necessity for any such Extraordinary Services of the Trustee and the Extraordinary Expenses of the Trustee and the reasonableness of any such fees, charges, or expenses, and (8) for deposit in the corresponding account of the Operating Fund the amount specified in writing by the Company for the next succeeding six month's Operating Expenses for the corresponding Project to the extent not included in (3)-(7) above, (ii) any amount necessary to reimburse the Issuer for all expenses reasonably incurred by the Issuer under the Loan Agreement and allocable to the applicable Project, including but not limited to the reasonable fees and expenses of counsel for the Issuer and (iii) amounts necessary to pay the reasonable fees of Bond Counsel in connection with rendering opinions after the issuance of the Series 2015 Bonds that are contemplated by the Loan Agreement and the Indenture and allocable to the applicable Project.

Nature of Obligations of Company under the Amended Notes

The obligations of the Company to make the payments required in the Amended Notes and to perform and observe any and all of the other covenants and agreements on its part contained in the Amended Notes and the Security Deeds will be limited obligations of the Company and will be absolute and unconditional irrespective of any defense or any rights of setoff, recoupment, or counterclaim it may otherwise have against the Issuer. In each of the Amended Notes, the Company will agree that it will not (i) suspend, abate, reduce, abrogate, diminish, postpone, modify; or discontinue any payments provided for in the Amended Notes, (ii) fail to observe any of its other agreements contained in the Amended Notes or the Security Deeds, or (iii) except as provided in the applicable provisions of the Loan Agreement, terminate its obligations under the Amended Notes or the Security Deeds for any contingency, act of God, event, or cause whatsoever, including, without limiting the generality of the foregoing, failure of the Company to occupy or to use the Projects as contemplated in the Loan Agreement or otherwise, any change or delay in the time of availability of the Projects, any acts or circumstances which may impair or preclude the use of the Projects, any defect in the title, design, operation, merchantability, fitness, or condition of the Projects or in the suitability of the Projects for the Company's purposes or needs, failure of consideration, any declaration or finding that any of the Bonds are unenforceable or invalid, the invalidity of any provision of the Amended Notes, the Loan Agreement, or the Security Deeds, any acts or circumstances that may constitute an eviction or constructive eviction, destruction of or damage to the Projects, the taking by eminent domain of title to or the use of all or any part of the Projects, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either thereof or in the rules or regulations of any governmental authority, or any failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability, or obligation arising out of or connected with the Amended Notes or the Security Deeds.

Prepayment Terms

Each Amended Note is subject to prepayment in accordance with the Loan Agreement.

Default

Upon an Event of Default under the corresponding Security Deed, the entire principal of and interest on the applicable Amended Note may be declared or may become immediately due and payable as provided in said Security Deed.

SUMMARY OF THE SECURITY DEEDS

Introduction

Each Amended Note will be secured by a corresponding Security Deed. The Issuer's interest as "grantee" under each Security Deed will be contemporaneously assigned by the Issuer to the Trustee. The following is a summary, which does not purport to be comprehensive or definitive, of certain provisions included in each of the Security Deeds. Reference is made to the Security Deeds in their entirety for a complete recital of the detailed provisions thereof.

Security

In order to secure the payment of the indebtedness and performance of the other obligations of the Company set forth in each Security Deed, the Company will grant, bargain, sell, assign, pledge, warrant, transfer, and convey unto the Issuer and the successors, successors-in-title and assigns of the Issuer, and grant to the Issuer and its successors and assigns a security interest in, the following corresponding property, rights, interests and estates owned, or hereafter acquired by the Company (collectively, the "Premises"):

(a) those certain tracts; pieces or parcels of land (and any easements or other rights or interests in land appurtenant thereto) more particularly described in the Exhibit to the Security Deed which contains the legal description of the foregoing, and any greater estate which the Company may hereafter acquire therein (collectively, the "Land"), the Company's interest in said Land being an estate for years on the date thereof pursuant to the corresponding Ground Lease;

(b) all additional lands, estates and development rights acquired by the Company for use in connection with the Land and the development of the Land and all additional lands and estates therein which may, from time to time, by supplemental deed to secure debt or otherwise be expressly made subject to the security title and encumbrances of the Security Deed (the "Additional Land");

(c) all of the Company's right, title and interest in and to the corresponding Ground Lease and all interest, leasehold estate, possessory rights and privileges granted to the Company thereunder (the "Leasehold Estate");

(d) all assignments, modifications, extensions and renewals of the corresponding Ground Lease and all credits, deposits, options, privileges and rights of the Company under the corresponding Ground Lease, including, but not limited to, rights of first refusal, if any, and the right, if any, to renew or extend such Ground Lease for a succeeding term or terms, and also including all the right, title, claim or demand whatsoever of the Company either in law or in equity, in possession or expectancy, of, in and to the Company's right to elect under Section 365(h)(1) of Title 11 of the United States Code entitled "Bankruptcy," as amended from time to time, and any successor statute or statutes and all rules and regulations from time to time promulgated thereunder, and any comparable foreign laws relating to bankruptcy, insolvency or creditors' rights (the "Bankruptcy Code") to terminate or treat such Ground Lease as terminated in the event (i) of the bankruptcy, reorganization or insolvency of Ground Lessor, and (ii) the rejection of the Ground Lease by Ground Lessor, as debtor in possession, or by a trustee for Ground Lessor, pursuant to Section 365 of the Bankruptcy Code;

(e) all buildings, structures and improvements of every nature from time to time situated on, under or above the Land and/or the Additional Land, including, without limitation, the corresponding Project (the "Improvements"; said Improvements, together with the Land, the Additional Land and the Leasehold Estate, the "Property");

(f) all easements, rights-of-way, strips and gores of land, vaults, streets, ways, alleys, passages, sewer rights, waters, water courses, water rights, minerals, flowers, shrubs, crops, trees, timber and other emblements from time to time located on the Land or under or above the same or any part or parcel thereof (including, without limitation, those arising by virtue of the Ground Lease or subject to a reversionary interest in favor of Ground Lessor pursuant to the Ground Lease), and all estates, rights, possessory interests, titles, interests, tenements, hereditaments and appurtenances, reversions and remainders whatsoever, in any way belonging, relating or appertaining to the Property, and all furnishings, furniture, fixtures, machinery, apparatus, equipment, fittings, appliances, building supplies and materials, vehicles (excluding personal automobiles), chattels, goods, consumer goods, farm products, inventory, warranties, chattel paper, documents, accounts, general intangibles, trade names, trademarks, service marks, logos (including any names or symbols by which the Property is known) and goodwill related to the Property, and all of the Company's right, title and interest in all other articles of personal property of every kind and nature whatsoever, tangible or intangible, from time to time arising out of or related to the ownership of the Property, or acquired with proceeds of any loan secured by the Security Deed, or located in, on or about the Property, or used or intended to be used with or in connection with the construction, use, operation or enjoyment of the Property (said real and personal property referred to in this subsection (f) together with the Property, being hereinafter referred to in this Summary of the Security Deeds as the "Project");

(g) all leases, rental agreements (including, without limitation, the Rental Agreement), management or operations agreements, and arrangements of any sort from time to time affecting the Project or any portion thereof and providing for or resulting in the payment of money to the Company for the use of the Project or any portion thereof, whether the user enjoys the Project or any portion thereof as tenant for years, invitee, licensee, tenant at sufferance or otherwise, and irrespective of whether such leases, rental agreements and arrangements be oral or written, and including any and all extensions, renewals and modifications thereof, every guarantee of the performance and observance of the covenants, conditions and agreements to be performed and observed by the other party thereto (the "Leases"), whether before or after the filing by or against the Company of any petition for relief under the Bankruptcy Code and all right, title and interest of the Company, its successors and assigns therein and thereunder, including, without limitation, cash or securities deposited thereunder to secure the performance by the users of the Project of their obligations thereunder and all rents, additional rents, revenues, issues and profits (including all oil and gas or other mineral royalties and bonuses) from the Project whether paid or accruing before or after the filing by or against the Company of any petition for relief under the Bankruptcy Code (the "Rents") and all proceeds from the sale or other disposition of the Leases and the right to receive and apply the Rents to the payment of the applicable indebtedness secured by the Security Deed;

(h) all franchise agreements, management contracts, service contracts, utility contracts, leases of equipment, documents and agreements relating to the construction of any Improvements (including any and all construction contracts, architectural contracts, engineering contracts, designs, plans, specifications, drawings, surveys, tests, reports, certificates and governmental approvals) and all other contracts, licenses and permits from time to time affecting the Project or any part thereof and all guaranties and warranties with respect to any of the foregoing (the "Contracts");

(i) any insurance policies or binders from time to time relating to the Project, including any unearned premiums thereon;

(j) any and all awards, payments, proceeds and the right to receive the same, either before or after any foreclosure or other exercise of the assignments and other remedies provided in the Security Deed, as a result of any temporary or permanent injury or damage to, taking of or decrease in the value of the Project by reason of casualty, condemnation or otherwise;

(k) all utility, escrow and all other deposits (and all letters of credit, certificates of deposit, negotiable instruments and other rights and evidence of rights to cash) now or hereafter relating to the Project or the purchase, construction or operation thereof;

(l) all cash funds, deposit accounts, certificates of deposit, negotiable instruments and other rights and evidence of rights to cash, relating to the Project and from time to time created under or held by the Issuer pursuant to any of the Loan Documents, including any account into which any portion of the Indebtedness may be disbursed by the Issuer;

(m) all trade names, trademarks, service marks, logos, copyrights, goodwill, books and records and all other general intangibles relating to or used in connection with the operation of the Project;

(n) all claims and causes of action arising from or otherwise related to any of the foregoing, and all rights and judgments related to any legal actions in connection with such claims or causes of action, and all cash (or evidences of cash or of rights to cash) or other property or rights thereto relating to such claims or causes of action; and

(o) all extensions, additions, improvements, betterments, renewals and replacements, substitutions, or proceeds of any of the foregoing; and all inventory, accounts, chattel paper, documents, instruments, investment property, deposit accounts, equipment, fixtures, farm products, consumer goods, general intangibles and other property of any nature constituting proceeds acquired with proceeds of any of the property described above; all of which foregoing items are will be deemed to be a portion of the security for the indebtedness and obligations secured by the Security Deed, a portion of the above described collateral being located upon the Land.

Taxes, Liens, and Other Charges

The Company will pay, as the same become due, (i) all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Premises which, if not paid, will become a lien on the Premises prior to or on a parity with the security title and security interest of the Security Deed or a charge on the Rents prior to or on a parity with the charge and security interest thereon and the pledge or assignment thereof created and made in the Security Deed and including all ad valorem taxes or payments in lieu of such taxes lawfully assessed upon the Premises, (ii) all utility and other charges incurred in the operation, maintenance, use, occupancy, and upkeep of the Premises, (iii) all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Premises; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Company will be obligated to pay only such installments as are required to be paid during the Agreement Term, (iv) ground rentals or other lease rentals, if any, payable by the Company with respect to the Premises and (v) any penalties and interest on any of the foregoing. The Company will promptly deliver to the Issuer upon demand receipts showing timely payment in full of all the foregoing items.

If the Company first notifies the Trustee of its intention so to do, the Company may, at its own expense and in good faith, contest promptly any such taxes, assessments, and other charges in accordance with the Security Deed and, in the event of any such contest, may permit the taxes, assessments, or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom.

Removal of Equipment

If no Event of Default (as hereinafter defined) has occurred or is continuing, in any instance where the Company in its discretion determines that any items of Equipment constituting a part of the Project or parts thereof have become inadequate, obsolete, worn out, unsuitable, undesirable, or unnecessary, the Company may remove such items of Equipment or parts thereof from the Project and sell, trade in, exchange, or otherwise dispose of them (as a whole or in part) without any responsibility or accountability to the Issuer, provided that the Company will:

(a) Substitute and install anywhere in the Improvements or on the Land or Additional Land items of replacement equipment or related property having equal or greater value or utility (but not necessarily having the same function) in the operation of the Project for the purpose for which it is intended, provided such removal and substitution will not impair the nature of the Project, all of which replacement equipment or related property will be free of all liens, security interests, and encumbrances (other than Permitted Title Exceptions and other Permitted Encumbrances), will become subject to the security interest of the Security Deed, and will be held by the Company on the same terms and conditions as the items originally constituting Equipment for the Project; or

(b) In the case of: (i) the sale of any such Equipment, (ii) the trade-in of such Equipment for other machinery, furnishings, equipment, or related property not to become part of the Equipment for the Premises and subject to the security interest of the Security Deed, or (iii) any other disposition thereof, the Company will pay to the Trustee the proceeds of such sale or disposition or an amount equal to the credit received upon such trade-in for deposit into the corresponding account within the Bond Fund established under the Indenture. In the case of the sale, trade-in, or other disposition of any such Equipment to the Company, or an Affiliate (as such term is defined in the Loan Agreement), the Company will pay to the Trustee an amount equal to the greater of the amounts and credits received therefor or the fair market value thereof at the time of such sale, trade-in, or other disposition (as certified by the Company, with evidence of the basis therefor) for deposit into the corresponding account within the Bond Fund.

Except to the extent that amounts are deposited into the Bond Fund as provided in the preceding subsection (b), the removal from the Project of any portion of the Equipment pursuant to the foregoing provisions will not entitle the Company to any abatement or diminution of the Basic Loan Payments payable under the corresponding Amended Note.

If prior to such removal and disposition of items of Equipment from the Project, the Company has acquired and installed machinery, furnishings, equipment, or related property with its own funds which become part of the Equipment and subject to the security interest of the Indenture and the Security Deed and which have equal or greater utility, but not necessarily the same functions, as the Equipment to be removed, the Company may take credit to the extent of the amount so spent by it against the requirement that it either substitute and install other machinery and equipment having equal or greater value or that it make payment to the Trustee for deposit into the corresponding account within the Bond Fund.

The Company will report promptly to the Trustee each such removal, substitution, sale, or other disposition referred to in the preceding subsection (b) and will pay to the Trustee such amounts as are required by the provisions of such subsection (b) to be paid promptly into the corresponding account within the Bond Fund after the sale, trade-in, or other disposition requiring such payment; provided, that no such report and payment need be made until the amount to be paid into the corresponding account within the Bond Fund on account of all such sales, trade-ins, or other dispositions not previously reported in the aggregate has a value of at least $50,000. All amounts deposited in such account within the Bond Fund pursuant to the Security Deed will be used to redeem the corresponding Project Bonds pursuant to the Indenture. The Company will not remove, or permit the removal of, any of the Equipment from the Project except in accordance with the provisions of the Security Deed.

Insurance and Condemnation

The Company will procure for, deliver to and maintain for the benefit of the Issuer during the term of the Security Deed, the insurance policies required to be maintained with respect to the Premises pursuant to the terms of the Security Deed. If the Premises or any part thereof is damaged by fire or any other cause, the Company will give immediate written notice thereof to the Issuer.

The Company will notify the Issuer immediately upon obtaining knowledge of the institution, or the proposed, contemplated or threatened institution, of any action for the taking through condemnation (which term when used in the Security Deed will include any damage or taking by any governmental or quasi-governmental authority and any transfer by private sale in lieu thereof) of the Premises or any part thereof.

The Issuer will be entitled to compensation, awards and other payments arising from any casualty, condemnation or damage to the Premises or any portion thereof in accordance with the terms of the Loan Agreement.

Advances by Issuer or the Trustee

If the Company fails to maintain the insurance coverages required under each Security Deed or fails to pay the taxes and other charges required to be paid under the Security Deed or fails to keep the Project in good repair and good operating condition, the Issuer or the Trustee may (but will be under no obligation to), after notifying the Company of its intention to do so, take out the required policies of insurance and pay the premiums on the same or pay the taxes or other charges or make the required repairs, renewals, and replacements, and all amounts so advanced therefor by the Issuer or the Trustee, together with any other amounts advanced by the Issuer or the Trustee pursuant to the terms of the Security Deed, will become an additional obligation of the Company to the one making the advancement, which amounts, together with interest thereon from the date of payment at the rate charged prime corporate borrowers per annum on demand loans by the commercial lending department of the Trustee, the Company agrees to pay on demand and payment of which will be secured by the Security Deed. Any remedy vested in the Issuer or the Trustee under the Security Deed for the collection of loan payments will also be available to the Issuer and the Trustee for the collection of all such amounts so advanced. The Trustee will be under no obligation to make any such payment unless it is requested to do so by the owners of at least twenty-five percent (25%) in the aggregate principal amount of all Bonds then Outstanding and is provided with adequate funds paid in cash to the Trustee (from a source or sources approved by the Trustee) for the purpose of such payment.

Assignment

The Issuer will contemporaneously assign all of its right, title and interest in each Security Deed to the Trustee pursuant to the Indenture.

Events of Default

The term "Event of Default" wherever used in each Security Deed, means any one or more of the following events:

(a) The Company's failure to pay amounts due under the corresponding Amended Note at the times specified therein and continuing for a period of five (5) days after notice is properly given to the Company by the Issuer, that the payment referred to in such notice has not been received, or, without regard to notice, the Company's failure to pay the amounts due on the a corresponding Amended Note at the times specified therein and continuing for a period of ten (10) days, whichever occurs first; or

(b) The Company's breach in any material respect of any representation or warranty contained in the Security Deed or the other Loan Documents or the Company's failure to observe, perform, or comply with any covenant, condition, or agreement in the Security Deed or the other Loan Documents for a period of thirty (30) days after written notice specifying such breach or failure and requesting that it be remedied is given to the Company by the Issuer, unless the Issuer agrees in writing to an extension of such time prior to its expiration, provided, however, that in the case of any such breach or default (other than a payment default) which cannot with due diligence be cured within such thirty (30) day period but can be wholly cured within a period of one hundred eighty (180) days, it will not constitute an Event of Default if corrective action is instituted by the Company within the applicable period and diligently pursued until the breach or default is cured within one hundred eighty (180) days; or

(c) a levy will be made under any process on the Premises or any part thereof and not be promptly lifted or stayed; or

(d) the Company (i) applies for or consent to the appointment of or the taking of possession by a receiver, custodian, trustee, conservator, liquidator or other similar official of it or of all or a substantial part of its property or of the Project, (ii) fails to promptly lift or bond (if legally permissible) any execution, garnishment, or attachment of such consequence as will impair the ability of the Company to carry on its operations at the Project, (iii) enters into an agreement of composition with its creditors, (iv) admits in writing its inability to pay its debts as such debts become due, (v) makes a general assignment for the benefit of its creditors, (vi) commences a voluntary case under the federal bankruptcy law or any similar law in effect in a foreign jurisdiction (as now or hereafter in effect), (vii) files a petition or answer seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding up, or composition or adjustment of debts, (viii) fails to controvert in a timely or appropriate manner or acquiesce in writing to any petition filed against it in an involuntary case under such federal bankruptcy law or any similar law in effect in a foreign jurisdiction, or (ix) takes any action for the purpose of effecting any of the foregoing; or

(e) a proceeding or case will be commenced, without the application of the Company, in any court of competent jurisdiction, seeking (i) the liquidation, reorganization, dissolution, winding up, or composition or adjustment of debts of the Company, (ii) the appointment of a trustee, receiver, custodian, conservator, liquidator, or the like of the Company or of all or any substantial part of the Company's assets, or (iii) similar relief in respect of the Company under any law relating to bankruptcy, insolvency, reorganization, winding up, or composition and adjustment of debts, and such proceeding or case continues dismissed or an order, judgment, or decree approving or ordering any of the foregoing is entered and continues vacated and stayed and in effect for a period of ninety (90) days, whether consecutive or not; or

(f) the subjection of the Premises to actual or threatened waste, or the removal, demolition, or alteration of any part thereof without the prior written consent of the Issuer, which is not cured within any applicable cure period provided in the Security Deed; or

(g) any mechanic's, materialmen's, laborer's, statutory or other lien is filed against the Premises or any, portion thereof and not totally released or removed as a lien against the Premises and every part thereof (by bonding, payment or otherwise) within ninety (90) days after the Company has actual knowledge of the filing thereof, unless the same is being contested on the terms and conditions set forth in the Security Deed; or

(h) the institution of any proceeding seeking the forfeiture of the Premises or any portion thereof or any interest therein as a result of any criminal or quasi-criminal activity by the Company (or any Person so related to the Company or the Premises that the Premises or any portion thereof or any interest therein might be forfeited on account of the activity of such Person) and such proceeding is not vacated, removed or stayed for a period of ninety (90) days; or

(i) the failure or inability (whether imposed by law or otherwise) of the Company to make any payment required under the Security Deed, after the expiration of any applicable grace or cure period provided in the Security Deed; or

(j) the failure of the Security Deed or any one or more of the other Loan Documents to be legal, valid, and binding upon and enforceable against all parties thereto (other than the Issuer), or the determination by a court of competent jurisdiction that any one or more of the Loan Documents is not legal, valid, and binding upon and enforceable against all parties thereto (other than the Issuer); or

(k) the occurrence of any of the following events with respect to the corresponding Ground Lease: (i) the Company fails in the payment of any rent, additional rent or other charge mentioned in or made payable by the Ground Lease as and when such rent or other charge is payable (beyond any notice and/or cure period) (unless waived by Ground Lessor); (ii) there occurs any default (beyond any applicable notice and/or cure period provided under the Ground Lease) by the Company under the Ground Lease, in the observance or performance of any term, covenant or condition of the Ground Lease on the part of the Company to be observed or performed; (iii) if any one or more of the events referred to in the Ground Lease occur which would cause the Ground Lease to terminate without notice or action by Ground Lessor or which would entitle Ground Lessor to terminate the Ground Lease and the term thereof by giving notice to the Company (unless such right to terminate is waived by Ground Lessor); (iv) if the Leasehold Estate will be surrendered or the Ground Lease will be terminated or canceled for any reason or under any circumstances whatsoever; or (v) if any of the terms, covenants or conditions of the Ground Lease are modified, changed, supplemented, altered, or amended without the consent of the issuer except as otherwise permitted by the Security Deed; or

(l) the occurrence of any of the following events with respect to the corresponding Rental Agreement: (i) there occurs any default (beyond any applicable notice and/or cure period provided under the Rental Agreement) by the Company under the Rental Agreement, in the observance or performance of any term, covenant or condition of the Rental Agreement on the part of the Company to be observed or performed; (ii) the Rental Agreement is amended, supplemented, replaced, restated or otherwise modified without the Issuer's prior written consent or if the Company consents to a transfer of the Board of Regent's interest thereunder without the

Issuer's prior written consent; or (iii) if the Company consents to a transfer of the Board of Regents' interest under the Rental Agreement without the Issuer's prior written consent; or

(m) the conveyance or encumbrance of all or any portion of the Premises or any direct or indirect interest therein, in violation of the Security Deed; or

(n) the failure to maintain a Debt Service Coverage Ratio (as defined in the Security Deed) of at least 1.00.

Rights of Issuer Upon Default

If an Event of Default exists under a Security Deed, the Issuer, at the Issuer's option, may do any one or more of the following (and, if more than one, either concurrently or independently, and in such order as the Issuer may determine in its discretion), with the prior written consent of the owners of at least twenty-five percent (25%) in the aggregate principal amount of all Bonds then Outstanding, all without regard to the adequacy or value of the security for the indebtedness secured by such Security Deed:

(a) declare the entire indebtedness secured by the Security Deed immediately due and payable without notice or demand, time being of the essence thereof;

(b) revoke the license granted to the Company under the Security Deed;

(c) enter upon and take possession of the Project, either personally or by its agents, nominees or attorneys or appointment of a receiver, and dispossess the Company and its agents and servants therefrom, without liability for trespass, damages or otherwise and exclude the Company and its agents or servants wholly therefrom, and take possession of all books, records and accounts relating thereto and the Company will surrender possession of the Property and of such books, records and accounts to the Issuer upon demand, and thereupon the Issuer may (1) use, operate, manage, control, insure, maintain, repair, restore and otherwise deal with all and every part of the Project and conduct the business thereat; (ii) complete any construction on the Project in such manner and form as the Issuer deems advisable; (iii) make alterations, additions, renewals, replacements and improvements to or on the Project; (iv) exercise all rights and powers of the Company with respect to the Project, whether in the name of the Company or otherwise, including, without limitation, the right to make, cancel, enforce or modify Leases, obtain and evict any lessees, tenants or other occupants under Leases, and demand, sue for, collect and receive all Rents; provided that the Issuer will not be liable for any failure to collect Rents, nor liable to account for any Rents, unless actually received by the Issuer; (v) require the Company to pay monthly in advance to the Issuer, or any receiver appointed to collect the Rents, the fair and reasonable rental value for the use and occupation of such part of the Project as may be occupied by the Company; (vi) require the Company to vacate and surrender possession of the Project to the Issuer or to such receiver and, in default thereof, the Company may be evicted by summary proceedings or otherwise; and (vii) apply the receipts from the Project as the Issuer deems appropriate in its sole discretion as provided below;

(d) apply, as a matter of strict right, without notice except as otherwise provided in the Security Deed and without regard to the solvency of any party bound for its payment, for the appointment of a receiver to take possession of and to operate the Premises and to collect and apply the incomes, rents, issues, profits and revenues thereof;

(e) pay, perform or observe any term, covenant or condition of the Security Deed and any of the other Loan Documents and all payments made or costs or expenses incurred by the Issuer in connection therewith will be secured hereby and will be, without demand, immediately repaid by the Company to the Issuer, as applicable, with interest thereon at the highest rate of interest on the Bonds. The necessity for any such actions and the amounts to be paid will be determined by the Issuer in its discretion. The Issuer will have the power to enter and to authorize others to enter upon the Project or any part thereof for the purpose of performing or observing any such defaulted term, covenant or condition without thereby becoming liable to the Company or any Person in possession holding under the Company. The Company will acknowledge and agree that the remedies set forth in this paragraph will be exercisable by the Issuer, and any and all payments made or costs or expenses incurred by the Issuer in connection therewith will be secured by the Security Deed and will be, without demand, immediately repaid by the Company with interest thereon at the highest rate of interest on the Bonds, notwithstanding the fact that such remedies were exercised and such payments made and costs incurred by the Issuer after the filing by the Company of a voluntary case or the filing against the Company of an involuntary case pursuant to or within the meaning of the Bankruptcy Code, or after any similar action pursuant to any other debtor relief law (whether statutory, common law, case law or otherwise) of any jurisdiction whatsoever, now or hereafter in effect, which may be or become applicable to the Company, the Issuer, the indebtedness secured by the Security Deed or any of the Loan Documents;

(f) obtain appropriate evidence of matters of title affecting the Project and any underlying estate or interest, and may add the cost thereof to the indebtedness secured by the Security Deed;

(g) exercise one or more of the remedies set forth in the section of the Security Deed entitled "State Specific Provisions";

(h) proceed by a suit or suits in law or in equity or by any other appropriate proceeding or remedy to (i) enforce the performance of any term, covenant, condition or agreement of the Security Deed or any of the other Loan Documents or any other right or (ii) pursue any other remedy available to the Issuer, including, without limitation, suit or other right or remedy available to the Issuer by statute, at law or in equity to realize upon the collateral assignment of the Company's interest in the Leases to the Issuer for the benefit of the Issuer as security for the indebtedness secured by the Security Deed; and/or

(i) exercise the rights and remedies of a secured party under the Uniform Commercial Code as adopted in the State of Georgia.

The Issuer may apply any moneys and proceeds received by the Issuer as a result of the exercise by the Issuer of any of the foregoing rights or remedies, or any of the rights and remedies provided in the section of each Security Deed entitled "State Specific Provisions," in such order as the Issuer in its sole discretion may elect against (i) all costs and expenses, including reasonable attorneys' fees, incurred in connection with the operation of the Project, the performance of the Company's obligations under the Leases and the collection of the Rents; (ii) all costs and expenses, including reasonable attorneys' fees, incurred in the collection of any or all of the indebtedness secured by the Security Deed, including those incurred in seeking to realize on or to protect or preserve the Issuer's interest in any other collateral securing any or all of the indebtedness secured by the Security Deed; (iii) any or all unpaid principal on the indebtedness secured by the Security Deed; (iv) any other amounts owing under the Loan Documents; and (v) accrued interest and charges on any or all of the foregoing. The remainder, if any, will be paid to the Company or the Person lawfully entitled thereto (in the event of deficiency, the Company will immediately on demand from the Issuer pay over to Issuer, or its nominee, such deficiency, subject to certain provisions of the Section of each Security Deed entitled "Exculpation").

Amendments

Each Security Deed may be amended only as provided in the Indenture.

SUMMARY OF THE INDENTURE

Introduction

The Indenture is a contract for the benefit of the Holders that specifies the terms and details of the Series 2015 Bonds and which defines the security therefor. The following is a summary, which does not purport to be comprehensive or definitive, of certain provisions of the Indenture. Reference is made to the Indenture in its entirety for a complete recital of the detailed provisions thereof.

Pledge and Assignment

Pursuant to the Indenture, the Issuer has pledged and assigned to the Trustee, and granted a first priority security interest to the Trustee in, all of its right, title, and interest in (i) the Loan Agreement (except for the Unassigned Rights), (ii) the Notes, (iii) the Security Deeds, (iv) the Assignments of Contract Documents and all cash proceeds and receipts arising out of or in connection with the sale of the Bonds and all money and investments held by the Trustee in the funds and accounts created under the Indenture (except the Rebate Fund created thereunder), all pursuant to the granting clauses of the Indenture.

Establishment of Funds

The following trust funds are established with the Trustee under the Indenture:

Bond Fund
Revenue Fund
Issuance Cost Fund
Operating Fund
Repair, Replacement and Maintenance Fund
Project Fund
Insurance Fund

Condemnation Fund
Operation and Maintenance Reserve Fund
Surplus Fund
Rebate Fund

Initial Deposit to Funds

Upon the issuance and delivery of the Series 2015 Bonds, the Trustee will apply the net proceeds of the Series 2015 as follows: (i) the amount as specified in the Indenture will be deposited in the Issuance Cost Fund and (ii) the amount specified in the Indenture will be held and invested pursuant to the terms of the Series 2008 Escrow Agreement, to defease the Refunded Bonds.

Revenue Fund

Under the Indenture, the Revenue Fund is a trust fund with the following accounts:

(1) Dalton State Account;

(2) Darton Account;

(3) Fort Valley Account;

(4) Gainesville State Account;

(5) Georgia College Account;

(6) Southern Polytechnic Account; and

(7) General Account.

Under the terms of the Indenture, Revenues will be deposited in the General Account of the Revenue Fund except for the following deposits:

(1) Amounts received under the Dalton State Rental Agreement will be deposited in the Dalton State Account of the Revenue Fund;

(2) Amounts received under the Darton Rental Agreement will be deposited in the Darton Account of the Revenue Fund;

(3) Amounts received under the Fort Valley Rental Agreement will be deposited in the Fort Valley Account of the Revenue Fund;

(4) Amounts received under the Gainesville State Rental Agreement will be deposited in the Gainesville State Account of the Revenue Fund;

(5) Amounts received under the Georgia College Rental Agreement will be deposited in the Georgia College Account of the Revenue Fund; and

(6) Amounts received under the Southern Polytechnic Rental Agreement will be deposited in the Southern Polytechnic Account of the Revenue Fund.

On or prior to the tenth (10^{th}) of each June and December, the Trustee will make the following payments and transfers from

(a) the Dalton State Account of the Revenue Fund, provided that in the event funds on any such date shall be insufficient to make any one or more of such transfers, any and all of such deficiencies shall be remedied prior to making any transfers to any subordinated funds (based on the following order of priority) on any future date:

FIRST, to the Dalton State Account of the Bond Fund, the amount designated for debt service on the Dalton State Bonds in the Dalton State Rental Agreement;

SECOND, to the Dalton State Account of the Repair, Replacement and Maintenance Fund the amount listed in the Dalton State Rental Agreement or, if the Dalton State Rental Agreement has been terminated, to the Dalton State Account of the Operation and Maintenance Reserve Fund the amount required by the second paragraph under the heading **"SUMMARY OF THE INDENTURE - Operation and Maintenance Reserve Fund"** herein;

THIRD, to the Company for deposit in its operating account the amount specified in writing by the Company for the next succeeding month's Expenses for the Dalton State Project;

FOURTH, to the Rebate Fund, based upon a certificate of the Company, any amount that is necessary to pay any amounts required to be paid pursuant to the Tax Agreement that is allocable to the Dalton State Bonds; and

FIFTH, to the Dalton State Account of the Surplus Fund, any remaining amounts.

(b) the Darton Account of the Revenue Fund, provided that in the event funds on any such date shall be insufficient to make any one or more of such transfers, any and all of such deficiencies shall be remedied prior to making any transfers to any subordinated funds (based on the following order of priority) on any future date:

FIRST, to the Darton Account of the Bond Fund, the amount designated for debt service on the Darton Bonds in the Darton Rental Agreement;

SECOND, to the Darton Account of the Repair, Replacement and Maintenance Fund the amount listed in the Darton Rental Agreement or, if the Darton Rental Agreement has been terminated, to the Darton Account of the Operation and Maintenance Reserve Fund the amount required by the second paragraph under the heading **"SUMMARY OF THE INDENTURE - Operation and Maintenance Reserve Fund"** herein;

THIRD, to the Company for deposit in its operating account the amount specified in writing by the Company for the next succeeding month's Expenses for the Darton Project;

FOURTH, to the Rebate Fund, based upon a certificate of the Company, any amount that is necessary to pay any amounts required to be paid pursuant to the Tax Agreement that is allocable to the Darton Bonds; and

FIFTH, to the Darton Account of the Surplus Fund, any remaining amounts.

(c) the Fort Valley Account of the Revenue Fund, provided that in the event funds on any such date shall be insufficient to make any one or more of such transfers, any and all of such deficiencies shall be remedied prior to making any transfers to any subordinated funds (based on the following order of priority) on any future date:

FIRST, to the Fort Valley Account of the Bond Fund, the amount designated for debt service on the Fort Valley Bonds in the Fort Valley Rental Agreement;

SECOND, to the Fort Valley Account of the Repair, Replacement and Maintenance Fund the amount listed in the Fort Valley Rental Agreement or, if the Fort Valley Rental Agreement has been terminated, to the Fort Valley Account of the Operation and Maintenance Reserve Fund the amount required by the second paragraph under the heading **"SUMMARY OF THE INDENTURE - Operation and Maintenance Reserve Fund"** herein;

THIRD, to the Company for deposit in its operating account the amount specified in writing by the Company for the next succeeding month's Expenses for the Fort Valley Project;

FOURTH, to the Rebate Fund, based upon a certificate of the Company, any amount that is necessary to pay any amounts required to be paid pursuant to the Tax Agreement that is allocable to the Fort Valley Bonds; and

FIFTH, to the Fort Valley Account of the Surplus Fund, any remaining amounts.

(d) the Gainesville State Account of the Revenue Fund, provided that in the event funds on any such date shall be insufficient to make any one or more of such transfers, any and all of such deficiencies shall be remedied prior to making any transfers to any subordinated funds (based on the following order of priority) on any future date:

FIRST, to the Gainesville State Account of the Bond Fund, the amount designated for debt service on the Gainesville State Bonds in the Gainesville State Rental Agreement;

SECOND, to the Gainesville State Account of the Repair, Replacement and Maintenance Fund the amount listed in the Gainesville State Rental Agreement or, if the Gainesville State Rental Agreement has been terminated, to the Gainesville State Account of the Operation and Maintenance Reserve Fund the amount required by the second paragraph under the heading **"SUMMARY OF THE INDENTURE - Operation and Maintenance Reserve Fund"** herein;

THIRD, to the Company for deposit in its operating account the amount specified in writing by the Company for the next succeeding month's Expenses for the Gainesville State Project;

FOURTH, to the Rebate Fund, based upon a certificate of the Company, any amount that is necessary to pay any amounts required to be paid pursuant to the Tax Agreement that is allocable to the Gainesville State Bonds; and

FIFTH, to the Gainesville State Account of the Surplus Fund, any remaining amounts.

(e) the Georgia College Account of the Revenue Fund, provided that in the event funds on any such date shall be insufficient to make any one or more of such transfers, any and all of such deficiencies shall be remedied prior to making any transfers to any subordinated funds (based on the following order of priority) on any future date:

FIRST, to the Georgia College Account of the Bond Fund, the amount designated for debt service on the Georgia College Bonds in the Georgia College Rental Agreement;

SECOND, to the Georgia College Account of the Repair, Replacement and Maintenance Fund the amount listed in the Georgia College Rental Agreement or, if the Georgia College Rental Agreement has been terminated, to the Georgia College Account of the Operation and Maintenance Reserve Fund the amount required by the second paragraph under the heading **"SUMMARY OF THE INDENTURE - Operation and Maintenance Reserve Fund"** herein;

THIRD, to the Company for deposit in its operating account the amount specified in writing by the Company for the next succeeding month's Expenses for the Georgia College Project;

FOURTH, to the Rebate Fund, based upon a certificate of the Company, any amount that is necessary to pay any amounts required to be paid pursuant to the Tax Agreement that is allocable to the Georgia College Bonds; and

FIFTH, to the Georgia College Account of the Surplus Fund, any remaining amounts.

(f) the Southern Polytechnic Account of the Revenue Fund, provided that in the event funds on any such date shall be insufficient to make any one or more of such transfers, any and all of such deficiencies shall be remedied prior to making any transfers to any subordinated funds (based on the following order of priority) on any future date:

FIRST, to the Southern Polytechnic Account of the Bond Fund, the amount designated for debt service on the Southern Polytechnic Bonds in the Southern Polytechnic Rental Agreement;

SECOND, to the Southern Polytechnic Account of the Repair, Replacement and Maintenance Fund the amount listed in the Southern Polytechnic Rental Agreement or, if the Southern Polytechnic Rental Agreement has been terminated, to the Southern Polytechnic Account of the Operation and Maintenance Reserve Fund the amount required by the second paragraph under the heading **"SUMMARY OF THE INDENTURE - Operation and Maintenance Reserve Fund"** herein;

THIRD, to the Company for deposit in its operating account the amount specified in writing by the Company for the next succeeding month's Expenses for the Southern Polytechnic Project;

FOURTH, to the Rebate Fund, based upon a certificate of the Company, any amount that is necessary to pay any amounts required to be paid pursuant to the Tax Agreement that is allocable to the Southern Polytechnic Bonds; and

FIFTH, to the Southern Polytechnic Account of the Surplus Fund, any remaining amounts.

On or prior to the tenth (10th) of each June and December and after the payments to each project Account of the Bond Fund as described above, the Trustee shall make the following payments and transfers from the General Account of the Revenue Fund, provided that in the event funds on any such date shall be insufficient to make any one or more of such transfers, any and all of such deficiencies shall be remedied prior to making any transfers to any subordinated funds (based on the following order of priority) on any future date:

FIRST, to the General Account of the Bond Fund, the Basic Loan Payments required by the Notes after giving credit to the payments and transfers to each project Account of the Bond Fund as described above;

SECOND, to the General Account of the Repair, Replacement and Maintenance Fund or, if the Rental Agreements have been terminated, to the General Account of the Operation and Maintenance Reserve Fund and to the appropriate accounts or parties specified in the Notes, the Additional Loan Payments required by the Notes;

THIRD, to the General Account of the Operating Fund the amount specified in writing by the Company for the next succeeding month's Expenses after giving credit to the payments and transfers to each project Account of the Bond Fund as described above;

FOURTH, to the Rebate Fund, any amount that is necessary to pay any amounts required to be paid pursuant to the Tax Agreement; and

FIFTH, to the Surplus Fund, any remaining amounts.

Bond Fund

The Bond Fund is a trust fund used as a sinking fund to pay the principal of, premium, if any, and interest on the Bonds. There is created within the Bond Fund the following accounts:

(1) Dalton State Account;

(2) Darton Account;

(3) Fort Valley Account;

(4) Gainesville State Account;

(5) Georgia College Account;

(6) Southern Polytechnic Account; and

(7) General Account.

There will be deposited in each particular project Account of the Bond Fund, as and when received, (i) all payments received from the Revenue Fund as described under the heading **"SUMMARY OF THE INDENTURE - Revenue Fund"** herein and (ii) all other moneys received by the Trustee under and pursuant to any of the provisions of each separate Note or the Loan Agreement when accompanied by written direction from the Company that such moneys are to be paid into the particular project Account of the Bond Fund.

There will be deposited into the General Account of the Bond Fund, as and when received, (i) all Basic Loan Payments specified in the Notes after giving credit to the payments and transfers to each project Account of the Bond Fund as described under the heading **"SUMMARY OF THE INDENTURE - Revenue Fund"** herein, and (ii) all other moneys received by the Trustee under and pursuant to any of the provisions of the Loan Agreement when accompanied by written directions from the Company that such moneys are to be paid into the General Account of the Bond Fund.

Except as otherwise provided in the Indenture, moneys in the Bond Fund will be used solely as a fund for the payment of the principal of, premium, if any, and interest on the Bonds, for the redemption of Bonds at or prior to maturity, and to purchase Bonds in the open market pursuant to the Indenture. However, upon an Event of Default, the Trustee may use moneys in the Bond Fund for the benefit of Bondholders and to pay the fees and expenses of the Trustee that are payable under the Indenture.

If on any Interest Payment Date there should be insufficient funds in the Bond Fund to pay the interest, principal, and premium due on the Bonds, there will be transferred to the Bond Fund from the following fiords and accounts in the priority shown such amounts as are necessary to pay the interest, principal, and premium due on the Bonds: (i) the Surplus Fund, (ii) the Operation and Maintenance Reserve Fund and (iii) the Repair, Replacement and Maintenance Fund; provided, however, that if there is a deficiency in an account related to a particular Project, moneys will be transferred from the accounts in the Surplus Fund, the Operation and Maintenance Reserve Fund, and the Repair, Replacement and Maintenance Fund related to such Project and then from the General Accounts of the Surplus Fund, the Operation and Maintenance Reserve Fund, and the Repair, Replacement and Maintenance Fund.

Issuance Cost Fund

The Issuance Cost fund is a trust fund used to pay Issuance Costs. The Indenture specifies the amounts to be deposited into the Issuance Cost Fund.

Repair, Replacement and Maintenance Fund

The Repair, Replacement and Maintenance Fund is a trust fund established for the repair, replacement and maintenance costs of the Projects. The Repair, Replacement and Maintenance Fund contains the following accounts:

(1) Dalton State Account;

(2) Darton Account;

(3) Fort Valley Account;

(4) Gainesville State Account;

(5) Georgia College Account;

(6) Southern Polytechnic Account; and

(7) General Account.

The Trustee will deposit in each account of the Repair, Replacement and Maintenance Fund as and when received by the Trustee any moneys paid to the Issuer under the Loan Agreement, the Notes, or the Indenture for credit or transfer to the Repair, Replacement and Maintenance Fund.

The Issuer authorizes and directs the Trustee to withdraw funds from the Repair, Replacement and Maintenance Fund to pay (i) the maintenance and repair costs related to each Project which the Company is obligated to pay pursuant to the related Security Deed and (ii) the principal of, premium, if any, and interest on the Bonds to the extent there are insufficient moneys in the Bond Fund therefor on any Interest Payment Date.

Operating Fund

The Operating Fund is a trust fund created under the Indenture and contains the following accounts:

(1) Dalton State Account;

(2) Darton Account;

(3) Fort Valley Account;

(4) Gainesville State Account;

(5) Georgia College Account;

(6) Southern Polytechnic Account; and

(7) General Account

In accordance with the priority of payments set forth under the heading **"SUMMARY OF THE INDENTURE - Revenue Fund"** herein, the Trustee will transfer amounts from the Revenue Fund into the Operating Fund.

Moneys deposited in each account of the Operating Fund will be paid out from time to time by the Trustee on the written request of the Company delivered pursuant to the Indenture in order to pay for Operating Expenses or Expenses (in the case of the General Account).

Insurance Fund

The Insurance Fund is a trust fund that may be established and funded with any Net Proceeds of insurance awards paid to the Trustee and deposited in the Insurance Fund. If the Insurance Fund is opened, there will be created within the Insurance Fund the following accounts:

(1) Dalton State Account;

(2) Darton Account;

(3) Fort Valley Account;

(4) Gainesville State Account;

(5) Georgia College Account;

(6) Southern Polytechnic Account; and

(7) General Account.

Any Net Proceeds to be deposited into the Insurance Fund will be deposited into the account designated for the Project to which the Net Proceeds relate and, upon written direction from the Company, further deposited to the applicable account of the Bond Fund for redemption of Bonds pursuant to the indenture and the Loan Agreement or to the applicable account of the Project Fund to pay the costs of repair and restoration of the applicable Project pursuant to the Loan Agreement.

Condemnation Fund

The Condemnation Fund is a trust fund that may be established and funded with any Net Proceeds of condemnation awards paid to the Trustee and deposited in the Condemnation Fund. If the Condemnation Fund is opened, there will be created within the Condemnation Fund the following accounts:

(1) Dalton State Account;

(2) Darton Account;

(3) Fort Valley Account;

(4) Gainesville State Account;

(5) Georgia College Account;

(6) Southern Polytechnic Account; and

(7) General Account.

Any Net Proceeds to be deposited into the Condemnation Fund will be deposited into the account designated for the Project to which the Net Proceeds relate and, upon written direction from the Company, further deposited to the applicable account of the Bond Fund for redemption of Bonds pursuant to the Indenture and the Loan Agreement or the applicable account of the Project Fund to pay to pay the costs of making all necessary alterations and repairs which shall be required because of such partial acquisition of the applicable Project pursuant to the Loan Agreement.

Operation and Maintenance Reserve Fund

The Operation and Maintenance Reserve Fund is a trust fund created under the Indenture and contains the following accounts:

(1) Dalton State Account;

(2) Darton Account;

(3) Fort Valley Account;

(4) Gainesville State Account;

(5) Georgia College Account;

(6) Southern Polytechnic Account; and

(7) General Account.

In the event that any Rental Agreement is terminated, there will be deposited into the account in the Operation and Maintenance Reserve Fund bearing the name of the Project to which the Rental Agreement relates from the account within the Revenue Fund bearing the name of such Project amounts sufficient to fund the account in the Operation and Maintenance Reserve Fund bearing the name of such Project in an amount equal to the Operation and Maintenance Reserve Requirement applicable to such Project. Semi-annual transfers to the applicable account in the Operation and Maintenance Reserve Fund will be made, on or before each June 15 and December 15 after the Completion Date for the related Project, after making such deposits to the corresponding project Account of the Bond Fund as required in FIRST through FOURTH described under the heading **"SUMMARY OF THE INDENTURE - Revenue Fund"** herein, in an amount sufficient to accumulate the balance to the credit of the Operation and Maintenance Reserve Fund to the Operation and Maintenance Reserve Requirement for the applicable Project, which transfers will be made at any time that the balance held in the account in the Operation and Maintenance Reserve Fund bearing the name of the applicable Project is less than the Operation and Maintenance Reserve Requirement for such Project.

Amounts on deposit in each account of the Operation and Maintenance Reserve Fund will be used first to restore the account in the Bond Fund bearing the same Project name as the account of the Operation and Maintenance Reserve Fund to the amount required at the time to be held therein, and then to pay, upon the Written Request of the Company, expenses of operation and maintenance of the related Project payable to persons other than Affiliates of the Company, but only if the Company first delivers to the Trustee a certificate from an Authorized Company Representative that (1) the Company has insufficient cash to pay such expenses and (2) no payee is an Affiliate of the Company. Notwithstanding anything in the Indenture to the contrary, the Operation and Maintenance Reserve Fund and the requirement to deposit monies sufficient to meet the Operation and Maintenance Reserve Requirement for a Project will be not be operative unless the Rental Agreement for such Project is terminated.

Surplus Fund

The Surplus Fund is a trust fund created under the Indenture and contains the following accounts:

(1) Dalton State Account;

(2) Darton Account;

(3) Fort Valley Account;

(4) Gainesville State Account;

(5) Georgia College Account;

(6) Southern Polytechnic Account; and

(7) General Account

There shall be deposited into each account of the Surplus Fund from the account of the Revenue Fund bearing the same Project name the amounts specified under the heading **"SUMMARY OF THE INDENTURE - Revenue Fund"** herein. Amounts held in the Surplus Fund may be used for any of the purposes described under the heading **"SUMMARY OF THE INDENTURE - Revenue Fund"** herein and may be used to pay costs of maintaining the Projects in accordance with the provisions of the related Security Deed; provided, however, that moneys from each account of the Surplus Fund may only be used for costs and expenses related to the Project for which the account is named.

Investment of Funds and Accounts

Any moneys held as part of the Bond Fund, the Issuance Cost Fund, the Project Fund, the Insurance Fund, the Operating Fund, the Condemnation Fund, the Revenue Fund, the Repair, Replacement and Maintenance Fund, the Operation and Maintenance Reserve Fund, the Surplus Fund, the Rebate Fund, reserves in connection with contested liens, or other special trust funds created under the Indenture, or other accounts or funds held by the Trustee, to the extent permitted by law will be invested and reinvested by the Trustee in accordance with the provisions of the Loan Agreement. Any such investments will be held by or under the control of the Trustee and will be deemed at all times a part of the respective fund or account, and the interest accruing thereon and any profit realized from such investments will be credited as set forth in the Indenture, and any loss resulting from such investments will be charged to such fund. The Trustee is directed to sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient for the uses prescribed for moneys held in such fund or account. The Trustee may transfer investments from any fund or account to any other fund or account in lieu of cash when required or permitted by the provisions of the Indenture. In computing the assets of any fund or account, investments and accrued interest thereon will be deemed a part thereof. Such investments will be valued at their fair market value. The Trustee will not be liable for any depreciation in the value of any obligations in which moneys of funds or accounts will be invested, as aforesaid, or for any loss arising from any such investment. Such investments will be made only as follows:

(i) moneys in the Revenue Fund, the Issuance Cost Fund, the Project Fund, the Repair, Replacement and Maintenance Fund, the Operation and Maintenance Reserve Fund, the Surplus Fund, the Insurance Fund, the Operating Fund, the Condemnation Fund, and any other accounts or funds other than the Bond Fund only in obligations maturing or redeemable at the option of the holder in such amounts and on such dates as may be necessary to provide moneys to meet the payments from each such respective fund; and

(ii) moneys in the Bond Fund only in obligations maturing or redeemable at the option of the holder not later than the next-succeeding principal payment date, mandatory redemption payment date, or Interest Payment Date of the Bonds.

Issuance of Additional Bonds

If no Event of Default has occurred, the Issuer, at the request of the Company, may issue Additional Bonds for the purpose of (i) financing the costs of making such Additions or Alterations as the Company may deem necessary or desirable, (ii) financing the cost of completing any Additions or Alterations, (iii) refunding any Bonds, and (iv) in each such case, paying the costs of the issuance and sale of the Additional Bonds, paying capitalized or funded interest, funding a debt service reserve fund and such other costs reasonably related to the financing as will be agreed upon by the Company and the Issuer. The terms of such Additional Bonds, the purchase price to be paid therefor, and, manner in which the proceeds therefrom are to be disbursed will be determined by the Company and the sale of any Additional Bonds will be the sole responsibility of the Company. The Company and the Issuer will enter into an amendment to the Loan Agreement to provide for additional Basic Loan Payments in an amount at least sufficient to pay principal of, premium, if any, and interest on the Additional Bonds when due and to provide for any additional terms or changes to the Loan Agreement required because of such Additional Bonds. The Issuer and the Trustee will enter into such amendments or supplements to the Indenture as are required to effect the issuance of the Additional Bonds.

As a condition for the issuance of Additional Bonds (i) either (A) such Additional Bonds (including any refunding Additional Bonds) will be rated in a rating category that is not lower than the underlying rating of then Outstanding bonds (i.e., the rating of the Outstanding Bonds without giving effect to any credit enhancement) or (B) the Company must deliver to the Trustee (1) a certificate of an Authorized Company Representative that (x) the Additional Bonds will be used to finance or refinance costs related to a particular Project and (y) for each of the two Fiscal Years next preceding the issuance of the proposed Additional Bonds, the Debt Service Coverage Ratio of the Company for the related Project was not less than (AA) 1.00 if a Rental Agreement was in effect during each of the two applicable Fiscal Years for the related Project and (BB) 1.20 if no Rental Agreement was in effect during each of the two applicable Fiscal Years and (2) the forecasted financial statements, reported on by a Financial Consultant, for each Fiscal Year until such Additions or Alterations are expected to be placed in operation and for the three Fiscal Years immediately following the Fiscal Year in which such Additions or Alterations being paid for with the proceeds of such Additional Bonds are expected to be placed in operation, which give effect to the issuance or incurrence of such Additional Bonds and to the application of the proceeds thereof and resulting additional income from any Additions or Alterations constructed and acquired from such proceeds to the effect that: (x) the forecasted Debt Service Coverage Ratio of the Company for the Project to which the Additional Bonds are related for each of the three Fiscal Years immediately following the Fiscal Year in which such Additions or Alterations are expected to be placed in operation will be not less than (AA) 1.00 if a Rental Agreement is expected to be in effect during each of the three applicable Fiscal Years for the related Project and (BB) 1.20 if no Rental Agreement is expected to be in effect during each of the three applicable Fiscal Years and (y) the forecasted Revenue Available for Debt Service of the Company for each Fiscal Year until such Additions or Alterations are expected to be placed in operation plus any funded interest will be sufficient to pay the Debt Service which relate to the proposed Additional Bonds for each Fiscal Year until such Additions or Alterations are expected to be placed in operation, or (C) in the case of refunding Additional Bonds an Authorized Company Representative must certify (1) that the annual Debt Service on the Additional Bonds will not exceed the annual Debt Service on the Bonds being refunded in any Bond Year, or (2) that the forecasted Debt Service Coverage Ratio of the Company for each of the three Fiscal Years following the Fiscal Year in which the refunding Additional Bonds are issued will be not less than 1.00, or (D) in the case of Additional Bonds issued to complete any Additions or Alterations, such Additional Bonds will be in a principal amount that does not exceed 10% of the principal amount of the Additional Bonds issued to finance the Additions or Alterations; and (ii) prior to the issuance of such Additional Bonds, each Rating Agency then rating the Outstanding Bonds must deliver a confirmation letter stating that the issuance of the Additional Bonds will not result in a qualification, downgrade, or withdrawal of the then current ratings on the then Outstanding Bonds.

Any amounts received by the Trustee for payment of Debt Service will be allocated between the Series 2015 Bonds and Additional Bonds on a pro rata basis.

Discharge of Lien

If the Issuer pays or causes to be paid, or there is otherwise paid or provisions for payment made, to or for (i) the Owner of any Bond, or any portion of any such Bond, the principal, interest, and premium, if any, due or to become due thereon, then such Bond or portion thereof, and (ii) the Owners of all Outstanding Bonds the principal, interest, and premium, if any, due or to become due thereon and will pay or cause to be paid all fees and expenses of the Trustee and each paying agent due or to become due under the Indenture, then the Indenture and these presents and the estate, lien, interests, and rights thereby created and granted will cease, determine, terminate, and become null and void (except as to any surviving rights of registration, transfer, or exchange of Bonds provided for in the Indenture and except for the Trustee's obligations under certain provisions of the Indenture), and thereupon the Trustee will cancel and discharge the lien and security interest of the Indenture. At the time of such cessation, termination, discharge and satisfaction, (1) the Trustee will execute and deliver to the Issuer and the Company all such instruments as may be appropriate or reasonably requested by the Issuer or the Company to evidence such cessation, termination, discharge and satisfaction, and (2) the Trustee and the paying agents will pay over or deliver to the Company or on its order all moneys and securities held by them pursuant to the Indenture which are not required for (x) the payment of the principal of, premium, if any, and interest on Bonds not theretofore surrendered for payment or redemption, (y) the payment of all other amounts due or to become due under the Indenture, the Notes and the Loan Agreement, and (z) the payment of any amounts the Trustee has been directed to pay to the United States under the Tax Agreement or the Indenture.

Any Outstanding Bond will, prior to the maturity or redemption date thereof, be deemed to have been paid and defeased within the meaning and with the effect expressed in the first paragraph above with respect to payment of such Bond (i) if there will have been irrevocably deposited with the Trustee, in trust, either Available Monies in an amount which will be sufficient, along with any other moneys held by the Trustee and available therefor, or Government Obligations not redeemable by the issuer thereof purchased with Available Monies, the principal of and interest on which when due, without reinvestment, will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal or redemption price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and if all Bonds Outstanding are to be deemed to have been paid and defeased, an amount equal to the Trustee's and paying agents' necessary and proper fees, compensation, and expenses under the Indenture accrued and to accrue until such redemption date or date of maturity, (ii) if such Bonds are to be redeemed and are subject to immediate redemption, the Issuer will have given the Trustee in form satisfactory to it irrevocable written instructions to give notice of redemption of such Bonds as provided in the Indenture, (iii) if said Bonds are to be redeemed and are not by their terms subject to redemption within the next succeeding sixty (60) days, the Issuer will have given the Trustee in form satisfactory to it irrevocable written instructions to (a) give notice of redemption of such Bonds as provided in the Indenture not less than thirty (30) nor more than sixty (60) days prior to a date on which such Bonds are subject to redemption and (b) give, as soon as practicable in the same manner as a notice of redemption of such Bonds as provided in the Indenture, a notice to the Owners of such Bonds stating that the deposit required by (i) above has been made with the Trustee, stating that said Bonds are deemed to have been paid as described under this "Discharge of Lien" heading, and stating such maturity or redemption dates upon which moneys are to be available for the payment of the principal of, premium, if any, and interest on such Bonds, (iv) unless there is irrevocably deposited with the Trustee moneys in an amount which will be sufficient, along with any other moneys held by the Trustee and available therefore sufficient to pay the principal or redemption price, if applicable, and interest due and to become due on such Bonds without taking into account any investment earnings, there is submitted to the Issuer and the Trustee a Certificate of a certified public accountant (the "Accountant's Verification") to the effect that the deposit required by (i) above will provide funds sufficient to pay when due the principal or redemption price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (v) there is submitted to the Issuer and the Trustee an opinion of Bond Counsel to the effect that the defeasance of the Bonds as described under this heading "Discharge of Lien" will not cause interest on any of the Bonds, the interest on which is excludable from the gross income of the Owners thereof for federal income tax purposes, to become includable in gross income for federal income tax purposes. Neither Government Obligations nor moneys deposited with the Trustee pursuant to the Indenture nor principal nor interest payments on any such securities will be withdrawn or used for any purpose other than, and will be held in trust for, the payment of the principal or redemption price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Government Obligations deposited with the Trustee, if not then needed for such purpose, will, to the extent practicable, at the written direction of the Company, be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal or redemption price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be.

The items required by (i) through (v) of the preceding paragraph may be submitted with respect to any particular Bonds or series of Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), in which case such Bonds will no longer be deemed to be Outstanding and will be deemed to be paid as described under this "Discharge of Lien" heading, and the Owners of such Bonds will be secured only by such deposit and not by any other part of the Trust Estate.

Anything in the Indenture to the contrary notwithstanding, if such moneys or Government Obligations have been deposited or set aside with the Trustee for the payment of Bonds and interest and premium thereon, if any, and such Bonds will not have in fact been actually paid in full, no amendment to the applicable provisions of the Indenture will be made without the consent of the Owner of each Bond affected thereby.

Defaults; Events of Default

If any of the following events occur, it constitutes a default and an "Event of Default" under the Indenture:

(a) default in the due and punctual payment of any interest on any Bond,

(b) default in the due and punctual payment of the principal of any Bond (or premium thereon, if any), whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration,

(c) the occurrence of an "Event of Default" under the Loan Agreement,

(d) any material breach by the Issuer of any representation or warranty made in the Indenture or default in the performance or observance of any other of the covenants, agreements, or conditions on the part of the Issuer in the Indenture (other than as described in (a) and (b) above) or contained in the Bonds.

Remedies Upon Event of Default

If an Event of Default occurs and is continuing, the Trustee will have the power to proceed with any available right or remedy granted by the Bond Documents or Constitution and laws of the State or other applicable law, as it may deem best, including any suit, action, mandamus, or special proceeding in equity or at law or in bankruptcy or otherwise for the collection of all amounts due and unpaid under the Bond Documents, for specific performance of any covenant or agreement contained therein, or for the enforcement of any proper legal or equitable remedy as the Trustee will deem most effective to protect the rights aforesaid, insofar as such may be authorized by law. The Trustee may enforce each and every right granted to the Issuer under the Bond Documents. Upon the occurrence of an Event of Default, the Trustee, in its own name and as trustee of an express trust, or in the name of the Issuer without the necessity of joining the Issuer, will be entitled to institute any action or proceedings at law or in equity and may prosecute any such action or proceedings to judgment or final decree and may enforce any such judgment or final decree against any obligor thereon and collect in the manner provided by law, but limited as provided in the Bond Documents, out of the property of any obligor thereon wherever situated the moneys adjudged or decreed to be payable for the benefit of the Bondholders, or on behalf of the Issuer. The rights specified in the Indenture are to be cumulative to all other available rights, remedies, or powers and will not exclude any such rights, remedies, or powers, which rights, remedies, and powers will be subject to the limits provided in the Bond Documents.

In case there are pending proceedings for the bankruptcy or for the reorganization of any obligor under the Loan Agreement or the Notes under federal bankruptcy law or any other applicable law, or in the case a receiver or trustee is appointed for the property of any such obligor, or in the case of any other judicial proceedings relative to any obligor under the Loan Agreement or the Notes or relative to the creditors or property of any such obligor, the Trustee (irrespective of whether the principal of the Bonds will then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee will have made any demand pursuant to the power vested in it by the Indenture) will be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee, its agents, attorneys, and counsel and for reimbursement of all expenses and liabilities incurred and all advances made by the Trustee except as a result of its negligence or willful misconduct) and of the Bondholders allowed in any such judicial proceedings relative to the Company or any other obligor under the Loan Agreement or the Notes, or relative to the creditors or property of the Company, or relative to any such other obligor, as the case may be, and to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute all amounts received with respect to the claims of the Bondholders and of the Trustee on their behalf. Any receiver, assignee, or trustee in bankruptcy or reorganization is authorized by each of the Bondholders to make payments to the Trustee and if the Trustee consents to the making of payments directly to the Bondholders, to pay to the Trustee such amount as will be sufficient to cover reasonable compensation to the Trustee, its agents, attorneys, and counsel and all other expenses and liabilities incurred and all advances made by the Trustee except as a result of its negligence or willful misconduct.

Application of Moneys upon an Event of Default

Upon an Event of Default and if moneys held by the Trustee are insufficient to pay the principal of, premium, if any, and interest on the Bonds, all moneys received and held by the Trustee pursuant to the Indenture as a part of the Trust Estate (except for the Rebate Fund) and all moneys received by the Trustee will be applied as follows:

(a) Unless the principal of all the Bonds has become due and payable, all such moneys will be applied:

FIRST - To the payment of the Ordinary Expenses of the Trustee and Extraordinary Expenses of the Trustee and to the payment for fees and services reasonably anticipated to be incurred by the Trustee;

SECOND - If directed by the Bondholders pursuant to the Indenture to the payment of Expenses and for reasonable renewals, repairs, and replacements of the Projects necessary to prevent impairment of the Trust Estate and to the payment of the costs and compensation of any advances made by the Issuer and the reasonable attorneys' fees of the Issuer;

THIRD - To the payment to the Owners entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available will not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Owners entitled thereto, without any discrimination or privilege;

FOURTH - To the payment to the Owners entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which becomes due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest at the same rate as the interest on such Bonds from the respective dates upon which they became due and, if the amount available will not be sufficient to pay in full principal of, premium, if any, and overdue interest on the Bonds due on any particular date, then to the payment ratably, according to the amount of the principal, overdue interest, and premium, if any, due on such date, to the Owners entitled thereto without any discrimination or privilege;

FIFTH - To be held for the payment to the Bondholders entitled thereto as the same becomes due of the principal of, premium, if any, and interest on the Bonds which may thereafter become due either at maturity or upon call for redemption prior to maturity and, if the amount available will not be sufficient to pay in full Bonds due on any particular date, together with interest and premium, if any, then due and owing thereon, payment will be made ratably according to the amount of principal, premium, if any, and interest due on such date to the Bondholders entitled thereto without any discrimination or privilege; and

SIXTH - After payment in full of the Bonds and all other amounts due under the Bond Documents, to the Company.

(b) If the principal of all the Bonds becomes due and payable, all such moneys will be applied first to the items described in paragraph FIRST of the preceding subsection (a), and then to the payment to the Owners entitled thereto of the principal, premium, if any, 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 amount of principal, premium, if any, and interest due on such date to the Bondholders entitled thereto without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the applicable provisions of the Indenture, such moneys will be applied at such times and from time to time as the Trustee will determine, having due regard to the amount of such moneys available for such application and the likelihood of additional money becoming available for such application in the future. Whenever the Trustee will apply such funds, it will fix the date (which will be an Interest Payment Date unless it will deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date will cease to accrue. The Trustee will 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, but in accordance with the applicable provisions of the Indenture, and will not be required to make payment to the Owner of any Bond until such Bond is presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Amendments to Indenture and Supplemental Indentures Not Requiring Consent of Bondholders

The Issuer and the Trustee may, without the consent of or notice to any of the Bondholders, but with the consent of the Company if required by the Indenture, enter into an amendment to the Indenture or an indenture or indentures supplemental to the Indenture as will not be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

(i) to cure any ambiguity or formal defect or omission in, or to correct or supplement any defective provision of, the Indenture,

(ii) to add to the covenants and agreements of, and limitations and restrictions upon, the Issuer in the Indenture other covenants, agreements, limitations, and restrictions to be observed by the Issuer for the protection of the Bondholders,

(iii) to evidence the appointment of a separate trustee or a co-trustee, or the succession of a new trustee or the appointment of a new or additional paying agent or Bond registrar,

(iv) to grant to or confer upon the Trustee for the benefit of Bondholders any additional rights, remedies, powers, benefits, security, liabilities, duties, or authority that may lawfully be granted to or conferred or imposed upon the Bondholders or the Trustee or either of them,

(v) to subject to the lien and security interest of the Indenture additional revenues, properties, or collateral,

(vi) to modify, amend, or supplement the Indenture or any indenture supplemental thereto in such mariner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of Bonds for sale under the securities laws of any state, and, if they so determine, to add to the Indenture or any indenture supplemental thereto such other terms, conditions, and provisions as may be permitted by the Trust Indenture Act of 1939, as amended, or any similar federal statute,

(vii) to modify, amend, or supplement the Indenture in such manner to assure the continued exclusion from gross income of the Owners thereof for federal income tax purposes of interest on any Tax-Exempt Bonds,

(viii) to comply with any provisions of the Securities Act of 1933, as amended or the Securities Exchange Act of 1934, as amended, or any rules or regulations promulgated thereunder,

(ix) to reflect a change in applicable law provided that the Trustee will determine (which may be in reliance on an opinion of counsel) that such amendment or supplemental indenture does not prejudice the rights of Bondholders, or

(x) in connection with any other change in the Indenture which, in the judgment of the Trustee (which may be in reliance on an opinion of counsel), does not prejudice or materially adversely affect the Bondholders, impair the Trust Estate, or adversely affect the Trustee's duties, rights, or immunities.

The Issuer and the Trustee will, without the consent of or notice to any Bondholders, enter into an indenture or indentures supplemental to the Indenture (1) in connection with the issuance of any Additional Bonds in accordance with the Indenture and the inclusion of additional security in connection therewith, (ii) to the extent necessary with respect to the land and interests in land, buildings, furnishings, machinery, equipment, and all other real and personal property which may form a part of the Projects, so as to more precisely identify the same or to substitute or add additional land or interests in land, buildings, furnishings, machinery, equipment, or real or personal property as security, or (iii) with respect to any changes required to be made in the description of the Trust Estate in order to conform with similar changes made in the Loan Agreement as permitted by the Indenture.

Prior to entering into an amendment or supplemental indenture pursuant to (i) or (ii) above, there will be delivered to the Issuer and the Trustee a Favorable Opinion of Bond Counsel.

Amendments to Indenture and Supplemental Indentures Requiring Consent of Bondholders

Exclusive of amendments and indentures supplemental to the Indenture covered above and subject to the terms and provisions contained in the section of the Indenture entitled "Amendments to Indenture and Supplemental Indentures Requiring Consent of Bondholders" and not otherwise, Owners of not less than two-thirds (2/3) in aggregate principal amount of Bonds then Outstanding will have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding to consent to and approve the execution by the Issuer and the Trustee of an amendment or amendments to the Indenture or such indenture or indentures supplemental thereto as will be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that nothing contained in the section of the Indenture entitled "Amendments to Indenture and Supplemental Indentures Requiring Consent of Bondholders" will permit, or be construed as permitting, (a) an extension of the stated maturity or reduction in the principal amount of, or a reduction in the rate or an extension of the time of payment of interest on, or a reduction of any premium payable on the redemption of, any Bonds, without the consent of every Owner of such Bonds, or (b) the creation of any lien or security interest (other than any Permitted Encumbrances) prior to or on a parity with the lien and security interest of the Indenture without the consent of the Owners of all the Bonds at the time Outstanding which would be affected by the action to be taken, or (c) a reduction in the amount, or an extension of the time of any payment, required by the mandatory redemption provisions of the Indenture, without the consent of the Owners of all the Bonds at the time Outstanding which would be affected by the action to be taken, or (d) a reduction in the aforesaid aggregate principal amount of Bonds the Owners of which are required to consent to any such amendment or supplemental indenture, without the consent of the Owners of all Bonds at the time Outstanding which would be affected by the action to be taken, or (e) the modification of the trusts, powers, obligations, remedies, privileges, rights, duties, or immunities of the Trustee, without the written consent of the Trustee, or (f) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (g) the release of or requirements for the release of the Indenture, without the consent of the Owners of all Bonds at the time Outstanding which would be affected by the action to be taken.

Prior to entering into such an amendment or supplemental indenture there must delivered to the Issuer and the Trustee a Favorable Opinion of Bond Counsel. If at any time the Issuer will request the Trustee to enter into any such amendment or supplemental indenture for any of the purposes allowed by the section of the Indenture entitled "Amendments to Indenture and Supplemental Indentures Requiring Consent of Bondholders," the Trustee will, upon being reasonably indemnified with respect to expenses, cause notice of the proposed execution of such amendment or supplemental indenture to be given in substantially the manner provided in the Indenture with respect to redemption of Bonds. Such notice will briefly set forth the nature of the proposed amendment or supplemental indenture and will state that copies thereof are available from the Trustee upon request. The costs of such copies will be an Ordinary Expense of the Trustee. lf, within sixty (60) days or such longer period as will be prescribed by the Issuer following the giving of such notice, Owners of not less than two-thirds (2/3) in aggregate principal amount of Bonds Outstanding at the time of the execution of any such amendment or supplemental indenture will have consented to and approved the execution thereof as provided in the Indenture, no Owner of any Bond will have any right to object to any of the terms and provisions contained therein or to the operation thereof or in any manner to question the propriety of the execution thereof or to enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such amendment or supplemental indenture as in the section of the Indenture entitled "Amendments to Indenture and Supplemental Indentures Requiring Consent of Bondholders" permitted and provided, the Indenture will be modified and amended in accordance therewith. The Trustee may rely upon an opinion of counsel as conclusive evidence that execution and delivery of an amendment, or supplemental indenture has been effected in compliance with the provisions of the Indenture.

Amendments to Other Bond Documents Not Requiring Consent of Bondholders

The Issuer and the Trustee may, without the consent of or notice to Bondholders consent to any amendment, change, or modification of the Bond Documents other than the Indenture as may be required (i) by the provisions of the Loan Agreement and the Indenture, (ii) in connection with the issuance of Additional Bonds as provided in the Indenture, (iii) for the purpose of curing any ambiguity or formal defect or omission therein, or to correct or supplement any defective provision thereof, (iv) in connection with the land and interests in land described in Exhibit A to the Loan Agreement and the buildings, machinery, equipment, and other real or personal property financed so as to identify more precisely the same or to substitute or add additional land or interests in land, buildings, machinery, equipment, or other real or personal property, (v) so as to add additional rights acquired in accordance with the provisions of the Bond Documents, (vi) to substitute a new borrower under the Loan Agreement as provided therein, (vii) to comply with any provisions of the Securities Act of 1933, as amended or the Securities Exchange Act of 1934, as amended, or any rules or regulations promulgated thereunder, or (viii) in connection with any other change therein which, in the judgment of the Trustee (which may rely on an opinion of counsel), does not prejudice the Trustee or materially adversely affect Owners of Bonds. Prior to entering into any amendment, change, or modification of the Bond Documents other than the Indenture, there will be delivered to the Issuer and the Trustee a Favorable Opinion of Bond Counsel.

Amendments to Other Bond Documents Requiring Consent of Bondholders

Except for the amendments, changes, or modifications provided in the preceding paragraph, neither the Issuer nor the Trustee will consent to any other amendment, change, or modification of the Bond Documents other than the indenture without giving notice to and obtaining the written approval or consent of Owners of not less than two-thirds (2/3) in aggregate principal amount of Bonds at the time Outstanding given and procured as provided in the Indenture; provided, however, that nothing in the Indenture will permit or be construed as permitting, (a) an extension of the time for payment of any amounts payable under the Notes or a reduction in the amount of any payment or in the total amount due under the Notes, without the consent of every Owner of Bonds affected thereby or (b) a reduction in the aforesaid aggregate principal amount of Bonds the Owners of which are required to consent to any such amendment, change, or modification of such other Bond Documents, without the consent of the Owners of all Bonds at the time Outstanding which would be affected by the action to be taken. Prior to entering into any amendment, change, or modification of the Bond Documents other than the Indenture, there must be delivered to the Issuer and the Trustee a Favorable Opinion of Bond Counsel. If at any time the Issuer or the Company requests any such proposed amendment, change, or modification of such other Bond Documents, the Trustee will, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change, or modification to be given in the same manner as provided by certain provisions of the

Indenture with respect to supplemental indentures. Such notice will briefly set forth the nature of such proposed amendment, change, or modification and will state that copies of the instrument embodying the same are on file at the principal corporate trust office of the Trustee for inspection by all Bondholders. If, within sixty (60) days or such longer period as will be prescribed by the Issuer following the giving of such notice, the Trustee and the Owners of not less than two-thirds (2/3) in aggregate principal amount of Bonds Outstanding at the time of the execution of such proposed amendment, change, or modification have consented to and approved the execution thereof as provided in the Indenture, no Owner of any Bond will have any right to object to any of the terms and provisions contained therein or to the operation thereof or in any manner to question the propriety of the execution thereof or to enjoin or restrain the Trustee from consenting to the execution thereof or to enjoin or restrain the Issuer or the Company from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such amendment, change, or modification as permitted and provided in the section of the Indenture entitled "Amendments to Other Bond Documents Requiring Consent of Bondholders," such other Bond Documents will be and be deemed to be modified, changed, and amended in accordance therewith.

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Appendix C

Form of Bond Counsel Opinion

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FORM OF OPINION OF BOND COUNSEL

June 9, 2015

Georgia Higher Education Facilities Authority
Atlanta, Georgia

Re: $85,570,000 Georgia Higher Education Facilities Authority Refunding Revenue Bonds (USG Real Estate Foundation I, LLC Projects), Series 2015

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and delivery on this date by the Georgia Higher Education Facilities Authority (the "Issuer") of $85,570,000 in original aggregate principal amount of revenue bonds designated "Georgia Higher Education Facilities Authority Refunding Revenue Bonds (USG Real Estate Foundation I, LLC Projects), Series 2015," dated the date hereof (the "Bonds").

We have examined the law and such certified proceedings and other papers authorizing and relating to the Bonds as we deem necessary to render this opinion, including the following:

1. Chapter 16 of Title 20 of the Official Code of Georgia Annotated, known as the "Georgia Higher Education Facilities Authority Act" (the "Act").

2. Certified copy of a Bond Resolution of the Issuer adopted on October 15, 2008, as supplemented and amended by a Supplemental Resolution of the Issuer adopted on November 19, 2008, a Series 2015 Bond Resolution of the Issuer adopted on April 20, 2015, and a Supplemental Series 2015 Bond Resolution of the Issuer adopted on May 29, 2015 (collectively the "Bond Resolution").

3. Certified copy of an Approving Resolution of the Georgia State Financing and Investment Commission adopted on February 25, 2015, approving the issuance of the Bonds by the Issuer.

4. Certified transcript of validation proceedings in the Superior Court of Fulton County, Georgia, resulting in a final judgment validating and confirming the Bonds and the security therefor.

5. Fully executed counterpart of the Trust Indenture, dated as of November 1, 2008, as supplemented and amended by the First Supplemental Trust Indenture, dated as of June 1, 2015 (collectively the "Indenture"), between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee").

6. Fully executed counterpart of the Loan Agreement, dated as of November 1, 2008, as supplemented and amended by the First Amendment to Loan Agreement, dated as of June 1, 2015 (collectively the "Loan Agreement"), between the Issuer and USG Real Estate Foundation I, LLC (the "Company").

7. Fully executed original of the Amended and Restated Dalton State Note, dated as of June 1, 2015 (the "Dalton State Note"), from the Company to the Issuer, in the original principal amount of $7,080,000, endorsed without recourse by the Issuer to the order of the Trustee.

8. Fully executed counterpart of the Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement, dated as of November 1, 2008, as supplemented and amended by the First Amendment to Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement, dated as of June 1, 2015 (collectively the "Dalton State Security Deed"), by the Company to the Issuer.

9. Fully executed counterpart of the Assignment of Contract Documents, dated as of November 1, 2008 (the "Dalton State Contracts Assignment"), by the Company in favor of the Issuer.

10. Fully executed original of the Amended and Restated Darton Note, dated as of June 1, 2015 (the "Darton Note"), from the Company to the Issuer, in the original principal amount of $22,955,000, endorsed without recourse by the Issuer to the order of the Trustee.

11. Fully executed counterpart of the Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement, dated as of November 1, 2008, as supplemented and amended by the First Amendment to Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement, dated as of June 1, 2015 (collectively the "Darton Security Deed"), by the Company to the Issuer.

12. Fully executed counterpart of the Assignment of Contract Documents, dated as of November 1, 2008 (the "Darton Contracts Assignment"), by the Company in favor of the Issuer.

13. Fully executed original of the Amended and Restated Fort Valley Note, dated as of June 1, 2015 (the "Fort Valley Note"), from the Company to the Issuer, in the original principal amount of $21,535,000, endorsed without recourse by the Issuer to the order of the Trustee.

14. Fully executed counterpart of the Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement, dated as of November 1, 2008, as supplemented and amended by the First Amendment to Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement, dated as of June 1, 2015 (collectively the "Fort Valley Security Deed"), by the Company to the Issuer.

15. Fully executed counterpart of the Assignment of Contract Documents, dated as of November 1, 2008 (the "Fort Valley Contracts Assignment"), by the Company in favor of the Issuer.

16. Fully executed original of the Amended and Restated Gainesville State Note, dated as of June 1, 2015 (the "Gainesville State Note"), from the Company to the Issuer, in the original principal amount of $5,310,000, endorsed without recourse by the Issuer to the order of the Trustee.

17. Fully executed counterpart of the Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement, dated as of November 1, 2008, as supplemented and amended by the First Amendment to Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement, dated as of June 1, 2015 (collectively the "Gainesville State Security Deed"), by the Company to the Issuer.

18. Fully executed counterpart of the Assignment of Contract Documents, dated as of November 1, 2008 (the "Gainesville State Contracts Assignment"), by the Company in favor of the Issuer.

19. Fully executed original of the Amended and Restated Georgia College Note, dated as of June 1, 2015 (the "Georgia College Note"), from the Company to the Issuer, in the original principal amount of $8,865,000, endorsed without recourse by the Issuer to the order of the Trustee.

20. Fully executed counterpart of the Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement, dated as of November 1, 2008, as supplemented and amended by the First Amendment to Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement, dated as of June 1, 2015 (collectively the "Georgia College Security Deed"), by the Company to the Issuer.

21. Fully executed counterpart of the Assignment of Contract Documents, dated as of November 1, 2008 (the "Georgia College Contracts Assignment"), by the Company in favor of the Issuer.

22. Fully executed original of the Amended and Restated Southern Polytechnic Note, dated as of June 1, 2015 (the "Southern Polytechnic Note"), from the Company to the Issuer, in the original principal amount of $19,825,000, endorsed without recourse by the Issuer to the order of the Trustee.

23. Fully executed counterpart of the Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement, dated as of November 1, 2008, as supplemented and amended by the First Amendment to Leasehold Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement, dated as of June 1, 2015 (collectively the "Southern Polytechnic Security Deed"), by the Company to the Issuer.

24. Fully executed counterpart of the Assignment of Contract Documents, dated as of November 1, 2008 (the "Southern Polytechnic Contracts Assignment"), by the Company in favor of the Issuer.

25. Fully executed counterpart of the Escrow Deposit Agreement, dated the date hereof (the "Escrow Agreement"), among the Issuer, the Company, and the Trustee, as escrow agent.

26. Fully executed counterpart of the Company's Tax Certificate, dated the date hereof (the "Tax Certificate").

27. Fully executed counterpart of the Certificate As To Arbitrage Matters of the Issuer, dated the date hereof (the "Non-Arbitrage Certificate").

The Bonds are being issued under and pursuant to the Act and the Bond Resolution for the purpose of refunding all of the Issuer's Revenue Bonds (USG Real Estate Foundation I, LLC Project), Series 2008 (the "Prior Bonds"), presently outstanding in the aggregate principal amount of $80,200,000, by loaning the proceeds of the Bonds to the Company to enable the Company to prepay its obligations under the promissory notes of the Company to the Issuer being amended and restated by the Dalton State Note, the Darton Note, the Fort Valley Note, the Gainesville State Note, the Georgia College Note, and the Southern Polytechnic Note, each of which were endorsed without recourse by the Issuer to the order of the Trustee, in order to refinance the costs of acquiring, constructing, and installing (A) an approximately 400-space parking deck located on the campus of Dalton State College in Dalton, Georgia (the "Dalton State Project"), (B) an approximately 55,399 square foot addition to the student center located on the campus of Darton State College in Albany, Georgia (the "Darton Project"), (C) an approximately 26,257 square foot student center and 10,000 seat stadium located on the campus of Fort Valley State University in Fort Valley, Georgia (the "Fort Valley Project"), (D) a parking deck and the expansion of an existing surface parking lot to provide approximately 382 additional parking spaces on the campus of the University of North Georgia, formerly known as Gainesville State College, in Oakwood, Georgia (the "Gainesville State Project"), (E) an approximately 21,985 square foot building to provide a bookstore and black box theater on the campus of Georgia College & State University in Milledgeville, Georgia (the "Georgia College Project"), and (F) an approximately 863-space parking deck located on the campus of Kennesaw State University, formerly known as Southern Polytechnic State University, in Marietta, Georgia (the "Southern Polytechnic Project"), and to finance related costs. The Company presently rents the Dalton State Project, the Darton Project, the Fort Valley Project, the Gainesville State Project, the Georgia College Project, and the Southern Polytechnic Project to the Board of Regents of the University System of Georgia (the "Regents").

As to questions of fact material to our opinion, we have relied upon the following items, without undertaking to verify any of them by independent investigation: (a) certified proceedings and other certifications of public officials furnished to us, (b) certifications furnished to us by or on behalf of the Company and the Issuer (including certifications made in the Tax Certificate and in the Non-Arbitrage Certificate), and (c) representations of the Issuer and the Company contained in such proceedings and in documents delivered in connection with the issuance of the Bonds.

In our capacity as Bond Counsel, we have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the Official Statement or any other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

Reference is made to (i) an opinion of even date of Stover Legal Group, LLC, Atlanta, Georgia, with respect, among other matters, (A) to the company status and good standing of the Company; (B) to the company power of the Company to enter into and perform the Loan Agreement; the Dalton State Note, the Darton Note, the Fort Valley Note, the Gainesville State Note, the Georgia College Note, and the Southern Polytechnic Note (each an "Amended Note" and collectively the "Amended Notes"); the Dalton State Security Deed, the Darton Security Deed, the Fort Valley Security Deed, the Gainesville State Security Deed, the Georgia College Security Deed, and the Southern Polytechnic Security Deed (each a "Security Deed" and collectively the "Security Deeds"); the Dalton State Contracts Assignment, the Darton Contracts Assignment, the Fort Valley Contracts Assignment, the Gainesville State Contracts Assignment, the Georgia College Contracts Assignment, and the Southern Polytechnic Contracts Assignment (each a "Contracts Assignment" and collectively the "Contracts Assignments"); and the Escrow Agreement; (C) to the due authorization, execution, and delivery by the Company of the Loan Agreement, the Amended Notes, the Security Deeds, the Contracts Assignments, and the Escrow Agreement and the validity and enforceability thereof against the Company; and (D) to the status of University System of Georgia Foundation, Inc., the sole member of the Company, as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"); and (ii) title insurance policies issued and to be endorsed by Fidelity National Title Insurance Company with respect, among other matters, to all matters relating to the Company's title to the real property encumbered by the Security Deeds and to the existence and priority of the liens and matters of record relating to the Security Deeds on such real property.

Based upon the foregoing, it is our opinion, as of the date hereof and under existing law, that:

(1) The Issuer was duly created and is validly existing as a body corporate and politic and public corporation under the Constitution and statutes of the State of Georgia, including particularly the Act, and has all requisite power and authority (i) to adopt the Bond Resolution; (ii) to issue, sell, and deliver the Bonds and use the proceeds thereof for the purposes and upon the terms and conditions set forth in the Loan Agreement, the Indenture, and the Escrow Agreement; (iii) to enter into and perform its obligations under the Loan Agreement, the Indenture, and the Escrow Agreement; (iv) to accept the Amended Notes, the Security Deeds, and the Contracts Assignments; and (v) to endorse the Amended Notes without recourse to the order of the Trustee.

(2) The Loan Agreement, the Security Deeds, the Contracts Assignments, the Indenture, and the Escrow Agreement have been duly authorized, executed, and delivered by the Issuer and constitute the legal, valid, and binding obligations of the Issuer enforceable upon the Issuer. The Issuer has duly endorsed the Amended Notes without recourse to the order of the Trustee. The Indenture creates a valid lien on the Trust Estate (as defined in the Indenture).

(3) The Bonds have been duly authorized, executed, issued, and delivered by the Issuer and are the legal, valid, and binding special limited obligations of the Issuer, payable solely from the amounts pledged under the Indenture.

(4) The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes (including the tax imposed by Chapter 2A of Subtitle A of the Code) and is not an enumerated "item of tax preference" for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the immediately preceding sentence are subject to the condition that the Issuer, the Company, and the Regents comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer and the Company have covenanted to comply with all such requirements, but the Regents have not so covenanted. Failure to comply with certain of such requirements may cause the inclusion of the interest on the Bonds in gross income for federal income tax purposes (including the tax imposed by Chapter 2A of Subtitle A of the Code) to be retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

(5) The Bonds are exempt from local property taxes in the State of Georgia and the interest on the Bonds is exempt from State of Georgia income taxation, although the Bonds and the interest thereon may be included in the measure of certain State of Georgia business excise and franchise taxes.

(6) The Bonds are exempt from registration under the Securities Act of 1933, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939.

In giving the foregoing opinions in paragraphs (4) and (5), we have relied on the mathematical computation on behalf of the Issuer of the yields on the Bonds and on certain obligations acquired with the proceeds thereof, the mathematical accuracy of which has been verified by Samuel Klein and Company, independent certified public accountants.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture, the Security Deeds, the Contracts Assignments, the Loan Agreement, and the Escrow Agreement (i) may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting the enforcement of creditors' rights; (ii) may be subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and (iii) may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion is limited to the matters expressly set forth above, and no opinion is implied or may be inferred beyond the matters so stated. We expressly disclaim any duty to update this opinion in the future for any changes of fact or law that may affect any of the opinions expressed herein.

Very truly yours,

McKENNA LONG & ALDRIDGE LLP

By:__________________________________
Earle R. Taylor, III, Partner

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Appendix D

Form of Continuing Disclosure Certificate

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by USG Real Estate Foundation I, LLC (the "Company") in connection with the issuance of the $85,570,000 Georgia Higher Education Facilities Authority Refunding Revenue Bonds (USG Real Estate Foundation I, LLC Projects), Series 2015 (the "Series 2015 Bonds"). The Company hereby covenants and agrees, as follows:

SECTION 1. Purpose of Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Company for the benefit of the Beneficial Owners of the Series 2015 Bonds (as herein defined) and in order to assist the Participating Underwriter (as herein defined) in complying with the Rule (as herein defined).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture (as herein defined), which apply to any capitalized terms used in this Disclosure Certificate 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 Company pursuant to the Rule and this Disclosure Certificate.

"Beneficial Owner" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2015 Bonds (including persons holding Series 2015 Bonds through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Series 2015 Bonds for federal income tax purposes.

"Dissemination Agent" shall mean any Dissemination Agent designated in writing by the Company and which has filed with the Company a written acceptance of such designation.

"EMMA" shall mean MSRB's Electronic Municipal Market Access System.

"Fiscal Year" shall mean, with respect to the Board of Regents, the Company or a Participating Constituent Institution, any period of twelve consecutive months adopted by the Board of Regents, the Company or a Participating Constituent Institution, as the case may be, as its fiscal year for financial reporting purposes and shall initially mean the period beginning on July 1 of each calendar year and ending on June 30 of the next calendar year with respect to the Board of Regents, the Company and each Participating Constituent Institution.

"Indenture" shall mean the Trust Indenture, dated as of November 1, 2008, as amended and supplemented by the First Supplemental Trust Indenture, dated as of June 1, 2015, between the Issuer and the Trustee, and any supplements thereto.

"Issuer" shall mean the Georgia Higher Education Facilities Authority, its successors and assigns.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"Loan Agreement" shall mean the Loan Agreement, dated as of November 1, 2008, as amended and supplemented by the First Amendment to Loan Agreement, dated as of June 1, 2015, between the Issuer and the Company, and any supplements thereto.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Official Statement" shall mean the Official Statement of the Issuer relating to the Series 2015 Bonds.

"Participating Constituent Institution" shall have the meaning ascribed to such term in the Official Statement.

"Participating Underwriter" shall mean Merrill Lynch, Pierce, Fenner & Smith Incorporated and the other members of the underwriting group listed on the cover page of the Official Statement.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Georgia.

"Trustee" shall mean Wells Fargo Bank, National Association, its successors and assigns.

"University System" shall mean the University System of Georgia, its successors and assigns.

SECTION 3. Provision of Annual Reports.

(a) Not later than the last day of the second fiscal quarter after the end of the Company's Fiscal Year, commencing with Fiscal Year 2015, the Company shall submit to the MSRB in an electronic format as prescribed by the MSRB (which as of the date hereof is EMMA) an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate, except that the Board of Regents' financial statements shall be submitted not later than one year after the end of the Board of Regents' Fiscal Year, commencing with Fiscal Year 2015. 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 Certificate. Notwithstanding the foregoing, the audited financial statements of the Company or any Participating Constituent Institution may be submitted separately from the balance of the Annual Report when such audited financial statements are available. In the event that the audited financial statements of the Company or a Participating Constituent Institution are not included with the Annual Report and will be submitted at a later date, the Company shall include unaudited financial statements in the Annual Report and shall indicate in the Annual Report the date on which the audited financial statements will be submitted. The audited financial statements when available will be submitted.

(b) The Company shall also:

(i) determine each year prior to the date for providing the Annual Report the appropriate electronic format prescribed by the MSRB (which as of the date hereof is EMMA) for filing with the MSRB and the proper form of such filing; and

(ii) if the Annual Report (or the audited financial statements which were to be separately submitted) is not filed in accordance with subsection (a), send in a timely manner a notice to the MSRB in an electronic format as prescribed by the MSRB (which as of the date hereof is EMMA) in substantially the form attached as Exhibit A.

SECTION 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) Financial statements of the University System, the Company and each Participating Constituent Institution for the preceding Fiscal Year, which must be prepared in accordance with generally accepted accounting principles as in effect from time to time. If audited financial statements of the University System, the Company or a Participating Constituent Institution are not yet available, the unaudited financial statements of the University System, the Company or such Participating Constituent Institution, as applicable, and when audited financial statements of the University System, the Company or such Participating Constituent Institution, as the case may be, are available, the audited financial statements of the University System, the Company or such Participating Constituent Institution, as the case may be. Each set of such audited financial statements shall be accompanied by an audit report (or in the case of a Participating Constituent Institution, a report as to certain limited or agreed upon audit procedures) resulting from an audit conducted by (a) in the case of the University System or a Participating Constituent Institution, the State of Georgia Department of Audits and Accounts or (b) an independent certified public accountant or firm of independent public accountants, in conformity with generally accepted auditing standards.

(b) If the generally accepted accounting principles changed from the previous Fiscal Year and if such changes are material, a narrative explanation describing the impact of the changes.

(c) If the fiscal year has changed, a statement indicating the new Fiscal Year.

(d) The information for the preceding Fiscal Year set forth in the Official Statement under the headings "BOARD OF REGENTS –State Treasury Receipts" and "– Summary of Appropriation Allotments to Board of Regents," and in Appendix A to the Official Statement under the headings "– Enrollment," "– Admissions" and "– Tuition."

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 Company or a Participating Constituent Institution is an "obligated person" (as defined by the Rule), which are available to the public on the MSRB's Internet Website or filed with the Securities and Exchange Commission. The Company shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) In a timely manner not in excess of ten (10) business days of the occurrence of any of the following Listed Events, the Company shall file a notice of such occurrence:

(i) Principal and interest payment delinquencies.

(ii) Non-payment related defaults, if material.

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties.

(v) Substitution of credit or liquidity providers, or their failure to perform.

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or a Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2015 Bonds, or other events affecting the tax status of the Series 2015 Bonds.

(vii) Modification to rights of the holders of the Series 2015 Bonds, if material.

(viii) Bond calls, if material, and tender offers.

(ix) Defeasances.

(x) Release, substitution or sale of property securing repayment of the Series 2015 Bonds, if material.

(xi) Rating changes.

(xii) Bankruptcy, insolvency, receivership, or a similar proceeding by an obligated person.

(xiii) Consummation of a merger, consolidation, acquisition involving an obligated person, or sale of all or substantially all of the assets of an obligated person, 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.

(xiv) Appointment of a successor or additional trustee or the change in name of a trustee, if material.

(b) The content of any notice of the occurrence of a Listed Event shall be determined by the Company and shall be in substantially the form attached as Exhibit B.

SECTION 6. Termination of Reporting Obligation. The Company's obligations under this Disclosure Certificate shall terminate upon the defeasance (within the meaning of the Rule), prior redemption or payment in full of all of the Series 2015 Bonds. The Company shall notify the MSRB in an electronic format as prescribed by the MSRB (which as of the date hereof is EMMA) that the Company's obligations under this Disclosure Certificate have terminated. If the Company's obligations under the Loan Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Certificate in the same manner as if it were the Company.

SECTION 7. Dissemination Agent. The Company may, from time to time, appoint a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and the Company may, from time to time, discharge the Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not a designated Dissemination Agent, the Company shall be the Dissemination Agent.

SECTION 8. Amendment. This Disclosure Certificate may not be amended unless:

(a) The 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 "obligated person" (as defined by the Rule), or type of business conducted;

(b) This Disclosure Certificate, as amended, and the undertakings provided herein, would have complied with the requirements of the Rule at the time the Series 2015 Bonds were issued, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of the bondholders, as determined by the Company, or the holders of a majority in aggregate principal amount of the Outstanding Series 2015 Bonds approve the amendment.

In the event that this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the notice of a Listed Event pursuant to Section 5(a)(vii) hereof shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided in the Annual Report. If an amendment or waiver is made in this Disclosure Certificate which allows for a change in the accounting principles to be used in preparing financial statements, the Annual

Report for the year in which the change is made shall 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. The comparison shall include a qualitative discussion of the differences in the accounting principles and impact of the change in the accounting principles on the presentation of the financial information. A notice of the change in the accounting principles shall be deemed to be material and shall be sent to the MSRB in an electronic format as prescribed by the MSRB (which as of the date hereof is EMMA).

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Company from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate 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 Certificate. If the Company 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 Certificate, the Company shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Company to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Company to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed a "default" or an "event of default" under the Indenture or the Loan Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of any party to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Company agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent may consult with counsel (who may, but need not, be counsel for the Company), and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel. The obligations of the Company under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2015 Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Company, the Participating Underwriter, and Beneficial Owners from time to time of the Series 2015 Bonds, and shall create no rights in any other person or entity.

SECTION 13. Counterparts. This Disclosure Certificate 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 14. Governing Law. This Disclosure Certificate shall be governed by and construed in accordance with the laws of the State.

SECTION 15. Severability. In case any one or more of the provisions of this Disclosure Certificate shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Disclosure Certificate, but this Disclosure Certificate shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

Date: May 29, 2015.

USG REAL ESTATE FOUNDATION I, LLC

By: USGREF MANAGER, LLC, its Manager

By:______________________________________
Authorized Representative

EXHIBIT A

NOTICE OF FAILURE TO FILE
[AUDITED FINANCIAL STATEMENTS] [ANNUAL REPORT]

Name of Issuer:	Georgia Higher Education Facilities Authority (the "Issuer")
Name of Bond Issue:	$85,570,000 Georgia Higher Education Facilities Authority Refunding Revenue Bonds (USG Real Estate Foundation I, LLC Projects), Series 2015
CUSIP Number:	_________________
Date of Issuance:	June 9, 2015
Name of Obligated Person:	USG Real Estate Foundation I, LLC (the "Company")

NOTICE IS HEREBY GIVEN that the Company has not provided [audited financial statements] [an Annual Report] due with respect to the above-named Series 2015 Bonds as required by the Company's Continuing Disclosure Certificate, dated May 29, 2015. The Company anticipates that the [audited financial statements] [Annual Report] will be filed by ______________________.

Dated:_____________________

USG REAL ESTATE FOUNDATION I, LLC

By: USGREF MANAGER, LLC, its Manager

By:_______________________________________
Title:

EXHIBIT B

NOTICE OF THE OCCURRENCE OF [INSERT THE LISTED EVENT]

Relating to

$85,570,000
GEORGIA HIGHER EDUCATION FACILITIES AUTHORITY
REFUNDING REVENUE BONDS
(USG REAL ESTATE FOUNDATION I, LLC PROJECTS),
SERIES 2015

CUSIP NUMBER __________

Notice is hereby given that [insert the Listed Event] has occurred. [Describe circumstances leading up to the event, action being taken and anticipated impact.]

This notice is based on the best information available at the time of dissemination and is not guaranteed as to accuracy or completeness. Any questions regarding this notice should be directed to [insert instructions for presenting securities, if applicable].

[Notice of the Listed Events described in Section 5(a)(ix) shall include the following:

> The Series 2015 Bonds have been defeased to [maturity/the first call date, which is __________]. This notice does not constitute a notice of redemption and no Series 2015 Bonds should be delivered to the Company or the Trustee as a result of this mailing. A Notice of Redemption instructing you where to submit your Series 2015 Bonds for payment will be mailed _______ to _______ days prior to the redemption date.]

Dated:_____________________

USG REAL ESTATE FOUNDATION I, LLC

By: USGREF MANAGER, LLC, its Manager

By:_______________________________________
Title:

Appendix E

Form of Rental Agreement

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Counterpart No. ____ of Two Original Executed Counterparts.
Counterpart of the ______________________

STATE OF GEORGIA;
COUNTY OF FULTON:

RENTAL AGREEMENT

THIS RENTAL AGREEMENT (hereinafter "Agreement"), made and entered into this ______ day of ________________, 2008 , by and between **USG Real Estate Foundation I, LLC**, whose address is ____Party of the first part, (hereinafter referred to as "Landlord"), and the **BOARD OF REGENTS OF THE UNIVERSITY SYSTEM OF GEORGIA**, for the use of ____________________________, a unit of the University System of Georgia, whose address is 270 Washington Street, Sixth Floor, Atlanta, Georgia 30334, party of the second part, (hereinafter referred to as "Tenant"):

W I T N E S S E T H:

ARTICLE I
PREMISES RENTED AND USE OF PREMISES

Landlord, in consideration of the rents agreed to be paid by Tenant and of the covenants, agreements, provisions and stipulations herein agreed to be mutually kept and performed by the parties hereto, does hereby this day grant, demise and rent, upon the terms and conditions herein stated, unto Tenant those certain premises situated in _______________ County, Georgia, and more particularly described in Exhibit "C", which is attached hereto and incorporated herein by this reference, and including a ____, together with all the improvements, tenements and appurtenances, thereunto belonging or in any wise appertaining, including the right of ingress and egress thereto and therefrom at all times (hereinafter referred to as "Premises"). Tenant does hereby rent and take from Landlord, upon the terms and conditions herein stated, for the use of educational functions and facilities, the Premises.

ARTICLE II
FIXED RENTAL

Tenant agrees to pay Landlord, at its above stated address, or at such other address or addresses as may be designated in writing from time to time by Landlord, rent in the amount and at the times designated on Exhibit "E": Rental Schedule, which is attached hereto and incorporated by this reference, (hereinafter referred to as "Rent") for the use and rent of the Premises.

ARTICLE III
TERM

This Rental Agreement shall be for a term commencing at 12:00 o'clock A.M., on the first day of the first month following the issuance of a certificate of occupancy, but no earlier than _____________________("hereinafter referred to as the "Commencement Date"), and ending at 11:59 o'clock P.M. on ___________, (hereinafter referred to as the "Expiration Date") unless terminated earlier as hereinafter provided (hereinafter referred to as the "Initial Term").

ARTICLE IV
OPTION TO RENEW OR EXTEND TERM

The Landlord, in consideration of the premises and of the covenants, agreements, provisions and stipulations herein agreed to be mutually kept and performed by the parties to this Agreement, does

____
Landlord

____
Tenant

hereby give and grant unto the Tenant the exclusive right, privilege and option of renewing or extending this Agreement at the expiration of the Initial Term on a year to year basis for thirty (30) consecutive years (each year is hereinafter referred to as a “Renewal Term”) to end no later than June 30, 2040, upon which date the final Renewal Term shall terminate. The Initial Term and Renewal Terms shall be collectively referred to as the “Term.” Each Renewal Term shall be granted upon the same terms, conditions, covenants, provisions, stipulations and agreements as herein set forth and at the rental rate stipulated on Exhibit “E”; provided, that notice of the Tenant’s desire, through the President or Chief Business Officer of________________________________, a unit of the University System of Georgia, to exercise such option shall be given to the Landlord at least sixty (60) days prior to the expiration date of the immediately preceding Initial Term or Renewal Term. It is further provided that this option may be exercised by the Tenant only in the event that the Tenant is not in material breach of this Agreement.

ARTICLE V
CONFLICTS

The stipulations, provisions, covenants, agreements, terms and conditions, contained in the attached Exhibits are incorporated into this Agreement by this reference. In the event of conflict, the special stipulations in Exhibit “B” shall take precedence over any conflicting terms in this Agreement or in the other Exhibits.

IN WITNESS WHEREOF, Landlord and Tenant, by and through their authorized representatives, have hereunto executed, signed, and delivered this Agreement in duplicate the day, month, and year first above written, each of the said parties keeping one of the copies hereof.

(SIGNATURES BEGIN ON NEXT PAGE)

USG Real Estate Foundation I, LLC, a Georgia limited liability company

By: USGREF Manager, LLC, a Georgia limited liability company, Its Manager

By:______________________________L.S.
Authorized Representative

Signed As to Landlord,
in the presence of:

____
Unofficial Witness

(SEAL)

____
Notary Public

BOARD OF REGENTS OF THE
UNIVERSITY SYSTEM OF GEORGIA

By:__________________________________
Vice Chancellor for Facilities

Attest:_______________________________
Assistant Vice Chancellor for Facilities

SIGNED as to Board Of Regents of
the University System of Georgia
in the presence of:

(SEAL)

____
Unofficial Witness

____
Notary Public

Approval of Institution

By: _________________________
President

____
Landlord

____
Tenant

EXHIBIT "A"

STIPULATIONS, PROVISIONS, COVENANTS, AGREEMENTS, TERMS AND CONDITIONS OF AGREEMENT

1.
COVENANTS OF TITLE AND QUIET ENJOYMENT

Landlord covenants that Landlord is seized with an Estate for Years in the Premises and warrants that Tenant will lawfully, quietly and peacefully have, hold, use, possess, enjoy, and occupy the Premises for the Term without any suit, hindrance, interruption, inconvenience, eviction, ejection, or molestation by the Landlord or by any other person or persons whatsoever. If Tenant is deprived of Tenant's right to lawfully, quietly and peacefully have, hold, use, possess, enjoy and occupy the Premises, for any reason whatever, Tenant shall have the option to terminate this Agreement by giving the Landlord notice provided however that if Landlord's title shall come into dispute or litigation and Tenant is deprived of possession and use of the Premises, the Tenant's option is to withhold payment of rents (without interest) until final adjudication or other settlement of such dispute or litigation. This Agreement shall be terminated or the abatement of rent shall commence upon the date of Tenant's notice to Landlord.

2.
LANDLORD'S FAILURE TO DELIVER PREMISES AT COMMENCEMENT OF TERM

Should the Landlord, for any reason whatever, be unable to deliver possession of the Premises to the Tenant on the Commencement Date of the Initial Term, Tenant shall have the option of terminating this Agreement by giving the Landlord notice thereof and this Agreement shall be null and void as of the date of the notice and neither party shall have any further obligations hereunder. In the event Tenant elects not to exercise Tenants option to terminate this Agreement, there shall be a total abatement of rent during the period between the Commencement Date and the date upon which Landlord actually delivers possession of the Premises to the Tenant.

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Landlord

____
Tenant

3.
LANDLORD'S INSURANCE

(a) Insurance Certificates. Landlord shall procure the insurance coverage identified in Exhibit "D" and shall furnish the Tenant an insurance certificate evidencing such coverage and listing the Tenant as the certificate holder and as an Indemnitee under the policy. The insurance certificate must provide the following:

(i) Name and address of authorized agent;
(ii) Name and address of insured;
(iii) Name of insurance company(ies);
(iv) Description of policies;
(v) Policy number(s);
(vi) Policy period(s);
(vii) Limits of liability;
(viii) Name and address of Landlord as certificate holders;
(ix) Lease number, Name of Facility and Address of Premises;
(x) Signature of authorized agent;
(xi) Telephone of authorized agent; and
(xii) Mandatory forty-five (45) days notice of cancellation-renewal.

(b) Policy Provisions. Each of the insurance coverages required (i) shall be issued by a company licensed by the Insurance Commissioner to transact the business of insurance in the State of Georgia for the applicable line of insurance, and (ii) shall be issued by an insurer (or, for qualified self-insured or group of self-insureds, a specific excess insurer provider) with a Best Policyholders Rating of "A" or better and with a financial size rating of a class IX or larger. Each such policy shall contain the following provisions:

(i) The insurance company agrees that the policy shall not be canceled, changed, allowed to lapse, or allowed to expire until forty-five (45) days after the Landlord and Tenant have received written notice thereof as evidenced by return receipt of registered letter or until such time as other insurance coverage providing protection equal to protection called for in this Agreement shall have been received, accepted and acknowledged by the Landlord and the Tenant. Such notice shall be valid only as to the Premises as shall have been designated by the Landlord and the Tenant.

(ii) The policy shall not be subject to invalidation as to any insured by reason of any act or omission of another insured or any of its officers, employees, agents or other representatives ("Separation of Insureds").

(iii) Each Insurer is hereby notified that the statutory requirements that the Attorney General of the State shall represent and defend the Tenant, but will, without limiting the authority of the Attorney General, consider

___________ Landlord

___________ Tenant

attorneys recommended by the insurance company for appointment as Special Assistant Attorney General to represent and defend the Tenant. The insurance company shall have the right to participate in the defense of the Tenant.

(iv) Self-insured retention, except for qualified self-insurers or group self-insurers, in any policy shall not exceed $10,000,000.

(c) Termination of Obligation to Insure. Unless otherwise expressly provided to the contrary, the obligation to insure as provided herein continues throughout the term of this Agreement and shall not terminate until this Agreement has been terminated.

(d) Failure of Insurers. The Landlord is responsible for any delay resulting from the failure of its insurance carriers to furnish proof of proper coverage in the prescribed form.

4.
USE OF PREMISES AND TENANT'S INSURANCE REQUIREMENTS

(a) Tenant shall use the Premises for its educational and administrative functions and for any purpose within the powers of the University System. No use shall be made of the Premises, nor acts done which will cause a cancellation of or an increase in the existing rate of fire, casualty and other extended coverage insurance insuring the Premises, without first consulting with Landlord who shall obtain appropriate insurance endorsements. Tenant shall submit payment of the increase in premium for such endorsements. Tenant shall not sell, or permit to be kept for use in or about the Premises, any article or articles which may be prohibited by the standard form of fire insurance policies unless the policy is endorsed as set forth in this paragraph.

(b) Tenant shall insure or self-insure at its own cost and expense its fixtures, furnishings, equipment and personal property which it may use or store on the Premises. Tenant will provide third party liability coverage arising from the acts of its officers, members, and employees through the Georgia Tort Claims Act, O.C.G.A. §50-21-20 et seq. and the self-insurance funds maintained pursuant to Georgia Law. The Georgia Tort Claims Act provides coverage for $1,000,000 per person and $3,000,000 per occurrence for claims covered by the Act.

5.
TAXES AND ASSESSMENTS

During the Term of this Agreement, Landlord covenants to pay off, satisfy and discharge, as they become due, all assessments, taxes, levies and other charges, general or special, of whatever name, nature and kind, which are or may be levied, assessed, imposed and charged upon the Premises herein demised and rented.

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Landlord

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Tenant

6.
JANITORIAL SERVICES, RUBBISH REMOVAL, TERMITES, RODENTS AND PESTS,
UTILITIES

(a) Landlord shall furnish, without additional charge, janitorial services for general cleaning of the Premises. Landlord shall use care to select honest and efficient employees. Landlord shall be responsible to the Tenant for the negligence, theft, fault and misconduct of such employees. Tenant agrees to report promptly to the Landlord any neglect of duty or any incivility on the part of such employees, which in any way interferes with the full enjoyment of the Premises.

(b) Landlord shall keep the Premises clean, both inside and outside at its own expense, and shall see that all garbage, trash, and all other refuse is removed from the Premises.

(c) Landlord shall, at its own expense, keep the Premises free from infestation by termites, rodents, and other pests and shall repair all damage caused to the Premises by the same during the Term of this Agreement.

(d) Landlord shall furnish all water, electricity, gas, fuel, oil, light, heat and power or any other utility used by the Tenant while occupying the Premises. No deduction shall be made from the rent due to a stoppage in the services of water, electricity, gas, fuel, oil, coal, light, heat, and power or any other utility unless caused by the act or omission of Landlord. In the event of interruption in the water, electricity, gas, fuel, oil, coal, light, heat and power service, Landlord will proceed with all due diligence to restore same.

7.
NOTICE TO LANDLORD OF DAMAGE OR DEFECTS

Tenant shall provide Landlord with notice of any accident to or any defects in the Premises and such damage or defects shall be remedied by the Landlord at Landlord's expense no later than sixty (60) days after Landlord's receipt of such notice provided that if the repair can not be completed within sixty (60) days, Landlord shall have made reasonable progress towards remedying the damage or defect prior to the expiration of the sixty days. Landlord shall repair or correct all damage or defects in a commercially reasonable manner.

8.
REPAIRS BY LANDLORD

During the Term of this Agreement, Landlord, shall, at its sole cost and expense, service, replace, keep and maintain in good order and repair each and every part and portion of the Premises together with any improvements or additions the Landlord might install in or place upon the Premises during the Term of this Agreement. Services, replacements, or repairs made by the Tenant to the Premises or to any improvements or additions made by the Landlord, shall not be construed as a waiver by the Tenant of this provision. Landlord shall have no obligation to service, replace, keep and maintain or repair additions or improvements made to the Premises by Tenant.

9.
ENTRY FOR INSPECTION AND REPAIRS, ALTERATIONS OR ADDITIONS

Tenant shall permit Landlord, its agents or employees, to enter into and upon the Premises at all reasonable times for the purpose of inspecting the Premises or for the purpose of maintaining or making repairs alterations or additions to any portion of the Premises. Landlord's entry shall not interfere with Tenant's business or quiet use and enjoyment of the Premises.

10.
TENANT IMPROVEMENTS

With the express written consent of the Landlord first having been had and obtained, the Tenant may make, at its own expense, such improvements, erections, and alterations as are necessary to adapt the Premises for the conductance of the Tenant's business. All improvements, erections and additions installed in or placed upon the Premises by the Tenant, whether permanently affixed thereto or otherwise, shall continue and remain the property of the Tenant, and may be removed by the Tenant, in whole or in part, at or before the expiration or earlier termination of this Agreement or upon a reasonable time thereafter. If the Tenant removes any or all of the improvements, erections and additions it has installed in or placed upon the Premises, the Tenant agrees to repair any specific damage directly resulting to the Premises from such removal to the condition existing at the beginning of the tenancy, normal wear and tear excepted.

11.
REMOVAL OF FIXTURES BY TENANT

At any time before the expiration or earlier termination of this Agreement, or upon a reasonable time thereafter, Tenant shall have the right and privilege to remove all fixtures, equipment, appliances and movable furniture that Tenant has placed in or upon the Premises.

12.
SURRENDER OF PREMISES

At the expiration, or earlier termination, of this Agreement, Tenant shall surrender the Premises in good order and condition; ordinary wear and tear, damage by fire, acts of God, the elements, other casualties, condemnation and/or appropriation, and damage

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Landlord

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Tenant

or defects arising from the negligence or default of the Landlord excepted.

13.
ABANDONMENT, WASTE AND NUISANCE

Tenant shall not abandon or vacate the Premises without cause during the Term of this Agreement. Tenant shall not commit, or suffer to be committed any waste upon the Premises, or any nuisance, or other act or thing which may disturb the enjoyment of other Tenants, if any, in the building in which Premises are located.

14.
HOLDING OVER

Any holding over, continued or occupancy of the Premises by the Tenant after the expiration of the Term of this Agreement shall operate and be construed as a tenancy-at-will and Tenant shall continue Tenant's occupancy at the same rental rate and under the same terms and conditions in force at the expiration of the immediately preceding Initial Term or Renewal Term.

15.
ENTRY FOR CARDING

In the event, Tenant does not exercise the renewal or extension option provided herein, then Landlord may, within thirty (30) days immediately preceding the expiration of the then current Initial Term or Renewal Term of this Agreement, place a card or sign in the Premises advertising the Premises "For Sale" or "For Rent". Landlord may enter the Premises at reasonable hours to show the Premises to prospective purchasers or tenants so long as Landlord's entry does not interfere with the quiet use and enjoyment of Tenant.

16.
DEFAULT

(a) It shall be an event of default (hereinafter referred to as "Event of Default") if

(i) Tenant fails to pay rent when due and fails to cure such default within thirty (30) business days (hereinafter referred to as "Rental Cure Period") after written notice of such default is received by Tenant from Landlord; or

(ii) If either party fails to perform any of its obligations under this Agreement other than the provisions requiring the payment of Rent, and fails to cure such default within thirty (30) days after notice of such default is received (hereinafter referred to as "Cure Period") by the defaulting party from the non-defaulting party provided that it will not be an Event of Default if the default cannot be cured within the Cure Period and the

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Landlord

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Tenant

defaulting party promptly commences and diligently proceeds the cure to completion within sixty (60) days after the expiration of the Cure Period; or

(iii) the Landlord is adjudicated a bankrupt; or a permanent receiver is appointed for the Landlord and such receiver is not removed within sixty (60) days after the appointment of the receiver.

b) If the Event of Default that is not cured by the defaulting party within the applicable cure period, the non-defaulting party may pursue remedies as are available at law or in equity.

17.
DESTRUCTION OF OR DAMAGE TO PREMISES

(a) In the event the Premises, either prior to the Commencement Date of this Agreement or during the Term, are damaged, by any cause whatever, as to be rendered unfit for occupancy by the Tenant, and the Premises are not thereafter repaired by the Landlord at its expense with reasonable promptness and dispatch, this Agreement may be terminated at the option of the Tenant by giving the Landlord notice, and all obligations of Tenant hereunder, including the payment of rent, shall automatically terminate as of the date of the damage.

(b) In the event the Premises, either prior to the Commencement Date of this Agreement or during the Term, are partially destroyed, by any cause whatever, but not rendered unfit for occupancy by Tenant, then the Landlord shall, at the Landlord's expense and with reasonable promptness and dispatch, repair and restore the Premises to substantially the same condition as before the damage. In the event of a partial destruction of the Premises there shall be an abatement in the rent payable during the time such repairs or rebuilding are being made. Such proportionate deduction of rent shall be based upon the extent to which the damage and the repairs or rebuilding interfere with the business carried on by the Tenant in Premises. Full rental shall commence after: (i) completion of the repairs and restoration of the Premises by the Landlord; and (ii) Tenant, after making a reasonable assessment of damages, determines that the Premises are fit for occupancy by the Tenant.

18.
CONDEMNATION

(a) In the event, during the Term of this Agreement, the whole of the Premises are appropriated or taken by any Municipal, County, State, Federal or other authority for any public or quasi-public use through the exercise of the power of eminent domain or condemnation proceeding, or sold to the possessor of such power under the threat of its exercise, or if by reason of law, ordinance or by court decree, whether by consent or otherwise, the use of the Premises by the Tenant for the purpose is prohibited; the Tenant shall have the right to terminate this Agreement upon notice to the Landlord and the rent shall be paid only to the time when the Tenant surrenders possession of the Premises.

(b) When only a portion of the Premises are acquired for public or quasi-public use through the exercise of or under the threat of eminent domain or condemnation proceedings, the Rent shall be reduced by an amount determined by the ratio of the fair market value of the portion of the Premises thus acquired to the fair market value of the total Premises immediately preceding such acquisition. “Fair market value” shall be determined in both the case of the condemned property and the total Premises by a member of the American Institute of Real Estate Appraisers who is reasonably acceptable to Landlord and Tenant.

(c) In the event that only a portion of the Premises are so acquired, the Landlord agrees to promptly make all necessary alterations and repairs which shall be required because of such partial acquisition. The rights of the Landlord shall in no way prejudice or interfere with any claim which the Tenant may have against the authority exercising the power of eminent domain or condemnation for damages or otherwise for destruction of or interference with the business of the Tenant in the Premises. Tenant agrees that it will not request, encourage or support the use of the State’s power of eminent domain to frustrate the purposes of this Agreement; provided, however that nothing herein shall limit or restrict the State’s right to exercise in good faith the power of eminent domain for appropriate governmental purposes.

19.
CHANGE IN OWNERSHIP OF PREMISES

No change or division in the ownership of the Premises, or of the rents payable hereunder, however accomplished, shall operate to enlarge the obligations or diminish the rights of the Tenant. Further, no change or division in ownership shall be binding on the Tenant for any purpose until the Tenant shall have been furnished with a certified copy of the recorded instrument, or other legally authenticated written instrument, evidencing such change or division in ownership.

20.
NOTICE OF APPOINTMENT OF AGENT

Tenant shall be under no obligation to recognize any agent for the collection of rent accrued or to accrue hereunder or otherwise authorized to act with respect to the Premises until notice of the appointment and the extent of the authority of such agent shall be first given to the Tenant by the party appointing such agent.

21.
COMPLIANCE WITH LAWS, ORDINANCES AND REGULATIONS

(a) Landlord shall be responsible for compliance with all applicable laws, ordinances, and regulations, including permitting and zoning ordinances and requirements and local and state building codes, life safety codes, security, and the holding of a current and proper certificate of occupancy.

(b) Notwithstanding any provisions of this Agreement to the contrary, Landlord is solely responsible for assuring that the Premises and all common areas are at all times in compliance with Title III of the Americans with Disabilities Act of 1990, 42 USC §12101 et seq. (hereinafter the "ADA") as amended, and with all regulations promulgated pursuant to the ADA (hereinafter the "Regulations"). Except for any remodeling or alterations to the Premises after the commencement date of this Agreement due to an election by Tenant to remodel (but not including any remodeling or alterations at the beginning of the Term of this Agreement to make the Premises initially suitable for Tenant), Landlord shall be solely responsible for all costs and expenses associated with ADA compliance. Landlord shall not charge Tenant for, or seek reimbursement from Tenant for, any expenditures, capital or otherwise, associated with conforming the Premises or common areas to the requirements of the ADA and the Regulations.

(c) Landlord and Tenant hereby certify that the provisions of law contained in Title 45 Chapter 10 of the Official Code of Georgia Annotated which prohibit full-time and part-time public officials and employees of the State of Georgia from engaging in certain transactions with the State or state agencies have not and will not be violated in any respect by this Agreement.

22.
HAZARDOUS MATERIALS

(a) As used in this Agreement, the term "Hazardous Materials" shall mean and include any substance that is or contains petroleum, asbestos, polychlorinated biphenyls, lead, or any other substance, material or waste which is now or is hereafter classified or considered to be hazardous or toxic under any federal, state or local law, rule, regulation or ordinance relating to pollution or the protection or regulation of human health, natural resources or the environment (collectively "Environmental Laws") or poses or threatens to pose a hazard to the health or safety of persons on the Premises or any adjacent property.

(b) Tenant agrees that during its use and occupancy of the Premises it will not permit Hazardous Materials to be present on or about the Premises except in a manner and quantity necessary for the ordinary performance of Tenant's business and that it will comply with all Environmental Laws relating to the use, storage or disposal of any such Hazardous Materials.

(c) If Tenant's use of Hazardous Materials on or about the Premises results in a release, discharge or disposal of Hazardous Materials on, in, at, under, or emanating from, the Premises or the property in which the Premises are located, Tenant agrees to investigate, clean up, remove or remediate such Hazardous Materials in full compliance with (a) the requirements of (i) all Environmental Laws and (ii) any governmental agency or authority responsible for the enforcement of any Environmental Laws; and (b) any additional requirements of Landlord that are reasonably necessary to protect the value of the Premises or the property in which the Premises are located. Landlord shall also have the right, but not the obligation, to take whatever action with respect to any such Hazardous Materials that it deems reasonably necessary to protect the value of the Premises or the property in which the Premises are located. All costs and expenses paid or incurred by Landlord in the exercise of such right shall be payable by Tenant upon demand.

(d) Upon reasonable notice to Tenant, Landlord may inspect the Premises for the purpose of determining whether there exists on the Premises any Hazardous Materials or other condition or activity that is in violation of the requirements of this Agreement or of any Environmental Laws. The right granted to Landlord herein to perform inspections shall not create a duty on Landlord's part to inspect the Premises, or liability on the part of Landlord for Tenant's use, storage or disposal of Hazardous Materials, it being understood that Tenant shall be solely responsible for all liability in connection therewith.

(e) Tenant shall surrender the Premises to Landlord upon the expiration or earlier termination of this Agreement free of debris, waste or Hazardous Materials placed on or about the Premises by Tenant or its agents, employees, contractors or invitees, and in a condition which complies with all Environmental Laws.

(f) The provisions of this Section shall survive the expiration or earlier termination of this Agreement.

23.
ASSIGNMENT AND SUBLETTING

(a) Tenant shall not assign this Agreement, or any interest therein, and shall not sublet the Premises or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person to occupy or use the Premises, or any portion thereof, without the express written consent of Landlord first having been obtained, which consent shall not unreasonably be withheld, delayed or conditioned. Any such assignment or subletting without such consent shall be void, and shall, at the option of the Landlord, on thirty (30) days notice to Tenant, terminate this Agreement. Consent to one assignment and/or subletting shall not waive this provision, and all later assignments and/or sublettings shall likewise be made only on the prior consent of Landlord, which consent shall not unreasonably be withheld.

(b) The voluntary or other surrender of this Agreement by Tenant, or a mutual cancellation thereof, shall not work a merger, and shall, at the option of Landlord, terminate all or any existing sublets or subtenancies, or may, at the option of Landlord, operate as an assignment to it of any or all such sublets or subtenancies.

(c) Notwithstanding the subparagraph 23(a),Tenant may sublet the Premises without first obtaining the consent of Landlord for educational or related uses or other uses that are reasonably contemplated by the parties so long as the term of any such use is less than twenty (24) hours.

24.
SUBORDINATION

This Agreement shall be subject and subordinate to all existing liens and encumbrances against the Premises and all rights and obligations contained therein; provided, however that as to all such liens and encumbrances and any future liens and encumbrances, as a condition precedent to any such subordination, the holder of the lien or encumbrance agrees, so long as the Tenant is not in material default under this Agreement, to the continuing possession of the Premises by Tenant under the same financial provisions and substantive terms and conditions set forth in this Agreement.

25.
LANDLORD'S FINANCING

(a) Tenant has not and will not participate in the structuring, offering, or issuance of bonds or other financing to be used to construct, renovate, or rehabilitate the Premises and Tenant shall have no obligation with respect to the bonds or the financing of the Premises and no moral obligation to continue to rent the Premises in a manner supportive of the creditworthiness of the bonds or financing.

(b) Without first notifying the Landlord, Tenant will not perform any activity on the Premises that will adversely affect the tax-exempt status of any debt instrument of Landlord relating to the Premises. In the event the administrative office of the Board of Regents is made aware of a use that may have an adverse affect, Tenant will contact Landlord as soon as practicable after being made aware of the use or anticipated use.

(c) Tenant shall exercise reasonable efforts to prevent the purchase of any bonds or other debt instrument issued to finance or refinance the Premises.

26.
NOTICE

All notices, statements, demands, requests, consents, approvals and authorizations hereunder given by either party to the other shall be in writing and sent by registered or certified mail, postage prepaid and addressed.

> To Tenant, the same shall be addressed to the President of the Institution, the Director of Auxiliary Services of the Institution, and to the Vice Chancellor for Facilities, Board of Regents of the University System of Georgia as stated in the preamble.
>
> To Landlord, the same shall be sent to the address stated in the preamble or at such other address as Landlord may from time to time designate by notice to Tenant.

27.
BINDING EFFECT ON HEIRS, ASSIGNS, ETC.

Each of the stipulations, provisions, terms, conditions, covenants, agreements and obligations contained in this Agreement shall apply, extend to, be binding upon and inure to the benefit or detriment of each and every one of the heirs, legal representatives, devisees, legatees, next-of-kin, successors and assigns of the respective parties hereto, and shall be deemed and treated as covenants real running with the Premises during the Term of this Agreement. Whenever a reference to the parties hereto is made, such reference shall be deemed to include the heirs, legal representatives, devisees, legatees, next-of-kin, successors and assigns of said party, the same as if in each case expressed.

28.
TIME OF ESSENCE

Time is of the essence in this Agreement.

29.
WAIVER OF RIGHTS

The waiver by Landlord, or by Tenant, of any breach of any stipulation, provision, term, covenant, agreement or condition herein contained shall not be deemed to be a waiver of such stipulation, provision, term, covenant, agreement or condition on any subsequent breach of the same or any other stipulation, provision, term, covenant, agreement or condition herein contained.

30.
INVALIDITY OF PROVISION OR PORTION OF PROVISION

Should any provision or portion of such provision of this Agreement be held invalid, the remainder of this Agreement or the remainder of such provision shall not be affected thereby.

31.
ENTIRE AGREEMENT

This Agreement, including the attached Exhibits embodies and sets forth all the provisions, agreements, conditions, covenants, terms and understandings between the parties relative to the Premises. There shall be no provisions, agreements, conditions, covenants, terms, understandings, representations or inducements either oral or written, between the parties other than are herein set forth. No subsequent alteration, amendment, change or addition to this Agreement shall be binding upon the parties herein unless reduced to writing and signed by all the parties to this Agreement.

END OF EXHIBIT "A"

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Landlord

____
Tenant

EXHIBIT "B"

SPECIAL STIPULATIONS

1. Tenant Responsibility for Services: Notwithstanding any other provision of this Agreement, Tenant, as the principal occupant of the building, shall be solely responsible for discharging the obligations set forth in Exhibit "A", Stipulation 6 of this Agreement, and such responsibility shall be paid directly by Tenant. Such responsibility has been taken into account in establishing the rent established in this Agreement.

2. Tenant Responsibility for Insurance: Notwithstanding any other provision of this Agreement, during the term of this Agreement, Tenant as sole occupant of the Premises shall be responsible for the payment of all insurance coverages set forth in Exhibit "A" Stipulation 3; such responsibility shall be paid by special rent assessment.

In addition to the foregoing, any payment or payments made by Tenant for insurance coverage, as provided in this Exhibit "B", Stipulation 2 or Exhibit "A", Stipulation 3 of this Agreement, which coverage extends beyond the Term of this Agreement (whether due to cancellation, non-renewal or expiration by its express terms) shall be immediately reimbursed to Tenant by Landlord.

3. Tenant Responsibility for Taxes and Assessments: Notwithstanding any other provision of this Agreement, during the Term of this Agreement, Tenant shall pay Landlord as additional rent an amount equal to all assessments, taxes, levies and other charges set forth in Exhibit "A", Stipulation 5 of this Agreement. Tenant's payment of such additional rent to Landlord shall be within ninety (90) days of Tenant's receipt of supporting documentation evidencing Landlord's payment of such expense. Such responsibility has been taken into account in establishing the rent established in this Agreement.

4. Tenant *Responsibility* for Maintenance and Repairs:

(a) Notwithstanding any other provision of this Agreement, Tenant shall pay Landlord as additional rent an amount equal to the costs incurred by Landlord pursuant to Exhibit "A", Stipulations 7, 8, and 21(a) and (b) of this Agreement, to the extent insufficient funds are on deposit in Landlord's Repair, Replacement and Maintenance Fund to pay such costs. With respect to Stipulations 7 and 8, Tenant will notify Landlord of expenses incurred to construct or acquire replacements of fixtures or personal property that have become worn out or otherwise obsolete or for making any other capital improvements or capital expenditures, and Landlord agrees to requisition such amounts from its Repair, Replacement and Maintenance Fund (as defined in Stipulation 4(b) below) and to use such proceeds to pay such costs to the extent funds are available therefor. Tenant's payment of any additional rent pursuant to this Stipulation 4 shall be within thirty (30) days of Tenant's receipt of supporting documentation evidencing the necessity for the related expenditures.

__________ Landlord

__________ Tenant

(b) Landlord agrees to establish and maintain an account to be used for the repair, replacement and maintenance of the Premises (the "Repair, Replacement and Maintenance Fund"). In order to fund the Repair, Replacement and Maintenance Fund, Tenant shall pay Landlord the amounts shown on Exhibit "E" of this Agreement as additional rent each month, payable on the first day of each and every calendar month during the term. On or before March 31 of every five-year period with the first such report being due by March 31, 2015, Landlord shall provide to Tenant an engineering report on the physical and mechanical condition of the Premises, performed by an engineer reasonably acceptable to Tenant. Such report shall include a capital asset replacement analysis, an evaluation of the adequacy of the monthly additional rent to fund the Repair, Replacement and Maintenance Fund, and a recommendation as to any required adjustment of the foregoing. The parties hereto shall implement any recommendations contained in the engineer's report, commencing with the next renewal term, if this Agreement is renewed.

5. Cap on Tenant's Obligations in this Exhibit "B" *Special Stipulations* 2, 3 and 4 *Hereinabove*: Tenant's maximum obligation pursuant to Exhibit "B", Stipulations 2, 3 and 4 (and with respect to Stipulation 4 above, to the extent not covered by amounts held in Landlord's Repair, Replacement and Maintenance Fund), collectively shall not exceed the moneys budgeted by ________________________ in the applicable fiscal year for such purpose, which budget shall be subject to annual review and modification. If and to the extent Tenant pays for expenditures having a useful life beyond the term of this Agreement, then Landlord shall immediately (upon the effective date of such termination) reimburse Tenant for that portion of such expenditures not inuring to the benefit of Tenant.

6. **Management Contract.** Any contract relating to the management of the Premises by a party other than the Tenant shall meet the requirements of Revenue Procedure 97-13 of the Internal Revenue Service. Prior to its execution, Bond Counsel, as defined below, must confirm that such contract meets the requirements of Revenue Procedure 97-13. Bond Counsel is defined as an attorney or firm of attorneys duly admitted to practice law before the highest court of any state in the United States and not in the full-time employment of the Landlord, Tenant or Georgia Higher Education Facilities Authority ("GHEFA"). Such attorney or firm of attorneys must be nationally recognized as experienced in matters relating to exclusion of gross income for federal tax purposes of interest on obligations of states and political subdivisions, and such attorney or firm of attorneys shall be designated by the Attorney General of the State of Georgia.

END OF EXHIBIT "B"

____
Landlord

____
Tenant

<u>EXHIBIT</u> "<u>C</u>"
Legal Description

END OF EXHIBIT "C"

Landlord

Tenant

EXHIBIT "D"

REQUIRED INSURANCE COVERAGES

Insurance Coverages. The Landlord agrees to secure and have an authorized agent state on the Insurance Certificate that the following types of insurance coverages, not inconsistent with the policies and requirements of O.C.G.A. § 50-21-37, have been purchased or caused to be purchased by the Landlord, during the term of this Agreement. The minimum required coverages and liability limits are as follows:

(i) Workers' Compensation Insurance. The Landlord agrees to provide Workers' Compensation coverage in accordance with the statutory limits as established by the General Assembly of the State of Georgia. A group-insurer must submit a certificate of authority from the Insurance Commissioner approving the group insurance plan. A self-insurer must submit a certificate from the Georgia Board of Workers' Compensation stating the Tenant qualifies to pay its own workers' compensation claims. The Landlord shall require all subcontractors performing work or occupying the Premises to obtain an insurance certificate showing proof of Workers' Compensation and shall submit a certificate on the letterhead of the Landlord in the following language prior to the commencement of the Construction Term (as defined in the Ground Lease):

> "This is to certify that all contractors and subcontractors performing work or occupying the Premises are covered by their own workers' compensation insurance or are covered by the Landlord's workers' compensation insurance."

(ii) Employers' Liability Insurance. The Landlord shall also maintain Employers' Liability Insurance Coverage with limits of at least: (1) bodily injury by accident - $1,000,000 each accident; and (2) bodily injury by disease - $1,000,000 each employee.

The Landlord shall require all contractors and subcontractors performing work or occupying the Premises to obtain an insurance certificate showing proof of Employers' Liability Insurance Coverage and shall submit a certificate on the letterhead of the Landlord in the following language prior to the commencement of occupancy:

> "This is to certify that all contractors and subcontractors performing work or occupying the Premises are covered by their own employers' liability insurance or are covered by the Landlord's employers liability insurance."

___________ Landlord

___________ Tenant

(iii) Commercial General Liability Insurance. The Landlord shall provide Commercial General Liability Insurance (1993 ISO Occurrence Form or equivalent) which shall include, but need not be limited to, coverage for bodily injury and property damage arising from Premises and operations liability, products and completed operations liability, personal injury liability, and contractual liability. The Commercial General Liability Insurance shall provide at minimum the following limits:

Coverage	Limit
1. Premises and Operations	$1,000,000 per Occurrence
2. Products and Completed Operations	$1,000,000 per Occurrence
3. Personal Injury	$1,000,000 per Occurrence
4. Contractual	$1,000,000 per Occurrence
5. Fire Legal	$1,000,000 per Occurrence
6. Blasting and Explosion	$1,000,000 per Occurrence*
7. Collapse of Structures	$1,000,000 per Occurrence*
8. Underground Damage	$1,000,000 per Occurrence*
9. General Aggregate	$2,000,000 per Project

*Required only during the term of any construction.

Additional Requirements for Commercial General Liability Insurance:

(1) The policy shall name as additional insureds the officers, members, and employees of the Landlord, the Tenant and the State of Georgia, but only with respect to claims that arise out of the occupancy under this Agreement for which the Georgia Tort Claims Act, O.C.G.A. § 50-21-20 et seq. is not the exclusive remedy.

(2) The policy must provide primary coverage limits for any claims not covered by the Georgia Tort Claims Act.

(3) The policy or policies must be on an “occurrence” basis.

(4) The policy must include separate aggregate limits per project.

(iv) Commercial Business Automobile Liability Insurance. The Landlord shall provide Commercial Business Automobile Liability Insurance which shall include coverage for bodily injury and property damage arising from the operation of any owned, non-owned or hired automobiles. The Commercial Business Automobile Liability Insurance policy shall provide not less than $1,000,000 Combined Single Limits for each occurrence.

____
Landlord

____
Tenant

Additional requirements for Commercial Business Automobile Liability Insurance:

(1) The policy shall name as additional insureds the officers, members and employees of the Landlord, the Tenant and the State of Georgia, but only with respect to claims arising out of the occupancy under this Agreement for which the Georgia Tort Claims Act, O.C.G.A. § 50-21-20 et seq. is not the exclusive remedy.

(2) The policy must provide primary coverage limits for any claims not covered by the Georgia Tort Claims Act.

(v) Commercial Umbrella Liability Insurance. The Landlord shall provide a Commercial Umbrella Insurance Policy to provide excess coverage above the Commercial General Liability, the Commercial Business Automobile Liability and the Workers' Compensation and Employers' Liability to satisfy the minimum limits set forth herein. The minimum amount of Umbrella limits required above the coverage's and minimum limits stated in subparagraphs (i), (ii), (iii) and (iv) above shall be:

$2,000,000 per Occurrence; and
$2,000,000 aggregate.

Additional requirements for Commercial Umbrella Liability Insurance:

(1) The policy shall name as additional insureds the officers, members, agents and employees of the Landlord, the Tenant and the State of Georgia, but only with respect to claims arising out of work or occupancy of the Premises under this Agreement for which the Georgia Tort Claims Act, O.C.G.A. § 50-21-20 et seq. is not the exclusive remedy.

(2) The policy must provide primary coverage limits for any claims not covered by the Georgia Tort Claims Act.

(3) The policy or policies must be on an "occurrence" basis.

(vi) Builders Risk Insurance. During any period of construction only, the Landlord shall provide a Builder's Risk Insurance Policy to be payable to the Tenant and the Landlord as their interest may appear. The policy amount shall be equal to 100% of the improvements construction contract sum, written on a 1991 Causes of loss - Special Form, or its equivalent. All deductibles shall be the sole responsibility of the Landlord or the contractor, and in no event shall the amount of any deductible exceed $10,000. The policy shall be endorsed as follows:

"The following may occur without diminishing, changing, altering or otherwise affecting the coverage and protection afforded the insured under this policy:

(1) Furniture and equipment may be delivered to the insured premises and installed in place ready for use;

(2) Partial or complete occupancy by the Tenant or Landlord; and

(3) Performance of work in connection with construction operations insured by the Landlord or Tenant, by agents or subtenants other contractors of Landlord or Tenant, or by contractors of the Landlord or Tenant.

(vii) Property Insurance. During the term of this Rental Agreement, Landlord shall provide a Fire and Hazard Property Insurance Policy to be made payable to the Tenant and Landlord as their interests may appear. The policy amount should be equal to 100% of the replacement value of the improvements, written on 1991 Causes of Loss - Special Form, or its equivalent. All deductibles shall be the sole responsibility of the Landlord, and in no event shall the amount of any deductible exceed $10,000.

(viii) Rental Interruption Insurance. During the term of this Rental Agreement, Landlord shall provide a Rental Interruption Insurance Policy. Such policy shall provide coverage for full or partial interruption of rents for up to 24 months as a result of any abatement of rents (in whole or in part).

END OF EXHIBIT "D"

Landlord

Tenant

<u>EXHIBIT</u> <u>"E"</u>

RENT SCHEDULE

END OF EXHIBIT "E"

Counterpart No. ____ of 2 Original Executed Counterparts
Counterpart of ________________________________

STATE OF GEORGIA;
COUNTY OF FULTON:

[PROJECT NAME]
FIRST AMENDMENT TO RENTAL AGREEMENT

THIS FIRST AMENDMENT TO RENTAL AGREEMENT (hereinafter "First Amendment"), is made and entered into as of the ____ day of [May], 2015, by and between USG REAL ESTATE FOUNDATION I, LLC, a Georgia limited liability company, whose address is 270 Washington Street, Suite 5175, Atlanta, Georgia 30334, Party of the first part, hereinafter called Landlord, and the BOARD OF REGENTS OF THE UNIVERSITY SYSTEM OF GEORGIA, For The Use Of [INSTITUTION NAME], a unit of the University System of Georgia, whose address is 270 Washington Street, Sixth Floor, Atlanta, Georgia 30334, party of the second part, hereinafter called Tenant:

W I T N E S S E T H:

WHEREAS, Landlord and Tenant are parties to that certain Rental Agreement dated November 26, 2008 (hereinafter "Rental Agreement") whereby Landlord rents to Tenant the Premises (as defined in the Rental Agreement) described therein and known as the ____________ located on the campus of [INSTITUTION NAME]; and

WHEREAS, Landlord and Tenant now desire to amend certain provisions of the Rental Agreement as provided herein;

NOW, THEREFORE, FOR AND IN CONSIDERATION of the sum of One Dollar ($1.00) in hand paid, the mutual promises and recitals contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Rental Agreement is hereby amended, changed and modified as follows:

1. Rental Schedule. Exhibit "E" to the Rental Agreement is hereby deleted in its entirety, and the attached Exhibit "E" is substituted in its place.

2. Service of Notice – Exhibit "A". Section 26 of Exhibit "A" to the Rental Agreement is hereby deleted in its entirety and replaced with the following:

"SERVICE OF NOTICE

Any notice, statement, demand, request, consent, approval and authorization required to be given by any party to the other party pursuant to this Agreement shall be given in writing to such other party at the physical or electronic mail address set forth below and shall be deemed to have been properly given, rendered or made only if (i) personally delivered by reputable private courier services, (ii) sent by first-class mail, postage prepaid certified or registered with return receipt requested, (iii) sent by Federal Express or other comparable commercial overnight delivery service, or (iv) sent by electronic mail to the party entitled thereto. Any notice shall be deemed to have been given, rendered or made on the day (x) so delivered unless such day is not a business day, in which case such delivery shall be deemed to be made as of the next succeeding business day, or (y) upon telephonic confirmation of receipt from the party's principal addressee if sent by electronic mail. Each party hereto shall have the right at any time and from time to time to specify another physical or electronic mail address and addressee to whom notice thereunder should be given, upon five (5) days' written notice thereof to the other party. The notice addresses for the parties shall be as follows:

To Landlord:

USG Real Estate Foundation I, LLC
c/o University System of Georgia Foundation, Inc.
270 Washington Street
Suite 5175
Atlanta, Georgia 30334
Attn: Executive Director
Email: Candace.Sommer@usg.edu

To Tenant:

Board of Regents of the University System of Georgia
270 Washington Street, SW, Sixth Floor
Atlanta, Georgia 30334
Attention: Vice Chancellor for Facilities
E-mail: Jim.James@usg.edu

with copy to: "

3. Special Stipulations–Exhibit "B". Section 4 of Exhibit "B" to the Rental Agreement is hereby deleted in its entirety and replaced with the following:

"4. *Tenant Responsibility for Capital Repairs and Replacements:*

(a) Landlord pursuant to its financing of the Premises has established and maintains a reserve account with a trustee, or shall establish, no later than thirty (30) days from the Effective Date of this Amendment, and maintain, during the term of this Agreement, a reserve account with the applicable trustee, for capital repairs and replacements (the "Repair and Replacement Reserve") to the Premises as set forth in Exhibit "A", Stipulations 7, 8, 17, and 21(a) and 21(b) of this Agreement. In order to fund the Repair and Replacement Reserve, Tenant, through its applicable institution, shall pay Landlord additional rent as indicated on Exhibit "E" of this Agreement. Landlord shall obtain prior written consent from Tenant, which shall not be unreasonably withheld, for any expenditure or projected aggregate of expenditures for the same repair or replacement from the Repair and Replacement Reserve that will be $200,000 or greater. Landlord shall semiannually provide Tenant with a written report that includes a description and amount of all expenditures made from the Repair and Replacement Reserve between: i) July 1 through December 31; and ii) January 1 through June 30, no later than thirty (30) days from the last day of each respective sixth month period of the then current exercised renewal term. Landlord designates Tenant as an authorized representative of Landlord to request and receive, at any time, from the applicable trustee an accounting of the Repair and Replacement Reserve, and shall properly notify the applicable trustee of this authorization.

During the exercised renewal term, as provided in Article IV of this Agreement, (commencing July 1, 2018 and ending June 30, 2019) and any subsequently exercised renewal term five (5) years from the last renewal term a FCAR (as defined below) was completed, Tenant, through its applicable institution, will, on or before March 31st of the respective renewal term, complete a Facilities Condition Assessment Report ("FCAR") on the physical and mechanical condition of the Premises. The FCAR shall provide information pursuant to established Board of Regents of the University System of Georgia reporting guidelines; and be performed by an engineering firm that is reasonably acceptable to Tenant. Landlord shall pay all costs for the FCAR, which may be paid from the Repair and Replacement Reserve. The parties hereto will work together to confer, schedule and implement any capital repair and replacement recommendations contained in the FCAR, or needed during the Term of this Agreement.

(b) Notwithstanding any other provision of this Agreement, to the extent there are insufficient funds in the Repair, Replacement and Maintenance Fund to pay for any capital repair and replacement, Landlord shall exhaust any other supplemental reserve funds available to Landlord to eliminate or mitigate the Repair and Replacement Reserve shortfall. To the extent a shortfall remains, Tenant and Landlord shall by mutual written consent adjust the additional rent schedule to address the shortfall.

(c) For purposes of this Section 4, any consent, review, or other action required by the Tenant herein shall specifically be performed by the Office of Fiscal Affairs, and the Office of Real Estate and Facilities at the University System of Georgia ("System Office") and not the applicable institution, unless otherwise provided herein or directed by the System Office."

4. Effect of Amendment. Except as herein modified, all terms, covenants and conditions of the Rental Agreement, as amended by this Amendment, are hereby reaffirmed and shall remain in full force and effect.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Landlord and Tenant, by and through their authorized representatives, have hereunto executed, signed, and delivered this Amendment in duplicate the day, month, and year first above written, each of the said parties keeping one of the copies hereof.

LANDLORD:

USG REAL ESTATE FOUNDATION I, LLC

Signed, sealed and delivered as
to Landlord, in the presence of:

By: USGREF Manager, LLC,
Its Sole Manager

____
Unofficial Witness

By: ______________________________
_________, Authorized Representative

____
Notary Public

(CORPORATE SEAL)

(NOTARY SEAL)

TENANT:

**BOARD OF REGENTS OF THE
UNIVERSITY SYSTEM OF GEORGIA**

Signed, sealed and delivered as
to Tenant, in the presence of:

____
Unofficial Witness

By: ______________________________
Jim James, Vice Chancellor for Facilities

____
Notary Public

Attest: ______________________________
Sandra Neuse, Associate Vice
Chancellor for Facilities

(NOTARY SEAL)

(SEAL)

Exhibit "E"

RENT SCHEDULE

Landlord ____ Tenant ____

Appendix F

Form of Ground Lease

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No.____ of _____ Executed Original Counterparts.

COUNTERPART OF ___________________.

STATE OF GEORGIA;
COUNTY OF FULTON:

GROUND LEASE

THIS GROUND LEASE (hereinafter referred to as the "Ground Lease" or "Lease") is made and entered this _______ day of __________________, 2008, by and between the BOARD OF REGENTS OF THE UNIVERSITY SYSTEM OF GEORGIA, whose address for purposes of this Lease is: Attention: Vice Chancellor for Facilities, 270 Washington Street, S.W., Atlanta, Georgia 30334, Party of the First Part, (hereinafter referred to as "Lessor"), and USG Real Estate Foundation I, LLC whose address for purposes of this Lease is____, hereinafter referred to as "Lessee"), for the use of certain real property located on the campus of _____________________ , a unit of the University System of Georgia (hereinafter referred to as "Institution").

W I T N E S S E T H T H A T:

WHEREAS, Lessor is the owner of certain real property consisting of approximately _____ acres situated in _________________ County, Georgia located on the campus of the Institution (hereinafter referred to as the "Premises") more particularly described in the first portion of Exhibit "A" attached hereto (Exhibit A also containing Lessor's grant to Lessee of a Temporary Construction Easement and various Other Easements); and

WHEREAS, Lessee desires to lease the Premises from Lessor; and

WHEREAS, at its meeting of ________________________Lessor determined the Premises to no longer be advantageously useful to the Institution or other units of the University System, but only for the purpose of constructing, owning, operating and maintaining ____ and further approved the leasing of the Premises to Lessee under the conditions set forth in this Lease; and

WHEREAS, Lessor's leasing of the Premises is for the purposes of constructing, owning, operating and maintaining ____for the benefit of the Institution.

NOW, THEREFORE, in consideration of the mutual promises herein contained, upon the following terms and conditions to be paid and kept by Lessee, Lessor grants and leases, and Lessee does hereby accept, take and lease, the Premises from Lessor. This Lease creates in Lessee an estate for years.

_______ Lessor

_______ Lessee

1.
USE OF PROPERTY

1.1 The Premises shall be used by Lessee for the purpose of constructing, owning, operating and maintaining ____(hereinafter the "Improvements"). The Improvements shall be constructed pursuant to the program, plans and specifications identified in Exhibit "C" attached hereto approved by Lessor. Upon completion of construction of the Improvements, the Premises may be modified as set forth in paragraph 9.7 below.

1.2 Without limitation of the foregoing, Lessee shall not: (a) use the Premises or Improvements for any illegal purpose, nor for any purpose inimical to the health, safety and welfare of the public, or (b) commit, or suffer to be committed, any waste in or on the Premises and Improvements, nor shall it create or permit any nuisance in or on the Premises.

1.3 Lessor retains a non-exclusive easement on, over, under, upon, across, or through the Premises together with the right of ingress and egress to adjoining land of Lessor as may be reasonably necessary for Lessor to operate the Institution provided the use of such easement by Lessor does not unreasonably interfere with Lessee's construction, operation, maintenance or use of the Premises. Lessor retains non-exclusive easements to all utility lines crossing the Premises that provide service to the property owned by Lessor surrounding the Premises; such easements shall include the ability of Lessor to maintain, repair and replace such utilities.

2.
OCCUPANCY

Lessee shall occupy the Premises continuously throughout the Term of this Lease and shall not desert, surrender, abandon or cease using the Premises during the term of this Lease. As hereinafter used, "Term" shall collectively refer to the Construction Term, the Primary Term and any extension thereof.

3.
RENT

For and as rent for the Premises, Lessee covenants and agrees to keep each and every term and condition of this Lease required to be kept by Lessee, each of which shall constitute rent for the Premises, in addition to payment by Lessee to Lessor of the following amounts of rent:

3.1 Lessee shall pay in advance to Lessor the sum of TEN DOLLARS ($10.00) per year, payable in advance upon execution of this Lease.

3.2 Lessee shall also pay to Lessor, as additional rent, all costs and expenses which Lessor incurs as a result of any default of Lessee or failure on the part of Lessee to comply with any provisions of this Lease.

4.
TERM AND TERMINATION

4.1 Unless sooner terminated as hereinafter provided, the Construction Term shall begin upon the execution of this Lease and shall end at 11:59 o'clock P.M. prevailing legal time in Atlanta, Georgia, on the last day preceding the Commencement Date of the Primary Term, as set forth in Paragraph 4.2 below; provided, however that the Construction Term shall not exceed a period of two (2) calendar years.

4.2 The Primary Term of this Lease shall be begin upon the first day of the first month after issuance of a certificate of occupancy for the Improvements ("the Commencement Date"), but in no event shall the Commencement Date be prior to ____________________, and ending at 11:59 o'clock P.M. prevailing legal time in Atlanta, Georgia, on__________________________, unless sooner terminated as hereinafter provided. Lessee may terminate this Lease during the term only upon thirty (30) days' written notice to Lessor and conveyance to Lessor of all right and title to all improvements then existing on the Premises free and clear of any liens or encumbrances, but subject to Lessor's rights under Section 9.3 below.

4.3 The termination date of the Primary Term shall be extended, upon the request of Lessee, for one extension period of up to five (5) years, and such request must be made to Lessor at least ninety (90) days, but no more than 180 days, prior to the termination date. Any outstanding obligation of the Lessee to pay an amount secured directly or indirectly by any leasehold security deed permitted under this Lease is sufficient grounds that Lessor shall grant an extension provided that any extension for this purpose shall terminate on the earlier to occur of (a) the end of any such extension period, or (b) the date of repayment in full of the secured indebtedness and release of the leasehold security deed.

4.4 Upon expiration of this Lease (including any renewals or extensions thereof), if and only if Lessor determines the continued rental of the Premises is in the best interest of the Institution and the University System, Lessor may grant Lessee a usufruct in the Premises for fair market rental value and under terms to be mutually agreed upon by Lessor and Lessee.

____
Lessor

____
Lessee

4.5 Subject to Paragraphs 4.3 and 4.4 above, upon expiration or termination of this Lease, all rights and interests of Lessee (and all persons whomsoever claiming by, under or through Lessee) in and to the Premises and the Improvements shall wholly cease and title to the Premises and the Improvements, including but not limited to all permanent improvements, erections and additions constructed on the Premises by Lessee, shall vest in Lessor without further act or conveyance, and without liability to make compensation therefor to Lessee or to anyone whatsoever, and shall be free and discharged from all and every lien, encumbrance, claim and charge of any character created or attempted to be created by Lessee at any time other than pursuant to the specific terms of this Lease. This provision shall not relieve Lessee from liability for having left the Premises or the Improvements in unsound or unsafe condition or with encumbered title. Lessee, upon the request of Lessor, covenants and agrees to execute a quitclaim deed releasing all such rights in the Premises and the Improvements in a form and substance acceptable to Lessor.

4.6 Subject to Paragraph 9.5 below, in addition to the termination provisions set forth in Paragraph 4.2 above, if Lessee shall, after ten (10) days notice thereof, default in the performance of any of the stipulations, covenants, terms, conditions, agreements or provisions of this Lease; then and in any of the above events, Lessor, at its option, may at once or thereafter (but only during the continuance of such default), terminate this Lease. Upon such termination by default the provisions of Paragraph 4.5 shall apply and Lessor may forthwith re-enter the Premises and repossess itself and remove all persons and effects therefrom, using such force as may be necessary without being guilty of trespass, forcible entry, detainer or other tort.

5.
RULE AGAINST PERPETUITIES

If the Rule Against Perpetuities or any rule of law with respect to restriction on the alienation of property or remoteness of vesting of property interests, including, without limitation, O.C.G.A. §44-6-1, as amended, shall limit the time within which the vesting of title to the Improvements for which provision is made in Paragraph 9 must occur, then such vesting of title shall occur not later than twenty (20) years after the death of the last survivor of the Board of Regents of the University System of Georgia in office on the date of execution of this Lease. In the event such vesting should occur due to the provisions of this paragraph and prior to the expiration or termination of this Lease, this Lease shall continue in full force and effect, except the term “Premises” shall be automatically modified to include the Improvements.

6.
HOLDING OVER

Lessee shall not use or remain in possession of the Premises after the termination of this Lease. Any holding over or continued use and/or occupancy of the Premises by Lessee after the expiration or any termination of the term of this Lease, without consent from Lessor, shall not constitute a Tenancy-At-Will in Lessee, but Lessee shall be a Tenant-At-Sufferance, subject to the provisions of Paragraph 4 of this Lease.

7.
INSPECTION AND TITLE

Lessee hereby acknowledges that it has fully inspected the Premises and that the Premises and title to the Premises is accepted and is in satisfactory and a suitable condition for the use intended by Lessee as hereinabove provided for in this Lease.

8.
NO JOINT VENTURE

Nothing contained in this Lease shall make, or shall be construed to make, Lessor or Institution and Lessee partners in, of, or joint venturers with each other, nor shall anything contained in this Lease render, or shall be construed to render, either Lessor, Institution or Lessee liable to a third party for the debts or obligations of the other.

9.
IMPROVEMENTS

9.1 Lessee shall construct during the Construction Term, at its sole cost and expense, the Improvements specified and described in the program, plans and specifications identified in Exhibit "C" attached hereto, including such temporary or permanent improvements, erections, additions and alterations as are necessary to adapt the Premises and Improvements for use as____. Lessee shall, at its sole cost and expense, demolish any existing improvements or structures on the Premises, including the clearing, grubbing and preparation of the Premises for construction of the Improvements. All Improvements and facilities shall be constructed wholly within the boundary lines of the Premises and each shall be a self-contained, complete unit and shall not be tied into or have any physical connection with any structure located on any other property of Lessor.

9.2 Title to the Improvements shall vest in Lessee until the end of the Primary Term, unless sooner terminated pursuant to the terms of this Lease. Lessee covenants and agrees to convey all of Lessee's right, title and interests, free and clear of all liens and security interests, and surrender possession of the Premises and Improvements, at the expiration of the Primary Term, or at such date of earlier termination pursuant to the provisions of this Lease. Any and all temporary improvements, erections or additions constructed on the Premises by Lessee, which are not a part of the Improvements as specified in paragraph 9.1 above, shall continue to be and remain the property of Lessee, and may be removed by the Lessee, in whole or in part, at any time before the termination of this Lease. If Lessee removes any or all temporary improvements, erections or additions it has constructed on the Premises, Lessee agrees to repair any and all damage resulting to the Premises and the Improvements from such removal.

9.3 Upon the expiration (including any renewal periods) or earlier termination of this Lease, Lessor may, at the option of Lessor, notify Lessee that any or all improvements, temporary and permanent, placed upon the Premises by Lessee should be removed at the expiration or earlier termination of the Lease in which event Lessee shall remove such improvements. Lessee shall not begin the removal or demolition of any improvements prior to the expiration or earlier termination date: provided that all improvements shall be removed as expeditiously as possible. Lessor herein

____
Lessor

____
Lessee

grants to Lessee a license to enter the Premises, said license shall take effect upon the termination or expiration of this Lease for the sole and exclusive purpose of removing such improvements. Lessee's right to use said license is contingent upon Lessor's notification to Lessee that permanent improvements shall be removed from the Premises.

9.4 Lessee, at all times during the Term of this Lease, at its sole cost and expense, shall keep the Premises and the Improvements in good order, condition and repair, ordinary wear and tear excepted. Lessee's obligations hereunder include, without limitation, all necessary repairs and replacements of the Premises, structural or otherwise, ordinary or extraordinary, foreseen and unforeseen, including but not limited to the exterior and interior windows, doors and entrances, signs, floor coverings, columns, and partitions, and lighting, heating, plumbing and sewage facilities, and air conditioning equipment. Lessor shall not be required to make any repairs of any kind or nature, in, on or to the Premises during the Term of this Lease.

9.5 Lessee shall have the right to mortgage and/or otherwise encumber the Premises and Improvements to the extent of its leasehold interest only. Lessor hereby consents to the encumbrance of the Premises during the Construction Term for the purpose of construction and during the Primary Term for permanent financing of the Improvements to the Premises contemplated by this Paragraph 9. Lessor agrees to give any lender written notice of any default by Lessee under this Lease, provided lender has given Lessor timely notice of lender and lendor's contact information and timely notice of any change in lender or lender's contact information, and lender shall have a period of time after lender's receipt of the notice of default (thirty (30) days in the case of a default in the payment of any sum due hereunder; sixty (60) days in the case of all other defaults) in which to cure, or to cause to be cured, any such default, before Lessor may exercise any right or remedy hereunder or as otherwise available to Lessor; provided, however, that in the case of defaults not involving the failure to pay any sum due hereunder, Lessee shall have an additional period of not to exceed two hundred ten (210) days to cure, or cause to be cured, any such default, but only during such period as Lessee in good faith continues to exercise with reasonable diligence efforts to cure such default. Notwithstanding any other provision of this Lease, Lessor shall not be required to subordinate this Lease to any other interest of any person or entity lending money for the Improvements, and all such interests or instruments shall be subordinate to this Lease. If any lender requires recordation of this Lease, both parties hereby consent to such recordation, and either party may record this Lease in that event. Lessee shall not permit any liens to be placed against the Premises, and if such liens are filed, Lessee shall cause prompt removal of such liens.

9.6 Lessor has not and will not participate in the structuring, offering or issuance of bonds or other financing to be used to construct, renovate, or rehabilitate the Improvements and Lessor shall have no obligation with respect to the bonds or the financing of the Improvements.

9.7 Upon completion of construction of the Improvements, but not later than ninety (90) days after termination of the Construction Term, Lessee shall provide, at its sole cost and expense, "as built" drawings and plats of the Premises and the Improvements. Should the Premises as described on Exhibit A not be fully utilized by the Improvements, then Lessee covenants and agrees to resurvey the portion of the Premises used by the Improvements and to then convey the unused portion of the Premises back to Lessor, at which time this Lease shall be modified so that the Premises subject to the Primary Term is the "as built" property utilized by the Improvements.

____
Lessor

____
Lessee

10.
INDEMNIFICATION AND HOLD HARMLESS

10.1 In consideration of the benefits to be derived herefrom, Lessee shall be responsible to the Lessor during the Term of this Lease for all injury or damage of any kind resulting from any negligent act or omission or breach, failure or other default regarding the occupancy of the Premises by the Lessee, or any of its subcontractors, its agents, employees or others working at the direction of Lessee or on its behalf, regardless of who may be the owner of the property. The Lessee is responsible for insuring its tools, equipment, fixtures, trade fixtures and personal property and Lessor shall not be liable for any loss or damage to such tools, equipment, fixtures and personal property.

10.2 Lessee hereby agrees to indemnify and hold harmless the Lessor, the Board of Regents of the University System of Georgia, the Institution, the State of Georgia and its departments, agencies and instrumentalities and all of their respective officers, members, employees, directors and agents (hereinafter collectively referred to as the "Indemnitees") from and against any and all claims, demands, liabilities, losses, costs or expenses for any loss including but not limited to bodily injury (including death), personal injury, property damage, expenses, and attorneys' fees, arising out of or resulting from the performance of this Lease due to liability to a third party or parties, or due to any act or omission on the part of the Lessee, its agents, employees or others working at the direction of Lessee or on its behalf, or due to any breach of this Lease by the Lessee, or due to the application or violation of any pertinent Federal, State or local law, rule or regulation. This indemnification extends to the successors and assigns of the Lessee. This indemnification obligation survives the termination of this Lease and the dissolution or, to the extent allowed by law, the bankruptcy of the Lessee. If and to the extent such damage or loss (including costs and expenses) as covered by this indemnification is paid by the State Tort Claims Trust Fund, the State Authority Liability Trust Fund, the State Employee Broad Form Liability Fund, the State Insurance and Hazard Reserve Fund, and other self-insured funds (all such funds hereinafter collectively referred to as the “Funds”) established and maintained by the State of Georgia Department of Administrative Services (hereinafter “DOAS”) the Lessee agrees to immediately reimburse the Funds for such monies paid out by the Funds.

10.2.1 This indemnification applies where the Indemnitees are partially responsible for the situation giving rise to the claim, provided however, that this indemnification does not apply to the extent of the sole negligence of the Indemnitees.

10.2.2 This indemnification does not extend beyond the scope of this Lease and the work undertaken thereunder. Nor does this indemnification extend to claims for losses or injuries or damages incurred directly by the Indemnitees due to breach or default by the Indemnitees under the terms and conditions of this Lease.

11.
INSURANCE

11.1 Insurance Certificates. Unless waived in writing, or otherwise provided by the Lessor the Lessee shall, prior to the commencement of work, procure the insurance coverages identified below at the Lessee's own expense and shall furnish the Lessor an insurance certificate listing the Lessor as the certificate holder. The insurance certificate must provide the following:

______ Lessor

______ Lessee

(a) Name and address of authorized agent
(b) Name and address of insured
(c) Name of insurance company(ies)
(d) Description of policies
(e) Policy Number(s)
(f) Policy Period(s)
(g) Limits of liability
(h) Name and address of Lessor as certificate holder
(i) Lease number, Name of Facility and Address of Premises
(j) Signature of authorized agent
(k) Telephone number of authorized agent
(l) Mandatory forty-five (45) days notice of cancellation/non-renewal (See 11.2(a) below).

11.2 Policy Provisions. Each of the insurance coverages required below (i) shall be issued by a company licensed by the Insurance Commissioner to transact the business of insurance in the State of Georgia for the applicable line of insurance, and (ii) shall be an insurer with a Best Policyholders Rating of "A-" or better and with a financial size rating of Class V or larger. Each such policy shall contain the following provisions:

(a) The insurance company agrees that the policy shall not be canceled, changed, allowed to lapse, or allowed to expire until forty-five (45) days after the Lessor has received written notice thereof as evidenced by return receipt of registered letter or until such time as other insurance coverage providing protection equal to protection called for in this Lease shall have been received, accepted, and acknowledged by the Lessor. Such notice shall be valid only as to the Premises as shall have been designated by this Lease and address of the Premises in said notice.

(b) The policy shall not be subject to invalidation as to any insured by reason of any act or omission of another insured or any of its officers, employees, agents or other representatives ("Separation of Insureds").

(c) Each insurer is hereby notified of the statutory requirements that the Attorney General of the State shall represent and defend the Indemnitees but will, without limiting the authority of the Attorney General, consider attorneys recommended by the insurance company for appointment as Special Assistant Attorney General to represent and defend the Indemnitees. The insurance company may, at the option of the Attorney General, have the right to participate in the defense of the Indemnitees. In the event of litigation, any settlement on behalf of the Indemnitees must be expressly approved by the Attorney General.

(d) Self-insured retention in any policy shall not exceed $10,000.00.

11.3 Insurance Coverages. The Lessee agrees to purchase and have the authorized agent state on the insurance certificate that the following types of insurance coverages, consistent with the policies and requirements of O.C.G.A. § 50-21-37, have been purchased by the Lessee, during the Construction Term and Primary Term of this Lease. The minimum required coverages and liability limits which may be amended from time to time during this term of the Ground Lease by Lessor to reflect then current reasonable and standard limits by giving Notice to Lessee pursuant to Paragraph 20 and both parties shall execute an amendment to this Ground Lease to reflect the change are as follows:

(a) Workers' Compensation. The Lessee agrees to provide Workers' Compensation coverage in accordance with the statutory limits as established by the General Assembly of the State of Georgia. A group-insurer must submit a certificate of authority from the Georgia Board of Workers' Compensation approving the group insurance plan. A self-insurer must submit a certificate from the Georgia Board of Workers' Compensation stating the Lessee qualifies to pay its own workers' compensation claims. The Lessee shall require all subcontractors performing work or occupying the Premises under this Lease to obtain an insurance certificate showing proof of Workers' Compensation and shall submit a certificate on the letterhead of the Lessee in the following language prior to the commencement of the Construction Term:

> "This is to certify that all contractors and subcontractors performing work or occupying the Premises are covered by their own worker's compensation insurance or are covered by the Lessee's worker's compensation insurance."

(b) Employers' Liability Insurance. The Lessee shall also maintain Employers Liability Insurance Coverage with limits of at least:

(i) Bodily Injury by Accident	- $1,000,000 each accident; and
(ii) Bodily Injury by Disease	- $1,000,000 each employee.

The Lessee shall require all contractors and subcontractors performing work or occupying the Premises under this Lease to obtain an insurance certificate showing proof of Employers Liability Insurance Coverage and shall submit a certificate on the letterhead of the Lessee in the following language prior to the commencement of occupancy:

> "This is to certify that all contractors and subcontractors performing work or occupying the Premises are covered by their own employers liability insurance or are covered by the Lessee's employers liability insurance."

(c) Commercial General Liability Insurance. The Lessee shall provide Commercial General Liability Insurance (1993 ISO Occurrence Form or equivalent) which shall include, but need not be limited to, coverage for bodily injury and property damage arising from premises and operations liability, products and completed operations liability, personal injury and advertising liability, contractual liability, fire legal liability, blasting and explosion, collapse of structures and underground damage liability. The Commercial General Liability Insurance shall provide at minimum the following limits:

Coverage	*Limit*	
1. Premises and Operations	$1,000,000 per Occurrence	
2. Products and Completed Operations	$1,000,000 per Occurrence	
3. Personal Injury and Advertising	$1,000,000 per Occurrence	
4. Contractual	$1,000,000 per Occurrence	
5. Fire Legal	$1,000,000 per Occurrence	
6. Blasting and Explosion	$1,000,000 per Occurrence	*
7. Collapse of Structures	$1,000,000 per Occurrence	*

_______ Lessor

_______ Lessee

8. Underground Damage $1,000,000 per Occurrence *
9. General Aggregate $2,000,000 this Lease only

* Required during any construction period.

Additional Requirements for Commercial General Liability Insurance:

(1) The policy shall name as additional insureds the officers, members, agents and employees of the Lessor, Institution and the State of Georgia, but only with respect to claims arising out of work, occupancy of the Premises or performance under this Lease for which the Georgia Tort Claims Act, O.C.G.A. § 50-21-20 *et seq.* is not the exclusive remedy.

(2) The policy must provide primary coverage limits for any claims not covered by the Georgia Tort Claims Act.

(3) The policy or policies must be on an "occurrence" basis.

(4) The policy must include separate aggregate limits per project.

(d) Commercial Business Automobile Liability Insurance. The Lessee shall provide Commercial Business Automobile Liability Insurance which shall include coverage for bodily injury and property damage arising from the operation of any owned, non-owned or hired automobile. The Commercial Business Automobile Liability Insurance Policy shall provide not less than $1,000,000 Combined Single Limits for each occurrence.

Additional Requirements for Commercial Business Automobile Liability Insurance:

(1) The policy shall name as additional insureds the officers, members, agents and employees of the Lessor, Institution and the State of Georgia, but only with respect to claims arising out of work, occupancy of the Premises or performance under this Lease for which the Georgia Tort Claims Act, O.C.G.A. § 50-21-20 *et seq.* is not the exclusive remedy.

(2) The policy must provide primary coverage for any claims not covered by the Georgia Tort Claims Act.

(e) Commercial Umbrella Liability Insurance. The Lessee shall provide a Commercial Umbrella Liability Insurance Policy to provide excess coverage above the Commercial General Liability, the Commercial Business Automobile Liability, and the Workers' Compensation and Employers' Liability to satisfy the minimum limits set forth herein. The minimum amount of Umbrella limits required above the coverages and minimum limits stated in 11.3(a), (b), (c) and (d) shall be:

$2,000,000 per Occurrence
$2,000,000 Aggregate

Additional Requirements for Commercial Umbrella Liability Insurance:

(1) The policy shall name as additional insureds the officers, members, agents and employees of the Lessor, the Institution and the State of Georgia, but only with respect to claims arising out of work, occupancy of the Premises or performance under this Lease for which the Georgia Tort Claims Act, O.C.G.A. § 50-21-20 *et seq.* is not the exclusive remedy.

(2) The policy must provide primary coverage for any claims not covered by the Georgia Tort Claims Act.

(3) The policy must be on an "occurrence" basis.

(f) Builders Risk Insurance. During any construction period only, Lessee shall provide a Builder's Risk Insurance Policy to be made payable to the Lessor, Institution and Lessee as their interests may appear. The policy amount should be equal to 100% of the Improvements construction contract sum, written on a 1991 Causes of Loss - Special Form, or its equivalent. All deductibles shall be the sole responsibility of Lessee or the contractor, and in no event shall the amount of any deductible exceed $10,000.00. The policy shall be endorsed as follows:

> "The following may occur without diminishing, changing, altering or otherwise affecting the coverage and protection afforded the insured under this policy:
>
> (i) Furniture and equipment may be delivered to the insured premises and installed in place ready for use; and
>
> (ii) Partial or complete occupancy by Lessee or Lessor, and
>
> (iii) Performance of work in connection with construction operations insured by the Lessee or Lessor, by agents or sublessees or other contractors of Lessee or Lessor, or by contractors of the Lessee or Lessor."

(g) Property Insurance. During the Primary Term, Lessee shall provide a Fire and Hazard Property Insurance Policy to be made payable to the Lessor, Institution and Lessee as their interests may appear. The policy amount should be equal to 100% of the replacement value of the Improvements, written on a 1991 Causes of Loss - Special Form, or its equivalent. All deductibles shall be the sole responsibility of Lessee, and in no event shall the amount of any deductible exceed $10,000.00.

11.4 Termination of Obligation to Insure. Unless otherwise expressly provided to the contrary, the obligation to insure as provided herein continues throughout the Primary Term and shall not terminate until this Lease has been terminated.

11.5 Failure of Insurers. The Lessee is responsible for any delay resulting from the failure of its insurance carriers to furnish proof of proper coverage in the prescribed form.

11.6 Waiver of Insurance for Additional Insureds. Unless otherwise expressly provided to the contrary, the obligation of Lessee to name as additional insureds the officers, members, agents and employees of the Lessor, the Institution and the State of Georgia for claims arising out of work or

_______ Lessor

_______ Lessee

occupancy of the Premises under this Lease for which the Georgia Tort Claims Act, O.C.G.A. § 50-21-20 *et seq.* is not the exclusive remedy is hereby waived to the extent and during any term or renewal term of any rental agreement under which the Lessor is occupying the Premises; provided, however, that this waiver does not apply to any insurance requirements in this Lease applicable to the Construction Period or any subsequent construction period in which renovation, rehabilitation or other work is being performed on the Premises.

12.
UTILITIES

At its sole cost and expense, Lessee shall cause to be furnished and shall pay for all water, gas, light, power, sanitation (sewerage or otherwise), garbage pick-up and disposal, telephone and other utilities or services required for Lessee's use of the Premises.

13.
TAXES AND ASSESSMENTS

13.1 Lessee covenants and agrees, during its use and/or occupancy of the Premises, to pay or cause to be paid, to the public officer charged with collection thereof and before any of the same shall become delinquent and shall indemnify, protect, save and hold harmless Lessor from the payment of (a) any and all taxes, assessments, license fees, excises, imposts, fees and charges of every sort, nature and kind, hereinafter collectively referred to as "impositions", which during Lessee's use and/or occupancy of the Premises, may be assessed, levied, charged or imposed against or with respect to the Premises, including, but not limited to, the building, fixtures, equipment and personal property, if any there be, located therein or thereon; and (b) any impositions assessed, levied, charged or imposed on or with respect to the conduct of Lessee's business in or on the Premises.

13.2 Nothing herein shall obligate or require the payment of any imposition by Lessee, unless such obligation or requirement is provided by law. Lessee may contest the validity, legality or amount of any imposition in the manner provided by law after posting of security with (and acceptable to) Lessor in an amount equal to the amount of the imposition claimed to be due. Within ten (10) days after the payment of Lessee of any imposition, Lessee shall furnish Lessor with a copy of said receipt evidencing such payment.

14.
DESTRUCTION OF OR DAMAGE TO PROPERTY

If the Improvements and/or any other building(s) erected on the Premises are totally or partially destroyed or rendered untenantable by storm, fire, earthquake, hurricane or other natural catastrophe, this Lease shall not terminate, but Lessor shall permit Lessee to rebuild, or at Lessee's option, Lessee may terminate this Lease (subject, however, to the consent and concurrence of the holder of the leasehold security deed) and invoke the provisions of Section 4.5 of this Lease.

_______ Lessor

_______ Lessee

15.
REPAIR

Lessee shall operate, maintain and repair the Premises, Improvements and any building built thereon in accordance with the existing rules, regulations, and policies of the Lessor, and in accordance with the provisions of this Lease.

16.
HAZARDOUS SUBSTANCES

16.1 Lessee shall not bring, deposit, or allow to be brought or deposited, in or upon the Premises any pollutant or harmful substance, except for substances ordinarily used in the care and maintenance of the Premises and in compliance with all other applicable provisions of this Lease.

16.2 Lessee warrants that it will not allow any of the following to occur on the Premises, regardless of cause: (A) any generation, treatment, recycling, storage or disposal of any hazardous substance; (B) any underground storage tank, surface impoundment, lagoon or other containment facility for the temporary or permanent storage, treatment or disposal of hazardous substances; (C) any landfill or solid waste disposal area; (D) any asbestos-containing material as defined by the Toxic Substances Control Act; (E) any polychlorinated biphenyl (PCB) used in hydraulic oils, electric transformers or other equipment; or (F) any release or threatened release of hazardous substance to the environment in forms or quantity requiring remedial action under environmental laws. In addition, Lessee warrants that it will not allow any violations of environmental laws on the Premises, regardless of cause. Lessee's obligation in no way extends to any environmental condition of the Premises existing prior to Lessee's possession.

17.
INSPECTION

For the purpose of inspecting the Premises, Lessee shall permit Lessor at reasonable times to enter in and on the Premises and the Improvements.

18.
NO DISCRIMINATION

In its occupancy and use of the Premises, Lessee shall not discriminate against any person on the basis of race, color, national origin, age or disability. This covenant of the Lessee may be enforced by termination of this Lease, (provided that notice of the breach of such covenant shall have been given to any leasehold mortgagee and such breach shall not have been cured, as provided in paragraph 9 of this Lease), injunction, and any other remedy available at law to Lessor.

19.
TRANSFER, ASSIGNMENT AND SUBLETTING

19.1 Lessee shall not transfer or assign (whether by instrument or operation of law or, if applicable, by withdrawal, sale, gift, exchange, change in partnership ownership or membership, change in stock ownership, merger, consolidation, dissolution or reorganization of any type) this Lease

_______ Lessor

_______ Lessee

or any right or privilege of Lessee hereunder without the prior written consent, in Lessor’s sole discretion, of Lessor. Lessee shall not sublet the Premises or any building built thereon or part thereof, or any right or privilege appurtenant thereto, nor permit nor suffer any party other than Lessee to use or occupy the Premises or any portion thereof without the prior written consent, in Lessor’s sole discretion, of the Lessor. Any transfer, assignment or subletting without the prior written consent of Lessor shall be void *ab initio* and shall at the option of Lessor terminate this Lease. Lessor's consent to a transfer, assignment or subletting, or to any use or occupancy by a party other than Lessee, shall not invalidate or constitute a waiver of this provision, and each subsequent transfer, assignment and subletting, and each subsequent use and occupancy by a party other than Lessee shall likewise be made only with the prior written consent of Lessor.

19.2 Nothing contained in this Section 19 shall limit or is intended to limit the rights of Lessee under Section 9.5 hereof; and the enforcement by the holder of a leasehold security deed encumbering the Premises and improvements, including the foreclosure of such security deed or transfer of Lessee's leasehold interest in lieu of foreclosure, shall not be restricted or prohibited hereunder or subject to Lessor's consent. In addition, if any leasehold mortgagee (or its successor, assign, designees or nominee) succeeds to the interest of Lessee under this Lease, then such mortgagee (or its successor, assign, designee or nominee) shall have (a) the right, with the consent of Lessor, which shall not be unreasonably withheld, to further transfer or assign this Lease or to sublet the Premises and improvements thereon, anything to the contrary herein contained notwithstanding, and (b) all the rights, options and privileges of the Lessee under this Lease.

20.
NOTICES

All notices, statements, reports, demands, requests, consents, approvals, waivers and authorizations, hereinafter collectively referred to as "notices", required by the provisions of this Lease to be secured from or given by either of the parties hereto to the other shall be in writing (whether or not the provision hereof requiring such notice specifies written notice) and the original of said notice shall be sent by United States Certified Mail - Return Receipt Requested, postage prepaid and addressed to the recipient party at such party's hereinabove set forth address. The sender of said notice shall request the United States Postal Service to "Show to whom, date and address of delivery" of said notice on the returned receipt. The day upon which such notice is so mailed shall be deemed the date of service of such notice. The parties hereto agree that, even though notices, where applicable, shall be addressed to the attention of the person or title, or both if applicable, hereinabove set forth, valid and perfected delivery of notice shall be accomplished under this Lease even though the said named person or the person holding said title is not the person who accepts or receives delivery of the said notice. Any notice, so mailed, the text of which is reasonably calculated to apprise the recipient party of the substance thereof and the circumstances involved, shall be deemed sufficient under this Lease. Either party hereto may from time to time, by notice of the other, designate a different person or title, or both as applicable, address or addresses to which notices to said party shall be given.

______ Lessor

______ Lessee

21.
TIME IS OF THE ESSENCE

All time limits stated herein are of the essence of this Lease.

22.
NON-WAIVER

No failure of Lessor to exercise any right or power given to Lessor under this Lease, or to insist upon strict compliance by Lessee with the provisions of this Lease, and no custom or practice of Lessor or Lessee at variance with the terms and conditions of this Lease, shall constitute a waiver of Lessor's right to demand exact and strict compliance by Lessee with the terms and conditions of this Lease.

23.
RIGHTS CUMULATIVE

All rights, powers and privileges conferred by this Lease upon Lessor and Lessee shall be cumulative of, but not restricted to, those given by law.

24.
BINDING EFFECT

Each of the terms and conditions of this Lease shall apply, extend to, be binding upon, and inure to the benefit or detriment of the parties hereto, to the successors and assigns of Lessor, and to the extent that Lessor has consented to a transfer or assignment of this Lease (if such consent is required) to the successors and assigns of Lessee, and to any leasehold mortgagee and its successors and assigns. Subject to the foregoing, whenever a reference to the parties hereto is made, such reference shall be deemed to include the successors and assigns of said party, the same as if in each case expressed.

25.
INTERPRETATION

Should any provision of this Lease require judicial interpretation, it is agreed and stipulated by and between the parties that the court interpreting or construing the same shall not apply the presumption that the provisions hereof shall be more strictly construed against one party by reason of the rule of construction that an instrument is to be construed more strictly against the party who prepared the same.

26.
GEORGIA AGREEMENT

This Lease shall be governed by, construed under, performed and enforced in accordance with the laws of the State of Georgia.

_______ Lessor

_______ Lessee

27.
SECTION HEADINGS

The brief headings or title preceding each section herein are merely for purposes of section identification, convenience and ease of reference, and shall be completely disregarded in the construction of this Lease.

28.
COUNTERPARTS

This Lease is executed in two (2) counterparts which are separately numbered but each of which is deemed an original of equal dignity with the other and which is deemed one and the same instrument as the other.

29.
NO THIRD PARTY BENEFICIARY

Nothing in this Lease, whether express or implied, is intended to confer upon any other party other than the parties hereto and their respective successors and assigns, any right or interest whatsoever. No party other than the parties hereto is entitled to rely in any way upon the warranties, representations, obligations, indemnities or limitations of liability whatsoever in this Lease.

30.
SPECIAL STIPULATIONS

The Special Stipulations on Exhibit B, attached hereto are hereby incorporated by reference herein. To the extent that the Special Stipulations set forth on Exhibit B conflict with any of the foregoing terms and conditions of this Lease, the said Special Stipulations shall control.

31.
SEVERABILITY

If any provision of this Lease, or any portion thereof, should be ruled void, invalid, unenforceable or contrary to public policy by any court of competent jurisdiction, then any remaining portion of such provision and all other provisions of this Lease shall survive and be applied, and any invalid or unenforceable portion shall be construed or reformed to preserve as much of the original words, terms, purpose and intent as shall be permitted by law.

32.
ENTIRE AGREEMENT

This Lease constitutes the entire Lease between the parties. This Lease supersedes all prior negotiations, discussions, statements and agreements between Lessor and Lessee with respect to the Premises and Lessee's use and occupancy thereof. No member, officer, employee or agent of Lessor or Lessee has authority to make, or has made, any statement, agreement, representation or contemporaneous agreement, oral or written, in connection herewith amending, supplementing, modifying, adding to, deleting from, or changing the terms and conditions of this Lease. No

_______ Lessor

_______ Lessee

modification of or amendment to this Lease shall be binding on either party hereto unless such modification or amendment shall be properly authorized, in writing, properly signed by both Lessor and Lessee and incorporated in and by reference made a part hereof.

[SIGNATURES BEGIN ON FOLLOWING PAGE]

____
Lessor

____
Lessee

IN WITNESS WHEREOF, Lessor, acting pursuant to and in conformity with a properly considered and adopted Resolution and acting by and through its duly authorized hereinafter named representatives, and Lessee, acting pursuant to and in conformity with a properly considered and adopted Resolution and acting by and through its duly authorized hereinafter named officers, have caused these presents to be signed, sealed and delivered all as of the date hereof.

LESSOR:

BOARD OF REGENTS OF THE UNIVERSITY SYSTEM OF GEORGIA

By: ________________________________ L.S.
LINDA M. DANIELS
Vice Chancellor

Attest: ______________________________ L.S.
JAMES BURNS NEWSOME
Secretary to the Board

(Seal Affixed Here)

Signed, sealed and delivered as to
Lessor in the presence of:

____
Unofficial Witness

____
Official Witness, Notary Public

My Commission Expires:

APPROVAL OF INSTITUTION:

By: ________________________________
President

[SIGNATURES CONTINUED NEXT PAGE]

____
Lessor

____
Lessee

APPROVED:

By: ______________________________
SONNY PERDUE
Governor

Attest: ___________________________
KAREN C. HANDEL
Secretary of State

(Great Seal of the State of Georgia)

Signed, sealed and delivered as to
Governor in the presence of:

____
Unofficial Witness

____
Official Witness, Notary Public

My Commission Expires:

[SIGNATURES CONTINUED NEXT PAGE]

[SIGNATURES CONTINUED FROM PREVIOUS PAGE]

LESSEE:

USG Real Estate Foundation I, LLC, a Georgia limited liability company

By: USGREF Manager, LLC, a Georgia limited liability company, its Manager

By: ______________________________L.S.
Manager

Signed, sealed and delivered as to
Lessee in the presence of:

____
Unofficial Witness

____
Official Witness, Notary Public

My Commission Expires:___________

EXHIBIT "A"

Ground Lease
L E G A L D E S C R I P T I O N

[GROUND LEASE LEGAL TO BE INSERTED]

TEMPORARY CONSTRUCTION EASEMENT

Lessor hereby grants to Lessee a temporary non-exclusive easement on, over, across and through the "Construction Easement Area" described below for the purpose of facilitating the construction of the improvements contemplated in this Ground Lease. Lessee agrees that it will utilize this temporary construction easement only to the extent reasonably necessary to initially construct said improvements. This Temporary Construction Easement shall expire on the last day of the Construction Term of this Ground Lease. The Construction Easement Area is described as follows:

[CONSTRUCTION EASEMENT LEGAL TO BE INSERTED]

OTHER EASEMENTS

In addition, Lessor hereby grants to Lessee the following easements, rights and privileges subject to the limitations set forth below and provided that Lessor's use of the easements below does not unreasonably interfere with Lessor's use of its property adjacent to the Premises or existing and future walkways and drives, respectively. The easements, rights and privileges granted hereby shall run with the land during the term of this Lease.

UTILITY AND COMMUNICATION EASEMENTS:

Lessor grants to Lessee a non-exclusive easement on, over, across and through Lessor's property adjacent to the Premises (____) to connect to and use Lessee's water, sewer (both storm and sanitary), electrical, telephone, electronic and other communication facilities, television, internet, chilled water and other such utility lines and services to those of Lessor or those of any governmental authority or utility provider currently available or available in the future to the Premises so long as Lessee pays to Lessor when due all of Lessor's cost for extending any such utility lines to the Premises and Lessor's cost of Lessee's usage of any such utility services. In addition, Lessor grants to Lessee a non-exclusive easement over Lessor's property adjacent to the Premises to install electronic data and communication lines and transformers in such locations as may be approved by the Lessor, such approval not to be unreasonably withheld. The non-exclusive easement herein granted shall expire automatically upon the expiration or earlier termination of this Ground Lease.

[CONFIRM THAT GROUND LEASE SITE ABUTS A PUBLIC RIGHT OF WAY OTHERWISE INSERT BLANKET INGRESS/EGRESS EASEMENT TO NEAREST PUBLIC RIGHT OF WAY]

EXHIBIT "B"

Special Stipulations

[None]

_______ Lessor

_______ Lessee

EXHIBIT "C"

[INDEX OF PLANS, SPECS AND DRAWINGS TO BE INSERTED]

________ Lessor

________ Lessee

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Appendix G

Book-Entry Only System

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BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2015 Bonds. The Series 2015 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2015 Bond will be issued for each maturity of the Series 2015 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are 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.

Purchases of Series 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2015 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 2015 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 2015 Bonds, except in the event that use of the book-entry system for the Series 2015 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 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 2015 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015 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 2015 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2015 Bonds may wish to ascertain that the nominee holding the Series 2015 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 the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2015 Bonds within a maturity 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 2015 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Series 2015 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or 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 securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the Company or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants 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 securities depository with respect to the Series 2015 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2015 Bond certificates are required to be printed and delivered.

The Issuer or the Company may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series 2015 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer and the Company believe to be reliable, but the Issuer and the Company take no responsibility for the accuracy thereof.

Appendix H

Financial Statements of the University System of Georgia for the Fiscal Year ended June 30, 2014

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The University System of Georgia
Annual Financial Report
FY 2014


PANTHER
WELCOME
GeorgiaState
University
Peachtree Street

TABLE OF CONTENTS

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

OFFICE OF FISCAL AFFAIRS
270 WASHINGTON STREET, SW
ATLANTA, GEORGIA 30334
404-656-2232

February 4, 2015

Chancellor Henry M. "Hank" Huckaby
Board of Regents
University System of Georgia

Dear Chancellor Huckaby:

We are pleased to present to you the Annual Financial Report of the University System of Georgia for the year ended June 30, 2014. The report provides financial information about the University System of Georgia's operations during the year and describes its financial position at the end of the fiscal year.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls established for this purpose, the objective of which is to provide reasonable assurance that the financial statements are free of material misstatements. Further, the officers of the various institutions of the University System of Georgia and its affiliated organizations have assured us that every effort has been made to reflect accurately the information considered important to all concerned parties.

State law, Federal guidelines, bond covenants and the by-laws of the Board of Regents require that the accounting and financial records of the University System of Georgia be audited each year. The Georgia Department of Audits and Accounts has performed the audit for fiscal 2014 and has issued an unmodified opinion, the most favorable outcome of the audit process. The State Auditor's report is located at the beginning of the financial section.

Management's discussion and analysis (MD&A) immediately follows the auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction therewith.

Respectfully submitted,

John E. Brown
Vice Chancellor for Fiscal Affairs and Treasurer
Board of Regents of the University System of Georgia

Members of the Board of Regents

The Board of Regents of the University System of Georgia was created in 1931 as a part of a reorganization of Georgia's state government. With this act, public higher education in Georgia was unified for the first time under a single governing and management authority. The governor appoints members to the Board, who each serve seven years; regents may be reappointed to subsequent terms by a sitting governor. Regents donate their time and expertise to serve the state through their governance of the University System of Georgia – the positions are voluntary ones without financial remuneration. Today the Board of Regents is composed of 19 members, five of whom are appointed from the state-at-large, and one from each of the 14 congressional districts. The Board elects a chancellor who serves as its chief executive officer and the chief administrative officer of the University System.

The Board oversees the 31 colleges and universities that comprise the University System of Georgia, and has oversight of the Georgia Archives and the Georgia Public Library System.

Members of the Board in Fiscal 2014 included the following:

C. Dean Alford
W. Paul Bowers
Lori Durden
Larry R. Ellis
Rutledge A. (Rusty) Griffin, Jr.
C. Thomas Hopkins, Jr., MD
James M. Hull
Donald M. Leebern, Jr.
Doreen Stiles Poitevint
Neil L. Pruitt, Jr. (Vice Chair)
Sachin Shailendra
E. Scott Smith
Kessel Stelling, Jr.
Benjamin"Ben" J. Tarbutton, III
Richard L. Tucker
Thomas Rogers Wade
Larry Walker
Don L. Waters
Philip A. Wilheit, Sr. (Chair)

FINANCIAL SECTION

DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

February 4, 2015

Honorable Nathan Deal, Governor
Members of the General Assembly of Georgia
Members of the Board of Regents of the
University System of Georgia
and
Honorable Henry M. Huckaby, Chancellor

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the University System of Georgia, which is an organizational unit of the State of Georgia, as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the University System of Georgia's basic 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University System of Georgia'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 University System of Georgia'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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate remaining fund information of the University System of Georgia as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the University System of Georgia are intended to present the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State of Georgia that is attributable to the transactions of the University System of Georgia. They do not purport to, and do not, present fairly the financial position of the State of Georgia as of June 30, 2014, the changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, in 2014, the University System of Georgia adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the prior period financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the University System of Georgia. The accompanying Introductory and Supplementary Information Sections, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the portion marked “unaudited” on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting or other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

Greg S. Griffin
State Auditor

GSG:th

Management's Discussion and Analysis

Introduction

The mission of the University System of Georgia (USG) is achieved through the collective missions of our state's public colleges and universities. The roles of public higher education in Georgia is to drive economic development and produce more educated individuals to contribute to the qualiy of life in the state. USG institutions are responsible for producing graduates with the requisite skills and knowledge to ensure Georgia's strong future in a knowledge-based and global economy. The individual mission and function of each institution within the USG must be aligned with the overall USG mission in order to strategically meet the higher education needs of the State.

This discussion and analysis provides a summary of the financial position of the USG for the fiscal year ending June 30, 2014. It should allow the user to review how the USG utilized its resources in pursuit of its primary goals of instruction, research and public service.

The Board of Regents and Chancellor Henry M. "Hank" Huckaby are charged with the leadership of the thirty-one institutions of the USG. The USG continues to prosper, as is demonstrated by the following information:

	STUDENT HEADCOUNT	STUDENT FTE
FY2014	309,469	274,449
FY2013	314,365	278,319
FY2012	318,027	281,559

State Resources

The General Appropriations Act of 2014 (House Bill 106), as amended by House Bill 743, appropriated a total of $1,885,486,702 to the USG.

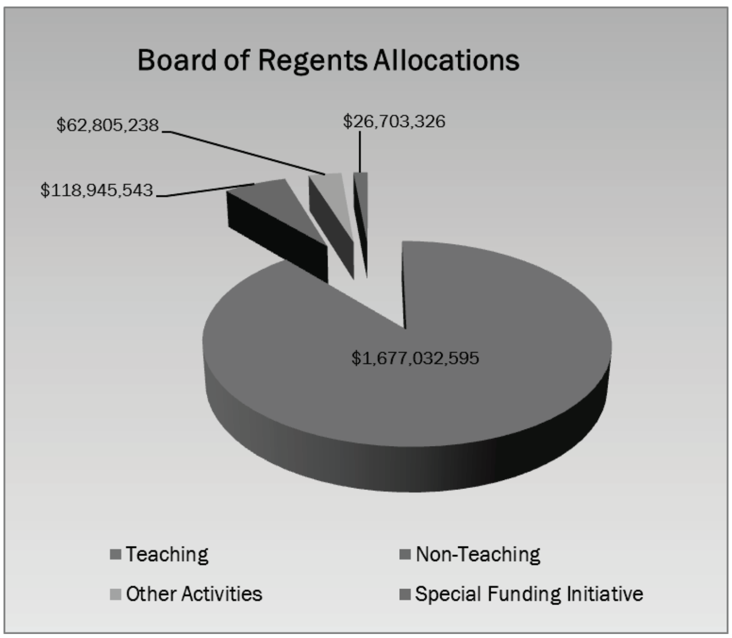
The following table presents the state appropriations available to the USG from the General Appropriations Act of 2014, as amended:

STATE APPROPRIATIONS AVAILABLE - GENERAL APPROPRIATIONS ACT OF 2014		
House Bill 106		
General State Funds	$ 1,883,128,792	
House Bill 743		
General State Funds	2,357,910	
Total State Appropriations Per Appropriations Act - University System of Georgia		$ 1,885,486,702

The following table presents the FY 2014 allocations by the Board of Regents to the USG institutions:

ALLOCATIONS BY THE BOARD OF REGENTS			
Education and General			
Teaching		$ 1,677,032,595	
Non-Teaching		118,945,543	
Other Activities			
Regents Central Office	$ 8,401,788		
Rental Payments - GA Military College	2,288,309		
GA Public Telecommunications Commission	14,513,070		
GA Public Libraries	31,497,624		
Research Consortium	6,104,447		
Total Other Activities		62,805,238	
Special Initiative Funding		26,703,326	
Total Education and General			$ 1,885,486,702
Net State Appropriations Available to the University System of Georgia			$ 1,885,486,702

The following chart illustrates the Board of Regents allocations to Teaching, Non-Teaching, Other Activities and Special Funding Initiatives:



Overview of the Financial Statements and Financial Analysis

The USG is proud to present its consolidated financial statements for fiscal year 2014. These statements contain information from the thirty-one institutions of the USG and the University System Office (USO). Each institution has prepared a separate annual financial report that is available upon request.

The emphasis of discussions about these statements will be on current year data. There are three consolidated financial statements presented: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

Fiduciary fund statements for the Board of Regents Retiree Health Benefit Fund and the Early Retirement Plan – Georgia Regents University are also included with the financial statements noted above: the

Combining Statement of Fiduciary Net Position and the Combining Statement of Changes in Fiduciary Net Position.

The Notes to the Financial Statements immediately follow the consolidated and combined fiduciary fund statements, and contain essential information that serves both to support and clarify the information presented in the financial statements preceding them.

The Required Supplementary Information section contains additional information related to the Board of Regents Retiree Health Benefit Fund and the Early Retirement Plan – Georgia Regents University as required by generally accepted accounting principles.

Finally, the Supplemental Information section includes selected information by institution as well as information on affiliated organizations that have been deemed significant to their respective institutions. This section also includes consolidated financial statements presented on a statutory/budget basis.

This discussion and analysis of the USG's consolidated financial statements provides an overview of its financial activities for the fiscal year. Further information is provided by comparative data for fiscal 2013 and 2014.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the USG as of June 30, 2014. The Statement of Net Position is a point-in-time financial statement that presents a fiscal snapshot of the USG. It presents end-of-year data about assets (current and non-current) plus deferred outflows, and liabilities (current and non-current) plus deferred inflows, as well as net position (assets plus deferred outflows minus liabilities plus deferred inflows). The differences between current and non-current assets are discussed in the Notes to the Financial Statements.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue operations as well as the obligations of the USG.

Finally, the Statement of Net Position provides a picture of the net position and its availability for expenditure by the USG. Net position is divided into three major categories.

The first category, net investment in capital assets, provides the USG's equity in property, plant and equipment owned by the institutions. The next category is restricted, which is divided into two categories, non-expendable and expendable. Restricted, non-expendable net position consists solely of the USG's permanent endowment funds, which are available only for investment purposes. The corpus of non-expendable, restricted resources is available only for investment purposes. Expendable and Expendable – Capital Projects are restricted resources available for expenditure, but these restricted resources must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted resources, which are available to the USG for any lawful purpose.

The USG's financial position at June 30, 2014 is very strong, with total assets of $11.506 billion, deferred outflows of $2.8 million, total liabilities of $6.249 billion, deferred inflows of $100.8 million, and net position of $5.159 billion.

Assets and Deferred Outflows

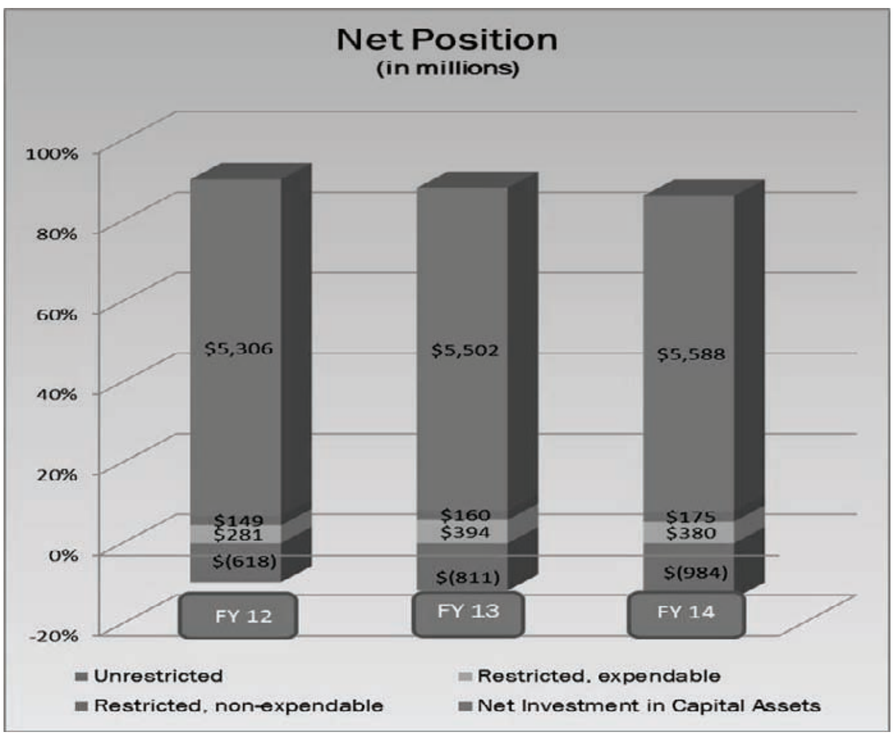
Total assets and deferred outflows of the USG in fiscal 2014 were approximately $317 million more than those reported for fiscal 2013. A review of the Statement of Net Position will reveal that the increase primarily was due to an increase of $139 million in capital assets, net of accumulated depreciation, and a $149 million increase in cash and investments.

Liabilities and Deferred Inflows

Total liabilities and deferred inflows for fiscal 2014 were approximately $403 million more than those reported for fiscal 2013. The primary components of this increase were $53 million in deposits held for other organization related to affiliated organization investments in the Board of Regents Investment Pool earnings, and $280 million in the net Other Post-Employment Benefit (OPEB) obligation.

Net Position

The combination of the increase in total assets and deferred outflows of $317 million and the increase in total liabilities and deferred inflows of $403 million yielded a net decrease in total net position of $86 million, or -1.6%. The decrease in total net position was primarily associated with the $173 decrease in Unrestricted Net resources, which is largely due to OPEB reporting requirements of the net OPEB obligation. The following chart depicts the level, by category, of net position:



The following table summarizes the USG's assets, deferred outflows, liabilities, deferred inflows and net position as of June 30, 2014 and June 30, 2013.

CONDENSED STATEMENT OF NET POSITION (in millions)	June 30, 2014	June 30, 2013	% Change
ASSETS			
Current Assets	$ 2,114	$ 1,909	10.7%
Capital Assets, Net	9,225	9,086	1.5%
Other Assets	167	197	-15.2%
TOTAL ASSETS	**$ 11,506**	**$ 11,192**	**2.8%**
DEFERRED OUTFLOWS	**$ 3**	**$ -**	
LIABILITIES			
Current Liabilities	$ 850	$ 792	7.3%
Non-Current Liabilities	5,399	5,077	6.3%
TOTAL LIABILITIES	**$ 6,249**	**$ 5,869**	**6.5%**
DEFERRED INFLOWS	**$ 101**	**$ 78**	**29.5%**
NET POSITION			
Net Investment in Capital Assets	$ 5,588	$ 5,502	1.6%
Restricted, Non-Expendable	175	160	9.4%
Restricted, Expendable	303	319	-5.0%
Restricted, Expendable - Capital Projects	77	75	2.7%
Unrestricted	(984)	(811)	21.3%
TOTAL NET POSITION	**$ 5,159**	**$ 5,245**	**-1.6%**

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues received and expenses incurred during the year. Activities are reported as either operating or non-operating. Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the USG institutions, both operating and non-operating, and the expenses paid by the institutions, operating and non-operating, and any other revenues, expenses, gains or losses received or spent by the USG institutions.

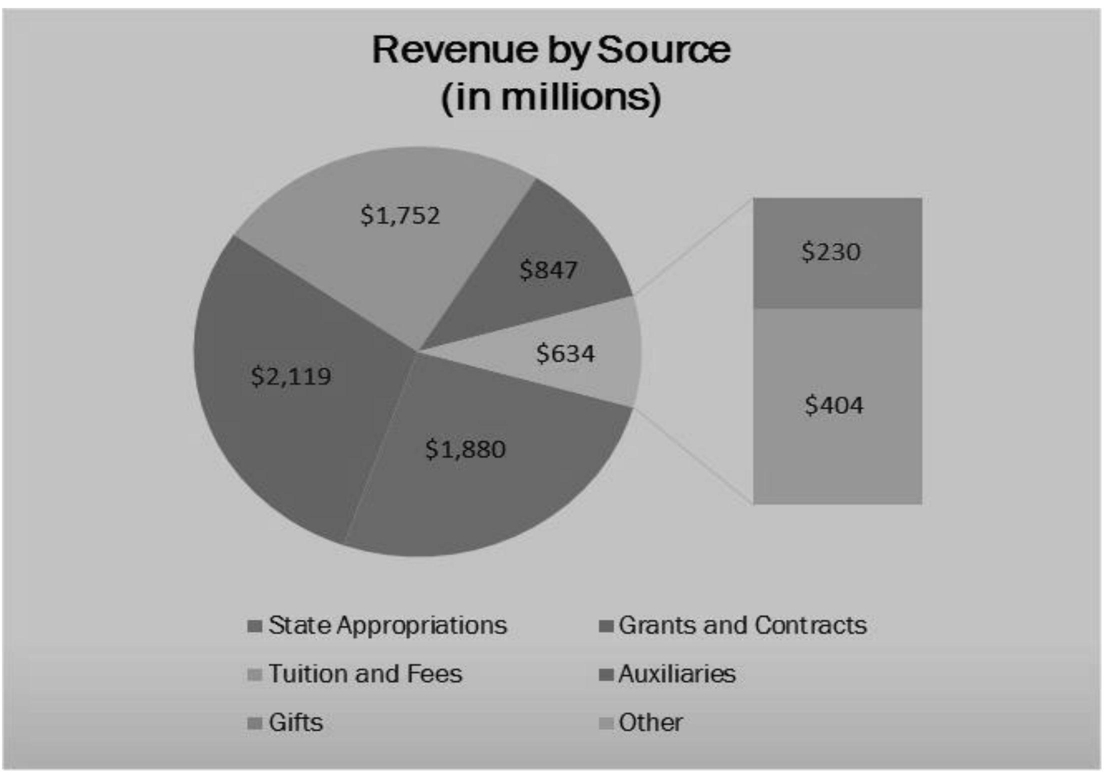
Generally, operating revenues are received for providing goods and services to the various customers and constituencies of the institutions. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institutions. Non-operating revenues are revenues received for which goods and services are not provided. For example, state appropriations are non-operating because they are provided by the legislature to the USG without the legislature directly receiving commensurate goods or services for those revenues. State capital grants and gifts and other capital grants and gifts are considered neither operating nor non-operating revenues and are reported after “Income before other revenues, expenses, gains or losses”.

Some highlights of the information presented on the Statement of Revenues, Expenses and Changes in Net Position are as follows:

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (in millions)	June 30, 2014	June 30, 2013	% Change
Operating Revenue	$ 4,434	$ 4,371	1.4%
Operating Expense	7,138	6,894	3.5%
Operating Loss	**$ (2,704)**	**$ (2,523)**	**-7.2%**
Non-Operating Revenue and Expense	$ 2,454	$ 2,348	5%
Income (Loss) before Other Revenues, Expenses, Gains, or Losses	**$ (250)**	**$ (175)**	**-42.9%**
Other Revenues, Expenses, Gains, Losses and Special Items	$ 150	$ 299	-49.8%
Increase in Net Position	**$ (100)**	**$ 124**	**-180.6%**
Net Position at beginning of year, restated	$ 5,259	$ 5,121	2.7%
Net Position at End of Year	**$ 5,159**	**$ 5,245**	**-1.6%**

Revenues

Revenue by source (state appropriations, grants and contracts, tuition and fees, auxiliaries, gifts and other sources) is depicted by the following chart:



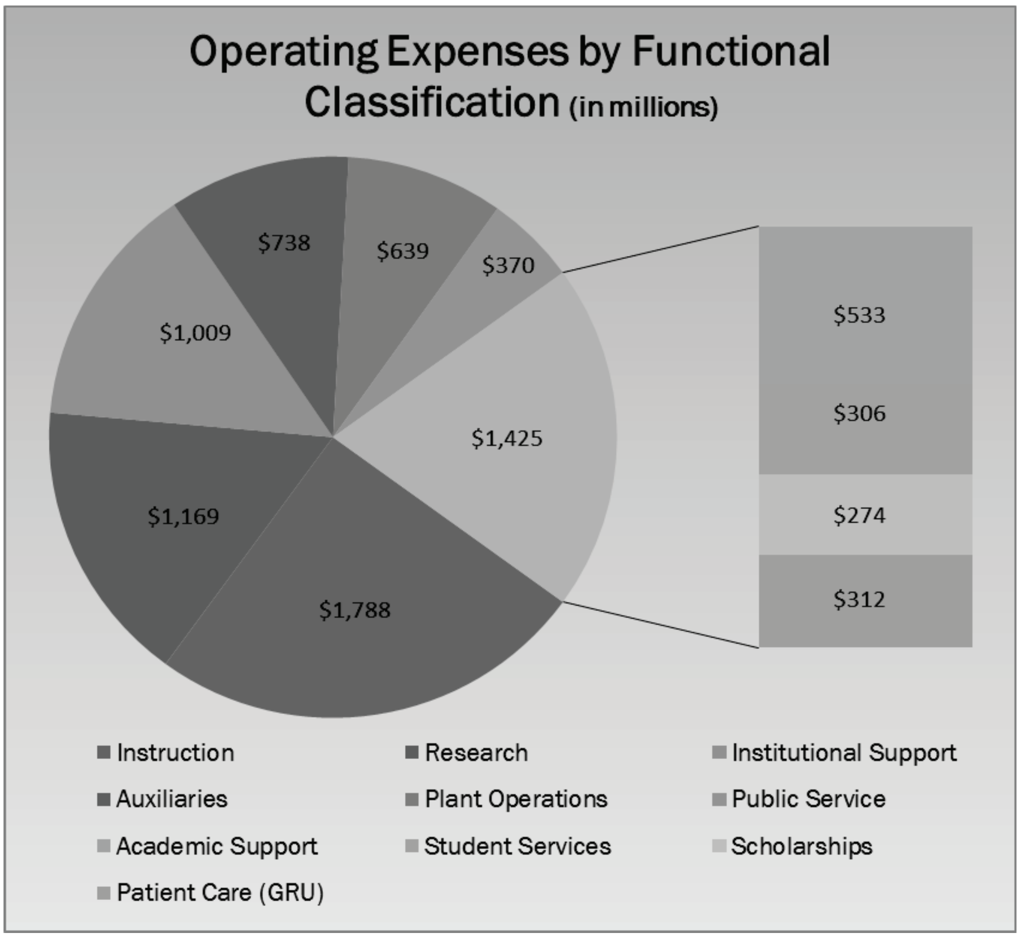
State appropriations increased $136 million (7.8%) in fiscal 2014. Grants and contracts revenue decreased $45 million (-2.1%) in fiscal 2014. Tuition and fee revenues, net increased $46 million (2.7%) in fiscal 2014 when compared with fiscal 2013.

Auxiliary operations increased by $31 million (3.8%) in fiscal 2014 as compared to fiscal 2013. Primary components of this increase included residence halls ($14 million), food services ($10 million), and intercollegiate athletics ($10 million).

The gifts revenue category includes both capital and non-capital gifts. The largest element of gift revenue relates to $115 million received from the Georgia State Financing and Investment Commission (GSFIC). Institutions within the USG receive gift revenue either through reimbursement or capital asset transfer for approved construction, capital additions or maintenance projects.

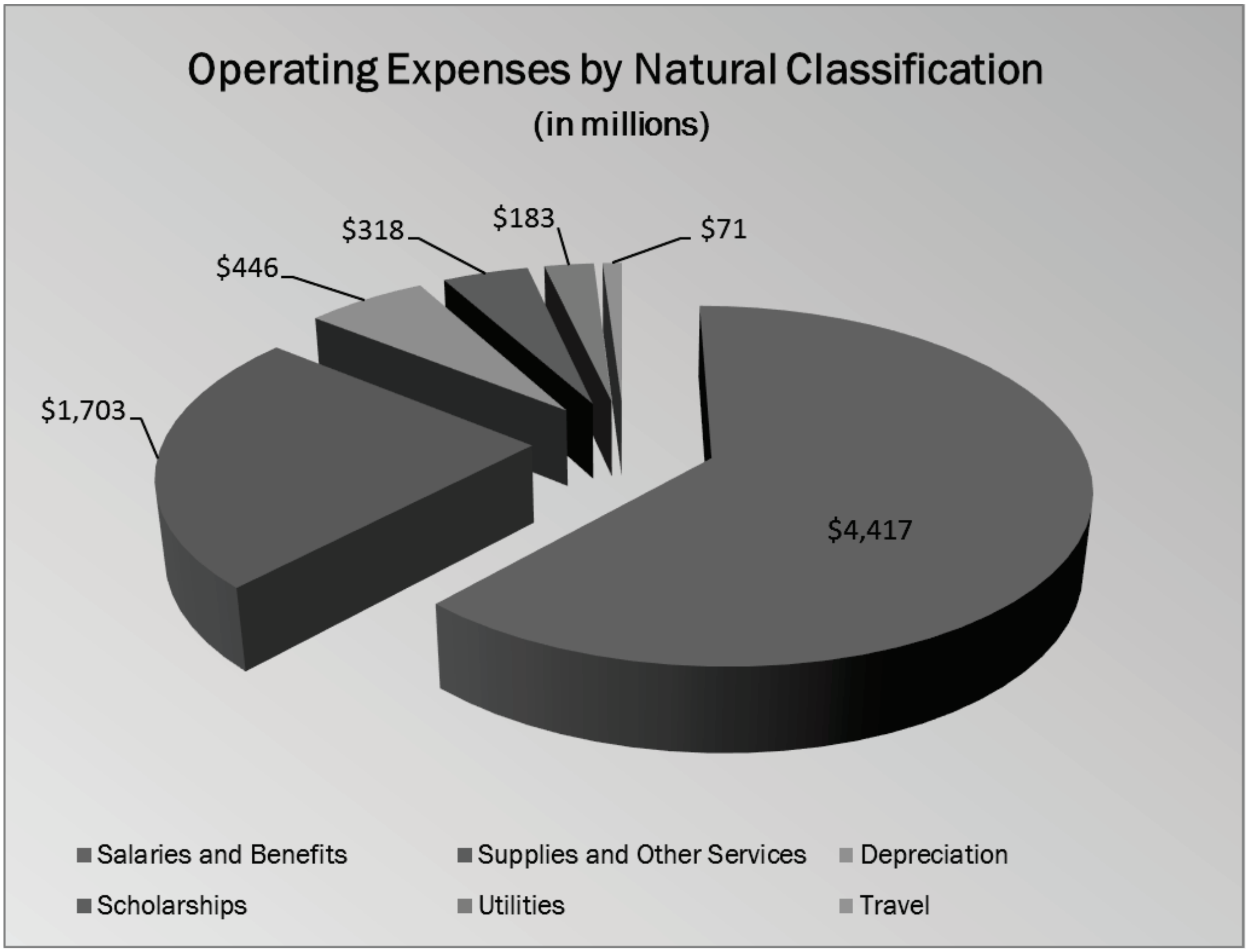
Expenses

An illustration of total operating expenses by functional classification is provided as follows:



Total operating expenses were $7,138 million in fiscal 2014, an increase of $244 million (4%) when compared with fiscal 2013. These increases are primarily attributable to the following functional classifications: Instruction ($35 million); Research ($54 million); Auxiliaries ($26 million); Academic Support ($32 million); Student Services ($8 million); Institutional Support ($79 million) and Patient Care (GRU) ($47 million). These amounts were partially offset by a decrease in Scholarships and Fellowships ($13 million); Plant Operations ($2 million); and Public Service ($22 million).

The following depicts the fiscal 2014 operating expenses by natural classification:



As noted above, expenses increased $244 million (3.5%) in fiscal 2014 when compared with fiscal 2013. The increases were substantially attributable to salaries and benefits, including other personal services ($157 million); depreciation ($2 million); supplies and other services ($89 million); utilities ($5 million) and travel ($4 million). These increases were partially offset by decreases to scholarships and fellowships ($13 million).

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity of the USG during the year and is divided into five sections. The first section is concerned with operating cash flows and reflects the net cash used by the various operating activities of the USG. The second section is related to cash flows from non-capital financing activities, which reflects the cash received and spent for non-capital financing purposes. The third section summarizes cash flows from capital and related financing activities and contains cash used for the acquisition and construction of capital and related items. The fourth section is comprised of the cash flows from investing activities and includes the purchases, proceeds and interest received from investing activities. The fifth, and final, section reconciles the net cash used to the operating income or loss as reflected on the Statement of Revenues, Expenses and Changes in Net Position.

A summary of the Statement of Cash Flows is provided below:

CONDENSED STATEMENT OF NET CASH FLOWS (in millions)	June 30, 2014	June 30, 2013
Cash Provided (Used) by:		
Operating Activities	$ (1,918)	$ (1,720)
Non-Capital Financing Activities	2,635	2,511
Capital and Related Financing Activities	(565)	(574)
Investing Activities	(3)	36
NET CHANGE IN CASH	**$ 149**	**$ 253**
Cash, beginning of year (restated)	1,302	1,051
CASH, end of year	**$ 1,451**	**$ 1,304**

Capital Assets

Capital assets, net of accumulated depreciation, at June 30, 2014 and June 30, 2013 were as follows:

CAPITAL ASSETS, net of accumulated depreciation (in millions)	June 30, 2014	June 30, 2013	Increase (Decrease)	% Change
Land	$ 362	$ 351	$ 11	3.1%
Construction in Progress	182	210	(28)	-13.3%
Infrastructure, Facilities, and Improvements	457	448	9	2.0%
Building and Improvements	5,490	5,410	80	1.5%
Equipment	410	417	(7)	-1.7%
Capital Leases	2,079	2,029	50	2.5%
Library and other collections	222	216	6	3.0%
Software	22	5	17	340.0%
Capital Assets, net of accumulated depreciation	$ 9,224	$ 9,086	$ 138	1.5%

As shown above, capital assets, net of accumulated depreciation increased $138 million, or 1.5% during fiscal 2014 when compared with fiscal 2013. Major building additions represented $80 million of the capital asset additions.

Long-Term Debt and Liabilities

The University System of Georgia had long-term debt and liabilities of $5.59 billion in fiscal 2014. Long-term liabilities included lease purchase obligations of $3.5 billion, compensated absences of $195 million, net OPEB obligation of $1.843 billion, and other long-term liabilities of $.8 million. Of these amounts, $200.7 million was reflected as current liabilities at June 30, 2014.

For additional information concerning long-term debt and liabilities of the USG, please refer to notes 1, 8 and 10 in the Notes to the Financial Statements.

Retiree Health Benefit Fund

The University System Office is the custodian of the Board of Regents Retiree Health Benefit Fund. This fund was authorized pursuant to the Official Code of Georgia Annotated Section 47-21-21 for the purpose of accumulating funds necessary to meet employer costs of retiree post-employee health insurance benefits.

As noted in the Long-Term Debt and Liabilities section above, the USG carries a net OPEB Obligation liability of $1.843 billion as of June 30, 2014. The Board of Regents continues to evaluate options to reduce this growing liability.

For additional information concerning the Retiree Health Benefit Fund, please refer to note 15 in the Notes to Financial Statements.

Early Retirement Pension Plan Fund – Georgia Regents University

Georgia Regents University Early Retirment Penison Plan (ERP) is a single-employer defined benefit pension plan administered by Bryan, Pendleton, Swats and McAlister. The plan was devised by Georgia Regents University as a means of manpower reduction and was approved by the Board of Regents of the USG of Georgia effective January 1, 2000.

For additional information concerning the Early Retirement Pension Fund, please refer to note 12 in the Notes to Financial Statements.

Affiliated Organizations

System-wide, there were twenty affiliated organizations that met one or more criteria for component units of the State of Georgia in compliance with GASB Statement No. 39. These organizations are included in the supplementary information section. Ten of these affiliated organizations are reported in the State Comprehensive Annual Financial Report (CAFR) as discretely presented component units for fiscal 2014 and ten of these affiliated organizations are reported as blended in the CAFR in compliance with GASB Statement No. 61.

Economic Outlook

An enhanced focus on ensuring that students can afford and earn degrees has resulted in an increased emphasis on restructuring public higher education in Georgia to work more efficiently and effectively. The USG is committed to timely and thorough review of programs, services and policies for currency and relevance. Additionally, the USG and its institutions are committed to measuring performance and being accountable for its decisions. Global economic indicators reveal that in the near future, two-thirds of the workforce will require post-secondary credentials to compete for jobs; thus, Georgia's education agencies are collaborating to increase college completion rates from the current level of 42 percent to a targeted 60 percent of the population.

Key areas of consideration include institutional consolidation, a study of how facilities are used and proposed, assessment of degree program effectiveness, expansion of on-line education, a more rigorous approach to K-12 teacher preparation, increased focus on supporting economic development, and enhanced military outreach.

The consolidation of ten institutions into five new ones has been successfully completed and another consolidation of two institutions is in the preliminary stages. This will allow more funding to be shifted from administration to the classroom following the USG's strategic plan of being committed to pursuing operational efficiencies and being a model steward of resouces.

As a labor-intensive organization, the USG faces competitive pressures related to attracting and retaining quality faculty and staff. As is the case nationally, the USG also faces the rising costs of health-care benefits, but will continue to take proactive measures to mitigate these rising costs.

A key component of the USG's success and future is the strong relationship with Governor Deal and the Georgia General Assembly. Due to their support, and the excellent leadership of the Board of Regents and Chancellor Huckaby, the USG will continue to progress in remaining affordable and maintaining access, while protecting the academic enterprise for the citizens of the State of Georgia.

John E. Brown
Vice Chancellor for Fiscal Affairs and Treasurer
University System of Georgia

BOARD OF REGENTS OF THE UNIVERSITY SYSTEM • OF GEORGIA •

FINANCIAL STATEMENTS

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION
June 30, 2014

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	1,448,179,831
Short-term Investments		185,555,093
Accounts Receivable, Net (Note 3)		
Receivables - Federal Financial Assistance		123,999,801
Receivables - Other		263,539,807
Inventories (Note 4)		22,257,390
Prepaid Items		70,485,264
Other Assets		370,925
Total Current Assets	$	2,114,388,111
Non-Current Assets		
Non-Current Cash	$	3,315,982
Short-term Investments		1,542,366
Investments (Externally Restricted)		68,587,674
Other Non-Current Assets		6,915,164
Investments		41,611,097
Notes Receivable, Net		44,984,887
Capital Assets, Net (Note 6)		9,224,826,502
Total Non-Current Assets	$	9,391,783,672
TOTAL ASSETS	$	11,506,171,783
Deferred Outflows of Resources		
Debt Refunding	$	2,862,046
LIABILITIES		
Current Liabilities		
Accounts Payable	$	152,389,330
Salaries Payable		17,831,769
Benefits Payable		39,846,855
Contracts Payable		15,310,050
Deposits		48,194,941
Advances (Including Tuition and Fees) (Note 7)		223,744,686
Other Liabilities		8,748,033
Deposits Held for Other Organizations		143,800,257
Lease Purchase Obligations		78,787,826
Compensated Absences		121,710,299
Total Current Liabilities	$	850,364,046

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF NET POSITION
June 30, 2014

Non-Current Liabilities (Note 8)		
Lease Purchase Obligations	$	3,472,479,122
Advances		8,432,959
Compensated Absences		73,979,486
Other Liabilities		712,595
Net OPEB Obligation		1,843,077,235
Total Non-Current Liabilities	$	5,398,681,397
TOTAL LIABILITIES	$	6,249,045,443
Deferred Inflows of Resources		
Deferred Gain on Debt Refundings	$	9,046,482
Other		15,563,057
Service Concession Arrangement		76,162,295
TOTAL DEFERRED INFLOWS	$	100,771,834
NET POSITION		
Net Investment in Capital Assets	$	5,588,531,688
Restricted		
Non-Expendable		174,994,517
Expendable		380,105,488
Unrestricted		(984,415,141)
TOTAL NET POSITION	$	5,159,216,552

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2014

OPERATING REVENUES	
Student Tuition and Fees (Net of Allowance for Doubtful Accounts)	$ 2,282,577,269
Less: Scholarship Allowances	(530,970,563)
Federal Appropriations	18,770,294
Gifts and Contributions	2,196,892
Grants and Contracts	
Federal	747,338,179
Federal Stimulus	12,008,072
State	231,774,820
Other	492,423,943
Sales and Services	182,725,700
Rents and Royalties	2,926,002
Auxiliary Enterprises	
Residence Halls	334,373,217
Bookstore	68,394,701
Food Services	168,004,883
Parking/Transportation	79,263,843
Health Services	53,364,490
Intercollegiate Athletics	114,084,641
Other Organizations	29,937,242
Other Operating Revenues	144,975,233
Total Operating Revenues	$ 4,434,168,858
OPERATING EXPENSES	
Faculty Salaries	$ 1,383,910,777
Staff Salaries	1,825,610,904
Employee Benefits	1,195,590,895
Other Personal Services	11,383,125
Travel	71,378,144
Scholarships and Fellowships	318,139,424
Utilities	183,570,984
Supplies and Other Services	1,702,974,606
Depreciation	445,565,188
Total Operating Expenses	$ 7,138,124,047
Operating Income (Loss)	$ (2,703,955,189)

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2014

NON-OPERATING REVENUES (EXPENSES)		
State Appropriations	$	1,880,492,086
Grants and Contracts		
Federal		561,567,226
Federal Stimulus		2,204,018
State		12,607,249
Other		58,546,611
Gifts		77,999,054
Investment Income		35,208,348
Interest Expense		(195,204,860)
Other Non-Operating Revenues (Expenses)		20,343,955
Net Non-Operating Revenues	$	2,453,763,687
Income (Loss) before Other Revenues, Expenses, Gains, or Losses	$	(250,191,502)
Capital Grants and Gifts		
Federal	$	11,738,741
State		115,484,795
Other		22,320,525
Special Item - Capital Asset Transfer		206,326
Total Other Revenues and Special Items	$	149,750,387
Decrease in Net Position	$	(100,441,115)
Net Position, Beginning of Year, Restated		5,259,657,667
Net Position, End of Year	$	5,159,216,552

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	$	1,766,325,605
Federal Appropriations		18,659,439
Grants and Contracts (Exchange)		1,472,827,255
Sales and Services of Educational Departments		185,746,723
Payments to Suppliers		(2,815,236,441)
Payments to Employees		(3,203,555,141)
Payments for Scholarships and Fellowships		(318,200,025)
Loans Issued to Students and Employees		(10,187,135)
Collection of Loans to Students and Employees		10,381,904
Auxiliary Enterprise Charges		839,435,151
Other Receipts (Payments)		136,269,196
Net Cash Used by Operating Activities	$	(1,917,533,469)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State Appropriations	$	1,880,492,086
Federal Stimulus Funds		(1,034,480)
Agency Fund Transactions		83,004,678
Gifts and Grants Received for Other Than Capital Purposes		661,720,453
Principal Paid on Installment Debt		(117,166)
Interest Paid on Installment Debt		(10,105)
Other Non-Operating Receipts		10,722,131
Net Cash Flows Provided by Non-Capital Financing Activities	$	2,634,777,597
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Gifts Received	$	83,192,535
Proceeds from Sales of Capital Assets		19,169,911
Purchases of Capital Assets		(382,812,798)
Principal Paid on Capital Debt and Leases		(92,134,678)
Interest Paid on Capital Debt and Leases		(192,258,636)
Net Cash Used by Capital and Related Financing Activities	$	(564,843,666)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	$	7,167,332
Interest on Investments		12,289,007
Transfer of Endowment		(76,088)
Purchase of Investments		(22,571,029)
Net Cash Provided by Investing Activities	$	(3,190,778)
Net Increase/Decrease in Cash	$	149,209,684
Cash and Cash Equivalents - Beginning of Year		1,304,490,484
Early Retirement Plan Cash Method Moved to Fiduciary Fund		(2,204,355)
Cash and Cash Equivalents - Beginning of Year (Restated)		1,302,286,129
Cash and Cash Equivalents - End of Year	$	1,451,495,813

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Income (Loss)	$ (2,703,955,189)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	445,565,188
Change in Assets and Liabilities:	30,058,080
Receivables, Net	(43,919,472)
Inventories	1,486,033
Other Assets	224,101
Prepaid items	(2,081,893)
Notes Receivable, Net	420,375
Investment in Capital Leases	124,347
Accounts Payable	19,379,926
Advances (Including Tuition and Fees)	21,036,755
Other Liabilities	14,859,089
Compensated Absences	4,367,288
Change in Deferred Inflows/Outflows:	
Deferred Inflows	5,967,644
Net OPEB Obligation	288,934,259
Net Cash Used by Operating Activities	$ (1,917,533,469)

NON-CASH TRANSACTIONS:

Capital Assets Acquired by Incurring Capital Lease Obligations	$ 133,575,150
Non-capital Items acquired by incurring Capital Lease Obligations	$ 701,676
Change in Accounts Receivable Related to GSFIC Gifts	$ 1,170,828
Change in Fair Value of Investments Recognized as a Component of Interest Income	$ 22,052,070
Special Item - Capital Asset Transfer	$ 282,414
Change in Accrued Interest Payable Affecting Interest Paid	$ 526,215
Gifts Other Than Capital Assets Reducing Proceeds of Grants and Gifts for Other Than Capital Assets	$ 31,856,205
Gift of Capital Assets Reducing Proceeds of Capital Grants and Gifts	$ 63,753,808
Reduction In Capital Lease Obligations	$ 411,204

UNIVERSITY SYSTEM OF GEORGIA
COMBINED STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS
June 30, 2014

	Pension Trust Fund - Georgia Regents University	Board of Regents Retiree Health Benefit Fund	Total
ASSETS			
Cash and Cash Equivalents	$ 6,348,522	$ 6,356,351	$ 12,704,873
Investments			
Debt Securities - Mutual Bond Fund	10,018,022		10,018,022
Bond/Equity Mutual Funds	1,360,217		1,360,217
Equity Mutual Funds - International	6,174,139		6,174,139
Equity Securities - Domestic	19,940,294		19,940,294
Equity Securities - International	2,031,690		2,031,690
Real Estate Fund	2,573,247		2,573,247
Teachers Retirement System of Georgia			
Georgia Pooled Fund	27,747,479		27,747,479
Receivables			
Employer		4,308,498	4,308,498
Employee		1,909,947	1,909,947
Total Assets	$ 76,193,610	$ 12,574,796	$ 88,768,406
LIABILITIES			
Benefits Payable		$ 12,119,357	$ 12,119,357
Other		373,920	373,920
Total Liabilities		$ 12,493,277	$ 12,493,277
NET POSITION			
Net Assets Held in Trust for Private Purposes	$ 76,193,610		$ 76,193,610
Net Assets Held in Trust for Other Postemployment Benefits		$ 81,519	81,519
Total Net Position	$ 76,193,610	$ 81,519	$ 76,275,129

UNIVERSITY SYSTEM OF GEORGIA
COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS
June 30, 2014

ADDITIONS	Pension Trust Fund - Georgia Regents University	Board of Regents Retiree Health Benefit Fund	Total
Contributions			
Employer	$ 13,084,672	$ 117,503,272	$ 130,587,944
Plan member		34,218,671	34,218,671
Investment Earnings			
Net Increase in Fair Value of Investments	11,096,562		11,096,562
Investment Income	737,421		737,421
Less: Investment Expense	(106,232)		(106,232)
Other		4,707,496	4,707,496
TOTAL ADDITIONS	$ 24,812,423	$ 156,429,439	$ 181,241,862
DEDUCTIONS			
Benefits	$ 13,054,512	$ 142,703,797	$ 155,758,309
Life Insurance Premium Expense		3,423,184	3,423,184
Administrative expense		10,437,714	10,437,714
Total Deductions	$ 13,054,512	$ 156,564,695	$ 169,619,207
Net Decrease	$ 11,757,911	$ (135,256)	$ 11,622,655
Beginning Net Position -Restated	64,435,699	216,775	64,652,474
Net Position - End of Year	$ 76,193,610	$ 81,519	$ 76,275,129

BOARD OF REGENTS OF THE UNIVERSITY SYSTEM OF GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Summary of Significant Accounting Policies

Nature of Operations

The University System of Georgia (USG) serves the state and national communities by providing its students with academic instruction that advances fundamental knowledge, and by disseminating knowledge to the people of Georgia and throughout the country.

Reporting Entity

The USG, an organizational unit of the State of Georgia, is comprised of thirty-one (31) State-supported member institutions of higher education in Georgia and the University System Office (USO). The USO also is the custodian of the Board of Regents Retiree Health Benefit Fund.

The Board of Regents has constitutional authority to govern, control and manage the University System of Georgia. This authority includes, but is not limited to, the power to designate management, the ability to significantly influence operations, the authority to control institutions' budgets, the power to determine allotments of State funds to member institutions and the authority to prescribe accounting systems and administrative policies for member institutions. The USG does not have authority to retain unexpended State appropriations (surplus) for any given fiscal year. Accordingly, all 31 institutions and the USO are considered organizational units of the Board of Regents of the USG reporting entity for financial reporting purposes because of the significance of its legal, operational, and financial relationships with the Board of Regents as defined in Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

Legally separate, tax-exempt organizations whose activities primarily support the USG, which are organizational units of the State of Georgia, are considered potential component units of the State. See Note 17, Affiliated Organizations, for additional information.

On November 12, 2013, based on the Chancellor's recommendation, the Board of Regents voted to consolidate two institutions of the USG to enhance and improve educational offerings and student success. The following mergers became effective on January 6, 2015: Southern Polytechnic State University consolidated with Kennesaw State University. The new university is also named Kennesaw State University.

Financial Statement Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the GASB and are presented as required by these standards to provide a comprehensive, entity-wide perspective of the USG's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position and cash flows.

Basis of Accounting

For financial reporting purposes, the USG is considered a special-purpose government engaged only in business-type activities. Accordingly, the USG's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-University System transactions have been eliminated.

New Accounting Pronouncements

In fiscal year 2014, the USG adopted the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities.* The provisions of this Statement clarify the use of deferred inflows of resources and deferred outflows of resources. Certain items, including those items that were previously reported as assets and liabilities, now will be reported as outflows of resources or inflows of resources. As a result of this implementation, the USG changed the classification of certain assets to deferred outflows or resources and liabilities to deferred inflows of resources.

In fiscal year 2014, the USG adopted Governmental Accounting Standards Board (GASB) Statement No. 66, *Technical Corrections – 2012, an amendment to GASB Statements No. 10 and No. 62.* The objective of this Statement is to resolve conflicting guidance by amending GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 10 was amended by removing the provision that limited fund based reporting of an entity's risk and financing activities to certain funds. GASB Statement No. 62 was amended by modifying guidance on (1) operating lease payments that vary from a straight-line basis, (2) purchases of a loan or a group of loans, and (3) recognition of servicing fees on mortgage loans that are sold when the stated service fee rate differs from a current (normal) servicing fee rate.

In fiscal year 2014, the USG adopted Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, an amendment of GASB Statement No. 25. This Statement establishes new financial reporting standards for state and local governmental pension plans that are administered through a trust or similar arrangement. This Statement resulted in changes to the actuarial calculation of total and net pesion liability and the related note disclosures and required supplementary information.

In fiscal year 2014, the USG adopted Governmental Accounting Standards Board (GASB) Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement establishes accounting and reporting requirements for state and local governments that extend or receive financial guarantees that are nonexchange transactions.

Future Accounting Pronouncements

In fiscal year 2015, the USG will adopt Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this Statement will require the USG to record a liability for its proportionate share of the Net Pension Liability of pensions plans in which it participates. Acturial estimates are currently being made to determine the USG's liability, the effects of which are believed to be material.

Cash and Cash Equivalents

Cash and Cash Equivalents consist of petty cash, demand deposits and time deposits in authorized financial institutions, and cash management pools that have the general characteristics of demand deposit accounts. This includes the State Investment Pool and the Board of Regents Short-Term Investment Pool.

Short-Term Investments

Short-Term Investments consist of investments of 90 days – 13 months. These include certificates of deposits or other time-restricted investments with original maturities of six months or more when purchased. Funds are not readily available and there is a penalty for early withdrawal.

Investments

Investments include financial instruments with terms in excess of 13 months, certain other securities for the production of revenue, land, and other real estate held as investments by endowments. The USG accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position. The Board of Regents Legal Fund, the Board of Regents Balanced Income Fund, the Board of Regents Total Return Fund, the Board of Regents Diversified Fund, and the Georgia Extended Asset Pool are included as investments.

Accounts Receivable

Accounts receivable consists of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty and staff, the majority of whom reside in the State of Georgia. Accounts receivable also includes amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the USG's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

Consumable supplies are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis. Resale inventories are valued at cost using the average-cost basis.

Non-current Cash and Investments

Cash and investments that are externally restricted and cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position.

Prepaid Items

Payments made to vendors and state and local government organizations for services that will benefit periods beyond June 30, 2014 are recorded as prepaid items. At June 30, 2014, the Early Retirement Program – Net Pension Asset of $7,178,658 was reported as a prepaid item.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the USG's capitalization policy includes all items with a unit cost of $5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that exceed $100,000 and/or significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation, which also includes amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, and copyrights, as well as software, is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 60 years for buildings, 20 to 25 years for infrastructure and land improvements, 10 years for library books, and 3 to 20 years for equipment. Residual values will generally be 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements.

To fully understand plant additions in the USG, it is necessary to look at the activities of the Georgia State Financing and Investment Commission (GSFIC) – an organization that is external to the System. GSFIC issues bonds for and on behalf of the State of Georgia, pursuant to powers granted to it in the Constitution of the State of Georgia and the Act creating the GSFIC. The bonds so issued constitute direct and general obligations of the State of Georgia, to the payment of which the full faith, credit and taxing power of the State are pledged.

For projects managed by GSFIC, GSFIC retains construction in progress in its accounting records throughout the construction period and transfers the entire project to the institutional unit of the University System when complete. For projects managed by institutions of the USG, the institutions retain construction in progress on their books and are reimbursed by GSFIC.

Deposits

Deposits represent good faith deposits from students to reserve housing assignments in institutional residence halls.

Advances

Advances include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Advances also include amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences

Employee vacation pay is accrued at the end of the fiscal year for financial statement purposes. The liability and expense incurred are recorded at the end of the fiscal year as compensated absences in the Statement of Net Position, and as a component of compensation and benefit expense in the Statements of Revenues, Expenses, and Changes in Net Position.

Non-current Liabilities

Non-current liabilities include: (1) liabilities that will not be paid within the next fiscal year; (2) capital lease obligations with contractual maturities greater than one year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as non-current assets.

Service Concession Agreements

Service concession agreements are arrangements between a government (transferor, one of our institutions) and a third party (operator) in which all of the following criteria are met:

a. The institution conveys to the operator the right and obligation to provide public services through the use and operation of a capital asset in exchange for significant consideration. Significant consideration could be in the form of up-front payments, installment payments, a new facility or improvements to existing facility.
b. The operator collects and is compensated by fees from third parties.
c. The institution has the ability to modify or approve what services the operator is required to provide, to whom services are provided, and prices or rates that can be charged for those services.
d. The institution is entitled to significant residual interest in the service utility of the asset at the end of the arrangement.

At June 30, 2014, the USG had service concession agreements totaling $76 million.

At June 30, 2014, Kennesaw State University (KSU) had three Service Concession Agreements:

1. In August 2001, KSU entered into an agreement with Kennesaw State University Foundation, Inc. (KSUF) whereby KSUF will operate and collect revenues for housing operations from students.

KSUF is required to operate the dormitory ("University Place") in accordance with a contractual agreement between the parties. Under the terms of the agreement, KSU received no funds upfront from KSUF, but will take full ownership of the dormitory at the end of the operating agreement (June, 2031).

2. In August 2003, KSU entered into an agreement with Kennesaw State University Foundation, Inc. (KSUF) whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the dormitory ("University Village") in accordance with a contractual agreement between the parties. Under the terms of the agreement, KSU received no funds upfront from KSUF, but will take full ownership of the dormitory at the end of the operating agreement (June, 2034).

3. In August 2007, KSU entered into an agreement with Kennesaw State University Foundation, Inc. (KSUF) whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the dormitory ("University Suites") in accordance with a contractual agreement between the parties. Under the terms of the agreement, KSU received no funds upfront from KSUF, but will take full ownership of the dormitory at the end of the operating agreement (June, 2037).

At June 30, 2014, KSU reports the three dormitories as Capital Assets with a net carrying value of $74,302,295. For fiscal year 2014, KSU reported a remaining Deferred Inflow of Resources of $74,302,295 and amortized revenue of $3,582,189. Finally, as part of the contractual agreement, KSUF is responsible for insuring each of the three dormitories and for providing maintenance services. As such, the University has no reportable future obligation for these services.

On May 13, 2014 Georgia Gwinnett College (GGC) entered into an agreement with Aramark Educational Services, LLC (Aramark), whereby Aramark will operate food services operations from service recipients. Aramark is required to operate the food service facilities in accordance with the contractual agreement. Under the terms of the contract Aramark committed to a lump sum upfront payment of $360,000.

Under the terms of the agreement, GGC will receive three yearly installment payments of $500,000 from Aramark with a total value of $1,500,000.

GGC recorded a deferred inflow of resources of $1,860,000 and an accounts receivable of $1,860,000 for this contractual commitment.

In addition to any upfront or installment payments, GGC keeps a portion of meal plan revenues each semester and eighty-eight percent of each semesters' revenue is remitted to Aramark. The agreement is renewable each year for ten years.

Net Position

The USG's net position is classified as follows:

Net Investment in capital assets: This represents the USG's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets. The term "debt obligations" as used in this definition does not include debt of the GSFIC as discussed previously in Note 1 – Capital Assets section.

Restricted – nonexpendable includes endowments and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. For Institution-controlled, donor-restricted endowments, the by-laws of the Board of Regents of the University System of Georgia permits each individual Institution to use prudent judgment in the spending of current realized and unrealized endowment appreciation. Donor-restricted endowment appreciation is periodically transferred to restricted – expendable accounts for expenditure as specified by the purpose of the endowment. Each University/College maintains pertinent information related to each endowment fund including donor; amount and date of donation; restrictions by the source of limitations; limitations on investments, etc.

Restricted - expendable includes resources in which the USG is legally or contractually obligated to spend resources in accordance with restrictions by external third parties. Expendable, restricted net position at June 30, 2014 included the following:

Restricted - E&G and Other Organized Activities	$ 137,980,207
Federal Loans	42,031,287
Institutional Loans	25,019,962
Term Endowments	3,676,182
Quasi-Endowments	16,876,844
Health Insurance Reserve	77,831,695
Total Restricted Expendable	$ 303,416,177

Expendable, restricted – capital projects represents resources for which the USG is legally or contractually obligated to spend resources for capital projects in accordance with restrictions imposed by external third parties totaled $76,689,311 at June 30, 2014.

Unrestricted represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the USG, and may be used at the discretion of the governing board to meet current expenses for those purposes, except for unexpended state appropriations (surplus). Unexpended state appropriations must be refunded to the Board of Regents of the USG, USO for remittance to the Office of the State Treasurer. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff. Unrestricted net position included the following items at June 30, 2014, which are quasi-restricted by management:

R & R Reserve	$ 187,986,260
Reserve for Encumbrances	378,100,095
Reserve for Inventory	33,781,499
Other Unrestricted	(1,584,282,995)
Total Unrestricted Net Assets	$ (984,415,141)

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University System's policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

Income Taxes
The USG, as a political subdivision of the State of Georgia, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

Classification of Revenues and Expenses
The Statement of Revenues, Expenses and Changes in Net Position classifies fiscal year activity as operating and non-operating according to the following criteria:

Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) certain federal, state and local grants and contracts, and (3) sales and services.

Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenue by GASB No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.

Operating expense includes activities that have the characteristics of exchange transactions.

Non-operating expense includes activities that have the characteristics of non-exchange transactions, such as capital financing costs and costs related to investment activity.

Scholarship Allowances
Student tuition and fee revenues, and certain other revenues from students, are reported at gross with a contra revenue account of scholarship allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship allowances are the difference between the stated charge for goods and services provided by the USG, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs are recorded as either operating or non-operating revenues in the USG's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University System has recorded contra revenue for scholarship allowances.

Special Items
On June 4, 1997, the Atlanta Chapter of the Professional Construction Estimators Association and its successor, the America Society of Professional Estimators, Atlanta Chapter, contributed a gift of cash to create an endowment funded scholarship with the Southern Polytechnic State University. On July 12, 2013, the donor requested that the remaining proceeds in this endowment be transferred to the Southern Polytechnic State University Foundation. On July 23, 2013, the Golden Hammer Scholarship Fund balances of $76,088 was transferred to the Foundation. This transfer is reflected as a Special Item Transfer on the Statement of Revenues, Expense and Changes in Net Position.

The Georgia Division of Archives and History was transferred from the Office of the Secretary of State to the USG effective July 1, 2013. On July 1, 2013, the Georgia Archives building had a reported gross book value of $44,297,978 and accumulated depreciation of $8,305,870, for a net book value of $35,992,108. The building was acquired in 2003 through a 50-year annually renewable lease with the University Financing Foundation. The remaining net lease obligation at the date of transfer was $35,709,693. The net transfer of $282,414 is noted as a Special Item Transfer on the Statement of Revenues, Expenses and Changes in Net Position.

Restatement of Prior Year Net Position
The following institutions had restatements of prior year balances in fiscal year 2014:

In conformity with Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans,* the Georgia Regents University Early Retirement Plan previously reported as agency funds was reclassified as a Pension Trust Fund in the amount of $64,435,699. Beginning net position was restated for the amount previously reported as agency funds and the initial plan contributions that were remitted to the Office of the State Treasurer and were invested with other retirement funds held by the state, as well as amounts remitted to the plan administrator for payment to beneficiaries.

Institution		Effect on Beginning Net Position
Bainbridge State College		688,503
Clayton State University		6,826
Georgia Gwinnett College		6,663,614
Georgia Highlands College		(307,801)
Georgia Perimeter College		25,666
Georgia Southern University	$	3,016,460
Southern Polytechnic State University		(4,230,862)
University System Office		8,398,592
Total	$	14,260,998

Georgia Southern University had a restatement of prior year net position, increasing beginning net position by $3,016,460, which includes an increase in buildings of $5,207,899 and a decrease in equipment of $2,191,439. These adjustments were made to correct errors in capital assets related to the Herty Advance Material Center, which was merged with Georgia Southern University in fiscal year 2013.

Valdosta State University had a restatement of prior year net position, due to removing the maintenance from certain capital lease obligations. This affected the long-term liabilities by an offsetting amount ($2,974,526); therefore, beginning net position was unchanged.

Clayton State University had a restatement of prior year net assets, increasing beginning net assets by $6,826. This is due to adding capital assets that met the capitalization threshold, but was not originally recorded.

Georgia College & State University had a restatement of prior year capital assets, decreasing beginning capital leased assets by $4,289,687. This decrease in assets was offset by a decrease to beginning capital lease liability of the same amount, $4,289,687, which resulted in no overall effect to beginning net position. This restatement was due to a correction necessitated by a change in accounting principle that required adjustments to bring capital lease liabilities of the University and related asset values in line and consistent with the Georgia College & State University Foundation, Inc.'s asset values in accordance with GASB Statement No. 61.

Southern Polytechnic State University had a restatement of prior year net position, decreasing beginning net position by $4,230,862. This was due to correction of errors that decreased capital assets, net by $3,881,309, and increased capital lease obligations by $349,553.

Bainbridge State College had a restatement of prior year net position, increasing beginning net position by $688,503. During the course of expanding and renovating an academic building during the year, it was determined that the useful life of the original building asset should have been increased to coincide with the useful life of the expansion/renovations. This subsequently increased the reported amount of capital assets, net and net position.

Georgia Gwinnett College had a restatement of prior year net position, increasing beginning net position by $6,663,614. In fiscal year 2014, the accounting treatment for leased buildings were adjusted to adhere to the capitalization thresholds as set forth in the University System of Georgia's capital assets guidelines.

Georgia Highlands College had a restatement of prior year net position, decreasing beginning net position by $307,801. This was due to the removing of construction work-in-progress for the GSFIC managed Academic Building project that was being retained on GSFIC's books until the completion of the project.

Georgia Perimeter College had a restatement of prior year net position, increasing beginning net position by $25,666. This was primarily due to capitalizing an equipment asset in fiscal year 2014 that was purchased in fiscal year 2013, but also includes equipment asset reinstatements and an asset re-categorization.

The University System Office had a restatement of prior year net position, increasing beginning net position by $8,398,532. This was due to an understatement in FY 2013 of the employer contribution for retiree post-employment life insurance benefits.

Note 2 Deposits and Investments

A. Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the USG's deposits may not be recovered. Funds belonging to the State of Georgia (and thus the USG) cannot be placed in a depository paying interest longer than ten days without the depository providing a surety bond to the State. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in the Official Code of Georgia Annotated Section 50-17-59:

1. Bonds, bills, notes, certificates of indebtedness, or other direct obligations of the United States or of the State of Georgia.

2. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia.

3. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.

4. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia.

5. Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest and debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm

6. Credit Banks, the Federal Home Loan Mortgage Association and the Federal National Mortgage Association.

7. Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.

The Treasurer of the Board of Regents is responsible for all details relative to furnishing the required depository protection for all units of the USG.

At June 30, 2014, the carrying value of deposits was $569,169,217 and the bank balance was $603,450,985. Of the USG's deposits, $594,221,943 was uninsured. Of these uninsured deposits, $84,777,669 were collateralized with securities held by the financial institution's trust department or agent in the USG's name, $509,254,281 were collateralized with securities held by the financial institutions, by it trust department or agency, but not in the USG's name and $189,993 were uncollateralized.

B. Investments

The USG maintains an investment policy which fosters sound and prudent judgment in the management of assets to ensure safety of capital consistent with the fiduciary responsibility each institution has to the citizens of Georgia and which conforms to Board of Regents investment policy. All investments are consistent with donor intent, Board of Regents policy, and applicable federal and state laws.

The USG's investments as of June 30, 2014 are presented below: investments are presented by investment type and debt securities are presented by maturity.

		Investment Maturity				
Investment type	Fair Value	Less Than 3 Months	4-12 Months	1-5 Years	6-10 Years	More Than 10 Years
Debt Securities						
U.S. Treasuries	$ 8,437,116		$ 1,191,911	$ 2,102,977	$ 5,048,858	$ 93,370
U.S. Agencies - Explicitly Guaranteed	75,413,624			13,065,458	62,344,890	3,276
U.S. Agencies - Implicitly Guaranteed	399,888,612	2,724,591	5,600,521	111,017,724	60,265,275	220,280,501
Bond Securities	47,327,138			4,967,692	37,827,566	4,531,880
Corporate Bonds	101,419		4,778	55,630	41,011	
Corporate Debt	214,218	11,383	19,333	55,143	128,359	
General Obligation Bonds	1,078,460		80,610	602,853	394,997	
Money Market Mutual Fund	20,733,040	20,733,040				
Municipal Bonds						
Mutual Funds - Bonds	19,624,702	6,856	47,047	8,364,276	8,402,522	2,804,001
Repurchase Agreements	2,508,497	2,508,497				
	$ 575,326,826	$ 25,984,367	$ 6,944,200	$ 140,231,753	$ 174,453,478	$ 227,713,028
Other Investments						
Bond/Equity Mutual Funds	9,712,264					
Bond Exchange - Traded Funds	853,466					
Bond/Equity Mutual Funds - International	132,890					
Cash Surrender Value	322,824					
Common Stock	808,597					
Equity Mutual Funds - Domestic	48,002,766					
Equity Mutual Funds - International	7,705,371					
Equity Securities - Domestic	90,633,697					
Equity Securities - International	2,508,817					
Real Estate Fund	8,434,654					
Real Estate Held for Investments	6,151,982					
Real Estate Investment Trusts	582,848					
Open-end Mutual Fund	14,891					
Miscellaneous Holdings	98,500					
Investment Pools						
Office of the State Treasurer						
Georgia Fund 1	475,116,471					
Georgia Extended Asset Pool	6,843,092					
Teachers Retirement System of Georgia						
Georgia Pooled Index Fund	27,747,479					
	$ 1,260,997,435					

The Georgia Fund 1 Investment Pool, managed by the Office of the State Treasurer, is not registered with the Securities and Exchange Commission as an investment company. This investment is valued at the pool's share price, $1.00 per share. The Georgia Fund 1 Investment Pool is an AAAf rated investment pool by Standard and Poor's; the weighted average maturity of the fund is 62 days.

The Georgia Extended Asset Pool, managed by the Office of the State Treasurer, is not registered with the Securities and Exchange Commission as an investment company. Net asset value (NAV) is calculated daily to determine current share price, which was $1.99 at June 30, 2014. The Georgia Extended Asset Pool is an AAA+f rated investment pool by Standard and Poor's; the weighted average maturity of the fund is 0.22 years.

The USO serves as fiscal agent for various units of the USG and affiliated organizations. The USO pools the monies of these organizations with the USO's monies for investment purposes. The USO cannot allocate pool investments between the internal (USG) and external (affiliated organizations) investment pool portions. The investment pool is not registered with the SEC as an investment company. The fair value of the investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns.
The USO maintains investment policy guidelines for each fund within the investment pool that is offered to qualified USG participants. These policies are intended to foster the sound and prudent responsibility each institution has to the citizens of Georgia and which conforms to the Board of Regents investment policy.
All investments must be consistent with donor intent, Board of Regents policy, and applicable Federal and state laws.

Units of the USG and their affiliated organizations are eligible to participate in the Pooled Investment Fund program. Although the underlying investment instruments of the Pooled Investment Fund program have been reported for investment disclosure purposes, the overall characteristics of each of the pooled fund portfolios within the Pooled Investment Fund program are described below.

Short Term Fund

The Short Term fund provides a current return and stability of principal while affording a means of overnight liquidity for projected cash needs. The investment maturities of the fund will range between daily and two years. The market value of the Short Term Fund at June 30, 2014 was $353,832,444.

Legal Fund

The Legal fund provides an opportunity for greater income and modest principal growth to the extent possible with the securities allowed under Georgia Code 50-17-59 and 50-17-63. The average maturity of this fund typically ranges between five and ten years, with a maximum of thirty years for any individual investment. The overall character of the portfolio should be one of treasury and agency quality, possessing virtually no degree of financial risk. The market value of the Legal Fund at June 30, 2014 was $17,548,776.

Balanced Income Fund

The Balanced Income fund is designed to be a vehicle to invest funds that are not subject to the state regulations concerning investing in equities. This fund is comprised of fixed income, equity and cash equivalent instruments.

The equity allocation range shall be between 30% and 40%, with a target of 35% of the total portfolio. The fixed income (bond) portion of the portfolio shall be between 60% and 70%, with a target of 65% of the total portfolio. Reserves for contingencies and stock and bond purchases are expected to comprise the balance of the fund. Reserves and excess income should be invested at all times in practical amounts. Reserves can be invested in high quality institutional money market mutual funds or other high quality, short term instruments. The market value of the Balanced Income Fund at June 30, 2014 was $5,409,197.

Total Return Fund

The Total Return fund is another pool designed to be a vehicle to invest funds that are not subject to state regulations concerning investing in equities. This pool offers the greatest percentage of overall equity exposure, with well over half of the funds typically invested in equities.

The equity allocation range shall be between 60% and 70%, with a target of 65% of the total portfolio. The fixed income (bond) portion of the portfolio shall be between 30% and 40%, with a target of 35% of the total portfolio. Reserves for contingencies and stock and bond purchases are expected to comprise the balance of the fund. Reserves and excess income should be invested at all times in practical amounts. Reserves can be invested in high quality institutional money market mutual funds or other high quality, short term instruments. The market value of the Total Return Fund at June 30, 2014 was $12,611,857.

Diversified Fund

The Diversified fund is designed to gain further diversification and increase exposures to assets that have lower correlation to equity and bond markets by utilizing alternative asset classes. In addition, this fund is constructed to build an optimal portfolio where return is increased and risk is reduced.

The equity allocation range shall be between 50% and 75% of the portfolio. The fixed income (bond) portion of the portfolio shall be between 20% and 40%. The portfolio may also consist of Hedge Funds, Real Estate and Venture Capital/Private Equity/Post Venture Capital.

Hedge Funds – The investment approach to this asset class is to use a multi-strategy, multi-manager fund of hedge funds. The Board of Regents believes that a fund of fund strategy will provide the best access to a highly diversified pool of hedge fund strategies and managers.

Real Estate – The investment approach to investing in this asset class is to use real estate investment trusts (REITs). REITs are more liquid than owning commercial real estate and diversification can be achieved by purchasing a mutual fund.

Venture Capital/Private Equity/Post Venture Capital – This asset class is the riskiest and most volatile permitted investment opportunity. This asset should be considered as an additional diversification investment strategy due to the low correlation with stock and bonds.

Reserves for contingencies and stock and bond purchases are expected to comprise the balance of the fund. Reserves and excess income should be invested at all times in practical amounts. Reserves can be invested in high quality, institutional money market mutual funds or other high quality, short term instruments. The market value of the Diversified Fund at June 30, 2014 was $157,110,087.

Condensed financial information for the investment pool is as follows:

Regents Investment Pool
Statement of Net Position
June 30, 2014

Assets	
Investments	$ 545,959,998
Accrued Interest	552,363
Net Assets	$ 546,512,361
Distribution of Net Assets	
External Participant Account Balance	$ 30,358,254
Internal Participant Account Balance	516,154,107
Total Distribution	$ 546,512,361

Regents Investment Pool
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2014

Additions		
Pool Participant Deposits	$	92,445,941
Investment Income		15,446,010
Fair Value Decreases		12,277,563
Less: Investment Expense		(192,847)
Total Additions	$	119,976,667
Deductions		
Pool Participant Withdrawals		(35,418,274)
Net Increase (Decrease)	$	84,558,393
Net Assets		
July 1, 2013		461,953,968
June 30, 2014	$	546,512,361

Investment Risks:

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Board of Regents policy for managing interest rate risk is contained in the investment policy guidelines for the various pooled funds:

1. In the Short Term fund, the average maturity of the fixed income portfolio shall not exceed three years.

2. In all the other pooled funds, the average maturity of the fixed income portfolio shall not exceed ten years.

3. Fixed income investments, except in the Diversified Fund, shall be limited to U.S. government agency and corporate debt instruments that meet investment eligibility under Georgia Code 50-17-63.

4. The fixed income target allocation is defined in the investment policy guidelines for each pooled investment fund. These targets may be modified upon recommendation of the fund's investment manager and approval by the Board of Regents.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the USG will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The USG's policy for managing custodial credit risk for investments is:

1. The USG has appointed a Federally regulated banking institution as custodian. The custodian performs its duties to the standards of a professional custodian and is liable to the USG for claims, losses, liabilities and expenses arising from its failure to exercise ordinary care, its willful misconduct, or its failure to otherwise act in accordance with the contract.

2. All securities transactions are to be settled on a delivery vs. payment basis through an approved depository institution such as the Depository Trust Company or the Federal Reserve.

3. Repurchase agreements are to be collateralized by United States Treasury securities at 102% of the market value of the investment at all times.

At June 30, 2014, $670,663,237 of the USG's applicable investments was uninsured and held by the investment's counterparty in the USG's name.

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The USG's policy for managing credit quality risk is contained in the investment policy guidelines for the various pooled investment funds:

In all pooled funds except the Diversified Fund, all debt issues must be eligible investments under Georgia Code 50-17-63. Portfolios of debt security funds also must meet the eligible investment criteria under the same code section.

1. The Diversified Fund is permitted to invest in non-investment grade debt issues up to a limit of 15% of the entire portfolio.

The USG investments subject to credit quality risk follow:

	Fair Value	AAAm	AAA	AA+	A	BBB	Not Rated
Related Debt Investments							
U.S. Treasuries	$8,437,116		$4,568,061	$3,715,148			$153,907
U.S. Agencies	399,888,612		2,168,019	3,152,882			394,567,711
Bond Securities	47,327,138						47,327,138
Corporate Bonds	101,419			21,258	40,056	40,105	
Corporate Debt	214,218			27,560	57,037	16,821	112,800
General Obligation Bonds	1,078,460						1,078,460
Money Market Mutual Fund	20,733,040	2,603,139					18,129,901
Mutual Bond Fund	19,624,702		51,277	1,195,924	50,550	589,605	17,737,346
Repurchase Agreements	2,508,497			2,508,497			
	$499,913,202	$2,603,139	$6,787,357	$10,621,269	$147,643	$646,531	$479,107,263

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The USG's policy for managing concentration of credit risk is to diversify investments to the extent that any single issuer shall be limited to 5% of the market value in a particular investment fund. The following U.S. agency investments exceeded 5% of the total reported investment amount as of June 30, 2014:

Investment	Amount	% of Total
Federal National Mortgage Association	$ 300,066,539	23.8%
Federal Home Loan Mortgage Corporation	$ 97,935,179	7.8%

Note 3 Accounts Receivable

Accounts receivable consisted of the following at June 30, 2014:

Student Tuition and Fees	$ 58,147,897
Auxiliary Enterprises and Other Operating Activities	25,188,087
Federal Financial Assistance	123,999,801
Georgia State Financing and Investment Commission	13,927,807
Due from Affiliated Organizations	137,234,074
Other	57,506,281
	416,003,947
Less: Allowance for Doubtful Accounts	28,464,339
Net Accounts Receivable	$ 387,539,608

Note 4 Inventories

Inventories consisted of the following at June 30, 2014:

Bookstore	$ 16,204,803
Food Services	1,571,547
Physical Plant	3,601,121
Other	879,919
Total	$ 22,257,390

Note 5 Notes/Loans Receivable

The Federal Perkins Loan Program (the Program) comprises substantially all of the loans receivable at June 30, 2014. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The Federal government reimburses the University System for amounts cancelled under these provisions. As the University System determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The University System has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2014, the allowance for uncollectible loans was $1,907,839.

Note 6 Capital Assets

Changes in capital assets for the year ended June 30, 2014 are shown below:

	Beginning Balance 7/1/2013	Adjustments	Restated Beginning Balance 7/1/2013	Special Transfer	Additions	Reductions	Ending Balance 6/30/2014
Capital Assets, Not Being Depreciated:							
Land	$ 351,051,644	$ 354,448	$ 351,406,092	$	$ 11,155,830	966,051	361,595,871
Capitalized Collections	44,393,191		44,393,191		641,191	8,500	45,025,882
Construction Work-in-Progress	209,687,181	(3,991,879)	205,695,302		158,873,664	182,815,740	181,753,226
Total Capital Assets Not Being Depreciated	$ 605,132,016	$ (3,637,431)	$ 601,494,585	$	$ 170,670,685	183,790,291	588,374,979
Capital Assets, Being Depreciated:							
Infrastructure	$ 308,495,096	$ 3,262,973	$ 311,758,069	$	19,962,254	18,650	331,701,673
Building and Building Improvements	7,749,252,970	12,394,183	7,761,647,153		265,195,909	3,664,852	8,023,178,210
Facilities and Other Improvements	367,084,251	(1,022,116)	366,062,135		13,748,514	1,147,831	378,662,818
Equipment	1,405,982,646	(30,719,509)	1,375,263,137		127,470,475	47,460,766	1,455,272,846
Capital Leases	2,408,800,762	13,468,597	2,422,269,359	44,297,978	105,610,228	18,968,700	2,553,208,865
Library Collections	804,303,714	100,683	804,404,397		34,136,368	1,748,508	836,792,257
Capitalized Collections	7,594,594	(90,003)	7,504,591		13,778		7,518,369
Software	20,361,211	-	20,361,211		18,524,941		38,886,152
Total Assets Being Depreciated	$ 13,071,875,244	(2,605,192)	$ 13,069,270,052	$ 44,297,978	584,662,467	73,009,307	13,625,221,190
Less: Accumulated Depreciation							
Infrastructure	$ 98,957,480	$ 443,145	$ 99,400,625	$	13,369,584		112,770,209
Buildings and Building Improvements	2,339,831,253	1,765,218	2,341,596,471		194,863,806	3,026,058	2,533,434,219
Facilities and Other improvements	128,501,291	187,469	128,688,760		12,120,025	680,596	140,128,189
Equipment	988,837,359	(10,873,065)	977,964,294		111,279,626	44,649,170	1,044,594,750
Capital Leases	379,511,395	5,609,448	385,120,843	8,305,870	80,798,017	681,813	473,542,917
Library Collections	638,983,951	(2,320,786)	636,663,165		31,276,264	1,760,690	666,178,739
Capitalized Collections	1,004,047	(1,798)	1,002,249		142,666		1,144,915
Software	15,260,529	-	15,260,529		1,715,200		16,975,729
Total Accumulated Depreciation	$ 4,590,887,305	$ (5,190,369)	$ 4,585,696,936	$ 8,305,870	445,565,188	50,798,327	4,988,769,667
Total Capital Assets, Being Depreciated, Net	$ 8,480,987,939	$ 2,585,177	$ 8,483,573,116	$ 35,992,108	139,097,279	22,210,980	8,636,451,523
Capital Assets, net	$ 9,086,119,955	$ (1,052,254)	$ 9,085,067,701	$ 35,992,108	$ 309,767,964	206,001,271	9,224,826,502

Note 7 Advances (Including Tuition and Fees)

Advances, including tuition and fees (current portion) consisted of the following at June 30, 2014:

Prepaid Tuition and Fees	$ 133,215,880
Research	40,408,725
Other Advances	50,120,081
Total	$ 223,744,686

Note 8 Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Restated Beginning Balance July 1, 2013	Additions	Reductions	Ending Balance June 30, 2014	Current Portion
Leases					
Lease Obligations	$ 3,490,926,928	$ 169,523,840	$ 109,183,820	$ 3,551,266,948	$ 78,787,826
Other Liabilities					
Compensated Absences	$ 190,978,502	$ 136,289,102	$ 131,577,819	$ 195,689,785	$ 121,710,299
Net OPEB Obligation	1,554,142,976	288,934,259		1,843,077,235	
Other Long Term Liabilities	955,515	46,605	119,335	882,785	170,190
Total	$ 1,746,076,993	$ 425,269,966	$ 131,697,154	$ 2,039,649,805	$ 121,880,489
Total Long-Term Obligations	$ 5,237,003,921	$ 594,793,806	$ 240,880,974	$ 5,590,916,753	$ 200,668,315

Note 9 Significant Commitments

The USG had significant unearned, outstanding construction or renovation contracts executed in the amount of $164,751,464 as of June 30, 2014, which are not reflected in the accompanying basic financial statements.

Institution	Commitment Amount	Project
Abraham Baldwin Agricultural College	$ 279,927	Construction and renovation contracts
Bainbridge College	19,800	Construction and renovation contracts
Clayton State University	213,632	Construction and renovation contracts
East Georgia College	152,214	Construction and renovation contracts
Fort Valley State University	5,234,826	Construction and renovation contracts
Georgia College & State University	3,200,055	Construction and renovation contracts
Georgia Institute of Technology	41,228,807	Construction and renovation contracts
Georgia Perimeter College	5,571,991	Construction and renovation contracts
Georgia Regents University	3,543,044	Construction and renovation contracts
Georgia Southern University	5,593,433	Construction and renovation contracts
Georgia State University	43,793,863	Construction and renovation contracts
Gordon State College	12,830,000	Construction and renovation contracts
Kennesaw State University	12,693,707	Construction and renovation contracts/Student Center Lease
Savannah State University	37,777	Construction and renovation contracts
South Georgia State College	187,057	Construction and renovation contracts
Southern Polytechnic State University	640,242	Construction and renovation contracts
University of Georgia	13,439,529	Construction and renovation contracts
University of West Georgia	11,707,004	Construction and renovation contracts
Valdosta State University	4,384,556	Construction and renovation contracts
	$ 164,751,464	

Note 10 Lease Obligations

The USG is obligated under various operating leases for the use of real property (land, buildings, and office facilities) and equipment, and also is obligated under capital leases and installment purchase agreements for the acquisition of real property.

Capital Leases

The USG is obligated under approximately $3.5 billion in capital lease liability as of June 30, 2014. Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between fiscal 2015 and 2052. Payments for fiscal year 2014 were $284,393,314, of which $192,258,636 represented interest and $92,134,678 represented principle. Interest rates range from 0.75 percent to 31.08 percent.

The following is a summary of the carrying values of assets held under capital lease at June 30, 2014:

	Gross Amount	Accumulated Depreciation	Assets Held Under Capital Lease, Net at June 30, 2014
Land	$ 50,163,847	$ -	$ 50,163,847
Infrastruture	51,592,099	(12,118,782)	39,473,317
Buildings	3,715,131,252	(662,565,294)	3,052,565,958
Facilities and Other Improvements	44,788,584	(6,219,279)	38,569,305
Equipment	26,957,431	(18,700,213)	8,257,218
Total Assets Held Under Capital Lease at June 30, 2014	$ 3,888,633,213	$ (699,603,568)	$ 3,189,029,645

Certain capital leases provide for renewal and/or purchase options. Generally purchase options at bargain prices of one dollar are exercisable at the expiration of the lease terms.

Operating Leases

The USG's non-cancellable operating leases having remaining terms of more than one year expire in various fiscal years from 2015 through 2049. Certain operating leases provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. All agreements are cancellable if the State of Georgia does not provide adequate funding, but that is considered a remote possibility. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis; examples of property under operating leases are real property, copiers and other small business equipment. System-wide real property and equipment operating lease expense for fiscal 2014 was $38,378,201.

Future commitments for capital leases, which here and on the Statement of Net Position include other installment purchase agreements, and for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2014, are as follows:

		Capital Leases	Operating Leases
Year Ending June 30:	Year		
2015	1	$ 275,655,762	$ 35,898,227
2016	2	277,206,749	10,144,146
2017	3	279,335,741	7,992,235
2018	4	281,726,218	6,299,852
2019	5	283,738,609	4,922,658
2020 through 2024	6-10	1,426,882,046	20,683,516
2025 through 2029	11-15	1,443,981,587	20,399,845
2030 through 2034	16-20	1,255,049,689	8,182,198
2035 through 2039	21-25	840,086,860	927,387
2040 through 2044	26-30	120,811,502	663,580
2045 through 2049	31-35	212,962	1,327,161
2050 through 2052	36-38	107,950	
Total minimum lease payments		$ 6,484,795,675	$ 117,440,805
Less: Interest		2,779,299,737	
Less: Executory costs (if paid)		154,228,990	
Principal Outstanding		$ 3,551,266,948	

Note 11 Retirement Plans

The USG participates in various retirement plans administered by the State of Georgia under two major retirement systems: Employees' Retirement System of Georgia (ERS System) and Teachers Retirement System of Georgia. These two systems issue separate, publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained from the respective system offices. The significant retirement plans that the USG participates in are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law.

Employees' Retirement System of Georgia

The ERS System is comprised of individual retirement systems and plans covering substantially all employees of the State of Georgia except for teachers and other employees covered by the Teachers Retirement System of Georgia. One of the ERS System plans, the Employees' Retirement System of Georgia (ERS), is a cost-sharing, multiple-employer, defined-benefit pension plan that was established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees and has the powers and privileges of a corporation. ERS acts pursuant to statutory direction and guidelines, which may be amended prospectively for new hires, but for existing members and beneficiaries may be amended in some aspects only subject to potential application of certain constitutional restraints against impairment of contract.

On November 20, 1997, the Board created the Supplemental Retirement Benefit Plan (SRBP-ERS) of ERS. SRBP-ERS was established as a qualified, governmental-excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of ERS. The purpose of the SRBP-ERS is to provide retirement benefits to employees covered by ERS whose benefits are otherwise limited by IRC Section 415.
Beginning January 1, 1998, all members and retired former members in ERS are eligible to participate in the SRBP-ERS whenever their benefits under ERS exceed the limitation on benefits imposed by IRC Section 415.

The benefit structure of ERS is established by the Board of Trustees under statutory guidelines. Unless the employee elects otherwise, an employee who currently maintains membership with ERS based upon State employment that started prior to July 1, 1982, is an "old plan" member subject to the plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are "new plan" members subject to the modified plan provisions. Effective January 1, 2009, newly hired State employees, as well as rehired State employees who did not maintain eligibility for the "old" or "new" plan, are members of the Georgia State Employees' Pension and Savings Plan (GSEPS). ERS members hired prior to January 1, 2009 also have the option to change their membership to the GSEPS plan.

Under the old plan, new plan, and GSEPS, a member may retire and receive normal retirement benefits after completing 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. There also are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon a formula adopted by the Board of Trustees for such purpose. The formula considers the monthly average of the member's highest 24 consecutive calendar months of salary, the number of years of creditable service, and the member's age at retirement. Post-retirement cost-of-living adjustments may be made to members' benefits provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Member contribution rates are set by law. Member contributions under the old plan are 4% of annual compensation up to $4,200 plus 6% of annual compensation in excess of $4,200. Under the old plan, the University System of Georgia pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these USG contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits.

Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The USG is required to contribute at a specified percentage of active member payroll established by the Board of Trustees determined annually in accordance with actuarial valuation and minimum funding standards as provided by law. These USG contributions are not at any time refundable to the member or the member's beneficiary.

Employer contributions required for fiscal year 2014 were based on the June 30, 2011 actuarial valuation as follows:

Old Plan*	18.46%
New Plan	18.46%
GSEPS	15.18%

*13.71% exclusive of contributions paid by the employer on behalf of old plan members

Members become vested after ten years of service. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member; however, if an otherwise vested member terminates and withdraws his/her member contributions, the member forfeits all rights to retirement benefits.

Teachers Retirement System of Georgia

The Teachers Retirement System of Georgia (TRS) is a cost-sharing, multiple-employer, defined-benefit plan created in 1943 by an act of the Georgia General Assembly to provide retirement benefits for qualifying employees in educational service. A Board of Trustees comprised of active and retired members and ex-officio State employees is ultimately responsible for the administration of TRS.

On October 25, 1996, the Board created the Supplemental Retirement Benefit Plan of the Georgia Teachers Retirement System (SRBP-TRS). SRBP-TRS was established as a qualified, governmental-excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of TRS. The purpose of SRBP-TRS is to provide retirement benefits to employees covered by TRS whose benefits are otherwise limited by IRC Section 415. Beginning July 1, 1997, all members and retired former members in TRS are eligible to participate in the SRBP-TRS whenever their benefits under TRS exceed the IRC Section 415 imposed limitation on benefits.

TRS provides service retirement, disability retirement, and survivor's benefits. The benefit structure of TRS is defined and may be amended by State statute. A member is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. A member is eligible for early retirement after 25 years of creditable service.

Normal retirement (pension) benefits paid to members are equal to 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of 7% for each month the member is below age 60 or by 7% for each year or fraction thereof by which the member has less than 30 years of service. Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Death, disability and spousal benefits also are available.

TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2014 were 6% of annual salary. Employer contributions required for fiscal year 2014 were 12.28% of annual salary as required by the June 30, 2011 actuarial valuation.

The following table summarizes the USG contributions by defined benefit plan for the years ending June 30, 2014, June 30, 2013, and June 30, 2012:

	ERS		TRS	
Fiscal Year	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
2014	$ 1,604,331	100%	$ 181,383,954	100%
2013	$ 1,238,577	100%	$ 164,293,969	100%
2012	$ 896,604	100%	$ 148,193,749	100%

Regents Retirement Plan

Plan Description

The Regents Retirement Plan (Plan) is a single-employer, defined-contribution plan. This optional retirement Plan was authorized pursuant to OCGA Section 47-21-1 and administered by the Board of Regents of the USG. O.C.G.A. 47-3-68(a) defines who may participate in the Plan. An "eligible university system employee" is a faculty member or a principal administrator as designated by the regulations of the Board of Regents. Under the Plan, a Plan participant may purchase annuity contracts from four approved vendors (VALIC, Fidelity, and TIAA-CREF) for the purpose of receiving retirement and death benefits. Benefits depend solely on amounts contributed to the plan plus investment earnings. Benefits are payable to participating employees or their beneficiaries in accordance with the terms of the annuity contracts.

Funding Policy

The USG makes monthly employer contributions for the Plan at rates adopted by the Teachers Retirement System of Georgia Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2014, the employer contribution was 9.24% for the participating employee's earned compensation. Employees contribute 6% of their earned compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

The USG and the covered employees made the required contributions of $110,586,186 (9.24%) and $71,402,283 (6%), respectively.

VALIC, Fidelity, and TIAA-CREF have separately issued financial reports that may be obtained through their respective corporate offices.

Georgia Defined Contribution Plan

Plan Description

The USG of Georgia participates in the Georgia Defined Contribution Plan (GDCP), which is a single-employer, defined-contribution plan established by the General Assembly of Georgia for the purpose of providing retirement coverage for State employees who are temporary, seasonal, or part-time and are not members of a public retirement or pension system. GDCP is administered by the Board of Trustees of the Employees' Retirement System of Georgia.

Benefits
A member may retire and elect to receive periodic payments after attainment of age 65. The payments will be based upon mortality tables and interest assumptions adopted by the Board of Trustees. If a member has less than $3,500 credited to his/her account, the Board of Trustees has the option of requiring a lump sum distribution to the member in lieu of making periodic payments. Upon death of a member, a lump sum distribution equaling the amount credited to the member's account will be paid to the member's designated beneficiary(ies). Benefit provisions are established by State statute.

Contributions
Member contributions are 7.5% of gross salary. There are no employer contributions. Contribution rates are established by State statute. Earnings are credited to each member's account in a manner established by the Board of Trustees. Upon termination of employment, the amount of the member's account is refundable upon request by the member.

Total contributions made by employees during fiscal year 2014 were $7,660,647, which represents 7.5% of covered payroll. These contributions met the requirements of the plan.

The Georgia Defined Contribution Plan issues a financial report each fiscal year, which may be obtained from the ERS offices.

Note 12. Early Retirement Pension Plan

Plan Description
Georgia Regents University Early Retirement Pension Plan (ERP) is a single-employer defined benefit pension plan administered by Bryan, Pendleton, Swats, and McAlister. The plan was derived by the Georgia Regents University as a means of manpower reduction and was approved by the Board of Regents of the University System of Georgia (BOR) effective January 1, 2000.

The plan was intended to provide eligible participants additional benefits above the amounts payable through Teachers Retirement System of Georgia (TRS). The plan was designed to allow vested employees aged 55 or employees of any age with 25 years of creditable service to retire without penalties as applied by the Teachers Retirement System of Georgia (TRS) for early retirement. The plan would allow for all participants to retire as if they were vested and aged 60 or had attained 30 years of creditable service. Any member who opted into the Optional Retirement Plan aged 55 with 10 years of service by June 30, 2000 was also eligible to participate in the plan.

The plan is closed to new entrants. There were no active plan participants. As of January 1, 2014, plan participants consisted of the following:

Inactive Plan Participants:	
Retirees and Beneficiaries Currently Receiving Benefits	656
Terminated Employees Entitled to Deferred Benefits	0
Disabled Employees Entitled to Deferred Benefits	0
Total	656

TRS provides a benefit equal to 2% of the participant's average annual compensation during the two consecutive years of creditable service which produce the highest such average, multiplied by the number of years of creditable service, limited to 40 years. If the participant has less than 30 years of creditable service and has not attained age 60 at the time of retirement, the benefit will be reduced by the lesser of 1/12 of 7% for each month that retirement precedes age 60 or 7% for each year or fraction of a year by which the participant has less than 30 years of creditable service at the time of retirement.

The ERP provides the additional benefits that would have been payable under TRS based on the following adjustments:

Age of the participant was increased five years
Participant's creditable service was increased five years
Participant's annual rate of earnings as of August 1, 1999 was projected five years into the future with 3% increases each year

ERP benefits will be increased 3% a year as a cost-of-living adjustment (COLA): 1-1/2% on each January 1 and July 1. The ERP provided COLA's for both the ERP and TRS benefits until actual eligibility for a COLA through TRS occurred. Since that time, the ERP has provided COLA's only on the portion of the benefit paid by the ERP, and TRS has provided COLA's under the terms of the TRS plan.
The ERP does not issue a standalone report.

Funding Policy
The fund sources that provided for an employee's salary, as of December 31, 1999, would be responsible for funding the plan to provide for retiree benefits. There is no additional cost to the employee/retiree, Board of Regents, or State of Georgia for this plan. Contributions are made by the University based on the actuarial valuation for the plan. For fiscal year 2014, affiliated organizations contributed $5,886,802 to the plan on-behalf of the University.

Since this plan was not pre-funded, Georgia Regents University approach is to deposit as much into the ERP fund in the earlier years as is possible, thereby, realizing a greater return on investment. Effective January 1, 2009, the period to amortize the unfunded accrued liability was extended 4 years to 14 years. The funding policy is reasonable and in compliance with minimum funding requirements set forth in Code Section 47-20-10 of the Public Retirement Systems Standards Law. With this change, the plan should be fully funded by June 30, 2023.

Annual Pension Cost and Net Pension Asset

The ERP's annual pension cost and net pension asset for the current year were as follows:

	Total
Annual Required Contribution	$ 13,045,051
Interest on Net Pension Obligation	(576,154)
Adjustments on Annual Required Contribution	1,119,167
Annual Pension Cost	$ 13,588,064
Contributions Made	(13,084,672)
Increase (Decrease) in Net Pension Obligation	503,392
Net Pension Obligation, beginning of year	(7,682,050)
Net Pension Obligation, end of year	$ (7,178,658)

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost	Actual Contribution	Percentage Contributed	Net Pension Asset
6/30/2012	$ 13,300,187	$ 13,225,850	99.4%	$ 8,006,060
6/30/2013	$ 13,549,860	$ 13,225,850	97.6%	$ 7,682,050
6/30/2014	$ 13,588,064	$ 13,084,672	96.3%	$ 7,178,658

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the plan was 43.5% funded. The actuarial accrued liability for benefits was $146,615,477, and the actuarial value of assets was $63,711,746, resulting in an unfunded actuarial accrued liability (UAAL) of $82,903,731.

Schedule of Funding Progress

The schedule of funding progress which follows, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2005	$ 41,322,743	$ 147,352,588	$ 106,029,845	28.0%	N/A	N/A
1/1/2006	$ 43,203,598	$ 148,323,853	$ 105,120,255	29.1%	N/A	N/A
1/1/2007	$ 47,722,236	$ 148,253,721	$ 100,531,485	32.2%	N/A	N/A
1/1/2008	$ 52,044,359	$ 148,797,058	$ 96,752,699	35.0%	N/A	N/A
1/1/2009	$ 37,818,696	$ 148,605,625	$ 110,786,929	25.4%	N/A	N/A
1/1/2010	$ 42,540,252	$ 147,961,323	$ 105,421,071	28.8%	N/A	N/A
1/1/2011	$ 47,778,455	$ 147,266,514	$ 99,488,059	32.4%	N/A	N/A
1/1/2012	$ 52,241,174	$ 147,750,673	$ 95,509,499	35.4%	N/A	N/A
1/1/2013	$ 57,220,244	$ 146,762,529	$ 89,542,285	39.0%	N/A	N/A
1/1/2014	$ 63,711,746	$ 146,615,477	$ 82,903,731	43.5%	N/A	N/A

Investments

The pension plan does not have a policy in regard to the allocation of invested assets. However, the Georgia Regents University maintains an investment policy which fosters sound and prudent judgment in the management of assets to ensure safety of capital consistent with the fiduciary responsibility of the institution to the citizens of Georgia and which conforms to the Board of Regents investment policy. All investments are consistent with Board of Regents policy and applicable Federal and state laws.

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price. The University's Investment Policy and Guidelines for managing concentration of credit risk requires that stocks and debt issues be diversified. The University also relies upon the concentration of credit risk policy of the individual investment vehicles related to plan assets. More than 5% of the plan's investments are in iShares Core Total U. S. Aggregate Exchange-traded Fund (ETF), iShares Russell 1000 Growth ETF, iShares Russell 1000 Value ETF, iShares Russell Midcap Growth ETF, iShares iBoxx Investment Grade Corporate Bond ETF, T Rowe Price Real Estate Fund, Oppenheimer Developing Markets Fund and iShares Russell 2000 Growth ETF. These investments are 17.7%, 16.2%, 10.8%, 7.4%, 6.1%, 6.1%, 5.9% and 5.7% of the plan's investments.

For the fiscal year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 18.35%.

The following table summarizes the adopted asset allocation policy at June 30, 2014:

Asset Class	
Domestic Equities	60% - 65%
International Equities	10% - 15%
Fixed Income	10% - 15%
Real Estate	3% - 5%
Cash	5% - 10%
Total	100%

Net Pension Liability (NPL)

The components of the net pension liability at June 30, 2014 were as follows:

	2014
Total Pension Liability	$ 145,384,819
Plan Fiduciary Net Position	(76,193,610)
Net Pension Liability	$ 69,191,209

Plan Fiduciary Net Position as a percentage of total pension liability is 52.41%.

Actuarial Methods and Assumptions

The annual required contribution for the current year was determined as part of the January, 2013 actuarial valuation using the Entry Age Normal method. The remaining amortization period is 10 years using the Level Dollar amortization method. The actuarial assumptions include (a) rate of return of 7.5% per annum, compounded annually, (b) inflation of 3% per annum, compounded annually, and (c) annual cost of living increase of 3.00% per annum, compounded annually. Plan assumptions and methods are reviewed annually for reasonableness by the actuary.

Mortality rates were based on the RP-2000 Mortality Table for Healthy Annuitants with projected improvement from year 2000 to year 2021 under Projection Scale AA.

Mortality Rates (per 1,000 lives)	AGE			
	60	65	70	75
Male	5.84	9.98	16.17	28.14
Female	5.58	9.33	15.07	23.74

The projection of cash flows used to determine the discount rate of 7.5% per annum, compounded annually assumes that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	62.58%	6.50%
International Equity	10.71%	7.25%
Fixed Income	14.93%	1.25%
Real Estate	3.38%	5.75%
Cash	8.40%	0.50%

The following represents the net pension liability calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 6.50%	Current Rate 7.50%	1% Increase 8.50%
Net Pension Liability	$ 81,395,268	$ 69,191,209	$ 58,570,968

Note 13 Risk Management

The USG (USG) offers its employees and retirees access to four healthcare plan options. For the USG's Plan Year 2014, the following self-insured health care options were available: Blue Choice HMO, (Blue Cross Blue Shield) Health Savings Account (HAS) Open Access Point of Service (POS), and (Blue Cross Blue Shield) Open Access POS. The USG institutions and participating employees pay premiums to these plans to access benefits coverage and share the risk of loss for claims associated with these plans. The reserves for these plans are considered to be a self-sustaining risk fund. The Board of Regents has contracted with Blue Cross Blue Shield of Georgia, a wholly owned subsidiary of WellPoint, to serve as the claims administrator for the self-insured healthcare plan products. In addition to the self-insured healthcare plans, a fully insured HMO healthcare plan option also is offered to USG employees through Kaiser Permanente.

The prescription drug plan was administered through Express Scripts. Pharmacy drug claims are processed in accordance with guidelines established for the Board of Regents' Prescription Drug Benefit Program. Generally, claims are submitted to the plan administrator for verification, processing and payment. The plan administrator maintains an eligibility file based on information furnished by Blue Cross Blue Shield on behalf of the various organizational units of the USG.

A reconciliation of total estimated claim liabilities for employees and retirees for the fiscal years ended June 30, 2014 and June 30, 2013 is provided below:

	June 30, 2014	June 30, 2013
Employees:		
Unpaid Claims and Claim Adjustments (Prior Year IBNR)	$ 32,737,154	$ 26,269,302
Incurred Claims and Claim Adjustments Expenses - Provisions for Insured Events of the Current Year	360,327,990	325,395,148
Payments - Claims and Claim Adjustments Attributable To Insured Events of the Current Year and Prior Years	353,976,121	318,927,296
Unpaid Claims and Claim Adjustments (Current Year IBNR)	$ 39,089,023	$ 32,737,154
Retirees:		
Unpaid Claims and Claim Adjustments (Prior Year IBNR)	$ 9,326,592	$ 9,714,307
Incurred Claims and Claim Adjustments Expenses - Provisions for Insured Events of the Current Year	140,920,834	113,908,368
Payments - Claims and Claim Adjustments Attributable To Insured Events of the Current Year and Prior Years	138,128,069	114,296,083
Unpaid Claims and Claim Adjustments (Current Year IBNR)	$ 12,119,357	$ 9,326,592

The Department of Administrative Services (DOAS) has the responsibility for the State of Georgia of making and carrying out decisions that will minimize the adverse effects of accidental losses that involve State government assets.

The State believes it is more economical to manage its risks internally and set aside assets for claim settlement. Accordingly, DOAS processes claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, unemployment compensation, and law enforcement officers' indemnification. Limited amounts of commercial insurance are purchased applicable to property, employee and automobile liability, fidelity and certain other risks. The USG is part of the State of Georgia reporting entity and, as such, is covered by the State of Georgia risk management program administered by DOAS. Premiums for the risk management program are charged to the various state organizations by DOAS to provide claims servicing and claims payment.

A self-insured program of professional liability for its employees was established by the Board of Regents of the USG under powers authorized by the Official Code of Georgia Annotated Section 45-9-1. The program insures the employees to the extent that they are not immune from liability against personal liability for damages arising out of the performance of their duties or in any way connected therewith. The program is administered by DOAS as a Self-Insurance Fund.

As of June 30, 2014, three USG institutions had projects or events that met one of the five obligating events related to recognition of pollution remediation.

Georgia Institute of Technology (Institute) is responsible for pollution monitoring and remediation in all Institute facilities, including asbestos abatement. Monitoring and remediation activities are performed during renovation/construction projects when deemed necessary by Institute management.

As of June 30, 2014, the Institute recorded a liability and expense in the amount of $143,458 for pollution monitoring and remediation projects in various Institute structures. The liability is reflected on the Statement of Net Position in Accounts Payable and on the Statement of Revenues, Expenses, and Changes in Net Position in Supplies and Other Services. The liability was determined using the Expected Cash Flow Measurement Technique, which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. The Institute does not anticipate any significant changes to the expected remediation outlay. There are no expected recoveries that have reduced the liability. Pollution remediation liability activity in fiscal year 2014 was as follows:

Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
$ 504,440	$ 143,458	$ 504,440	$ 143,458	$ 143,458

The University of Georgia is responsible for pollution remediation at the Milledge Avenue landfill site. The University of Georgia has recorded a liability and expense related to this pollution remediation in the amount of $882,785. The liability is reflected on the Statement of Net Assets in Accounts Payable and on the Statement of Revenues, Expenses and Changes in Net Assets in Supplies and Other Services. The liability was determined using a 5-year budget estimate provided by Brown and Caldwell. The University of Georgia does not anticipate any significant changes to the expected remediation outlay. There are no expected recoveries that have reduced the liability. Pollution remediation liability activity in fiscal year 2014 was as follows:

Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
$ 955,515	$ 46,605	$ 119,335	$ 882,785	$ 170,190

Georgia Regents University is responsible for asbestos abatement as a small part of the project costs for various projects. The University has recorded a liability and expense related to this pollution remediation in the amount of $1,234. The liability is reflected on the Statement of Net Position in Accounts Payable and on the Statement of Revenues, Expenses, and Changes in Net Position in Supplies and Other Services. The liability is the remaining amount of project abatement costs at June 30, 2014. The University does not anticipate any significant changes to the expected remediation outlay. Pollution remediation liability activity in fiscal year 2014 was as follows:

Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
$ 26,023	$ 63,395	$ 88,184	$ 1,234	$ 1,234

Note 14 Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. This could result in refunds to the grantor agency for any expenditures that are disallowed under grant terms. The amount of expenditures that may be disallowed by the grantor cannot be determined at this time, although the USG expects such amounts, if any, to be immaterial to its overall financial position.
Litigation, claims and assessments filed against the USG, if any, generally are considered to be actions against the State of Georgia.

Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the State of Georgia Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014.

Note 15 Post-Employment Benefits Other Than Pension Benefits

Plan Description and Funding Policy

The Board of Regents Retiree Health Benefit Plan (Plan) is a single-employer, defined-benefit, healthcare plan administered by the USO. The Plan was authorized pursuant to OCGA Section 47-21-21 for the purpose of accumulating funds necessary to meet employer costs of retiree post-employment health insurance benefits.

Pursuant to the general powers conferred by the OCGA Section 20-3-31, the USG has established group health and life insurance programs for regular employees of the USG. It is the policy of the USG to permit employees of the USG eligible for retirement or who become permanently and totally disabled to continue as members of the group health and life insurance programs. The policies of the USG define and delineate who is eligible for these post-employment health and life insurance benefits.

Membership of the Plan consisted of the following at June 30, 2014:

Retirees and beneficiaries receiving benefits	20,583
Terminated plan members entitled to but not yet receiving benefits	-
Active employee plan contracts	38,092
Total	58,675

The contribution requirements of Plan members and the employer are established and may be amended by the BOR. The Plan is substantially funded on a "pay-as-you-go" basis; however, amounts above the pay-as-you-go basis may be contributed annually, either by specific appropriation or by BOR designation.

Organizational units of the USG pay the employer portion for group insurance for eligible retirees. The employer portion of health insurance for its eligible retirees is based on rates that are established annually by the USO for the upcoming Plan year. For the 2014 Plan year, the employer rate was approximately 75-80% of the total health insurance cost for eligible retirees and the retiree rate was approximately 20-25%. The employer covers the total cost for $25,000 of basic life insurance. If an individual elects to have supplemental, and/or dependent life insurance coverage, such costs are borne entirely by the retiree.

For fiscal year 2014, the USG contributed $126,617,581 to the plan for current premiums or claims. Plan members receiving benefits contributed $34,218,671 for current premiums or claims.

Summary of Significant Accounting Policies

The financial statements of the Plan are prepared using the accrual basis of accounting. Employer contributions are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Annual OPEB Cost and Net OPEB Obligation

The annual OPEB cost (expense) (AOC) for the Plan is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table presents the components of the AOC, the amount actually contributed, and changes in the net OPEB obligation (NOO) for the Plan for FY 2014, 2013, and 2012 (dollars in millions):

	Fiscal Year Ending June 30		
	2014	2013	2012
Annual Required Contribution	$ 403.3	$ 362.4	$ 345.3
Interest on Net OPEB Obligation (NOO)	69.9	57.5	45.8
Amortization of NOO	(63.4)	(52.1)	(41.5)
Total Expense or Annual OPEB Cost (AOC)	$ 409.8	$ 367.8	$ 349.6
Actual Contribution Toward OPEB Cost	(120.9)	(83.4)	(88.8)
Increase in NOO	$ 288.9	$ 284.4	$ 260.8
Net OPEB Obligation, beginning of year	1,562.6	1,278.2	1,017.4
Prior Year Adjustment - Life Insurance	(8.4)		
Net OPEB Obligation, end of year	$ 1,843.1	$ 1,562.6	$ 1,278.2

The Plan's historical OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for the Retiree Health Benefit Plan were as follows (dollars in millions):

Fiscal Year Ended	Annnual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	$ 349.6	$ 88.8	25.4%	$1,278.2
2013	$ 367.8	$ 91.8	25.0%	$1,562.6
2014	$ 409.8	$ 120.9	29.5%	$1,843.1

Funded Status, Funding Progress, and Actuarial Methods and Assumptions

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2011	$ 123,230	$ 3,494,501,238	$3,494,378,008	0.0%	$2,526,211,986	138.3%
7/1/2012	$ 165,684	$ 3,758,969,936	$3,758,804,252	0.0%	$2,466,313,700	152.4%
7/1/2013	$ 216,775	$ 4,095,304,172	$4,095,087,397	0.0%	$2,594,800,486	157.8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress with multi-year trend information is presented as required supplementary information following the notes to the financial statements.

The multi-year trend schedules indicate whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation is as follows:

Valuation date	July 1, 2013
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percent of Payroll, Closed
Asset valuation method	Market Value
Amortization period	30 years
Actuarial assumptions:	
Interest rate	4.5%
Inflation rate	2.5%
Salary growth	3.0%
Salary scale	4.0%
Initial healthcare cost trend	
Pre-Medicare eligible	8.0%
Medicare eligible	7.5%
Ultimate trend rate	
Pre-Medicare eligible	4.5%
Medicare eligible	4.5%
Year ultimate trend is reached	2030

Please note that the investment rate of return percentage can change.

Note 16 Natural Classifications with Functional Classifications

The University's operating expenses by functional classification for fiscal 2014 are shown below:

	Functional Classification					
Natural Classification	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support
Faculty	$ 874,149,835	$ 340,588,846	$ 34,169,199	$ 43,557,468	$ 2,427,651	$ 13,171,268
Staff	309,392,744	285,630,201	132,888,874	225,089,830	152,288,747	274,747,031
Benefits	424,348,981	191,082,268	68,422,481	103,593,321	57,114,246	153,265,634
Other Personal Services	1,005,080	93,518	594,821	553,740	186,546	8,189,579
Travel	19,055,229	27,636,551	6,258,655	5,780,028	3,781,541	5,265,516
Scholarships and Fellowships	7,068,259	4,233,738	1,679,935	738,819	6,125,068	1,910,914
Utilities	5,292,079	4,175,343	3,149,450	3,265,496	2,674,467	5,539,404
Supplies and Other Services	76,601,753	240,104,770	111,744,389	102,956,174	63,273,886	513,721,657
Depreciation	70,650,546	75,727,536	11,624,631	47,224,648	18,392,672	32,938,135
Total Expenses	$ 1,787,564,506	$ 1,169,272,771	$ 370,532,435	$ 532,759,524	$ 306,264,824	$ 1,008,749,138

	Functional Classification				
Natural Classification	Plant Operations & Maintenance	Scholarships & Fellowships	Auxiliary Enterprises	Patient Care (GRU Only)	Total Expenses
Faculty	$ (1,199,279)	$ -	$ 2,632,437	$ 74,413,352	$ 1,383,910,777
Staff	178,355,942	221,847	170,785,914	96,209,774	1,825,610,904
Benefits	78,971,825	333,697	61,649,913	56,808,529	1,195,590,895
Other Personal Services	(7,580,152)	610,243	7,729,742	8	11,383,125
Travel	560,399	1,070	2,671,910	367,245	71,378,144
Scholarships and Fellowships	-	272,441,374	23,941,317		318,139,424
Utilities	122,406,599	1,250	36,678,784	388,112	183,570,984
Supplies and Other Services	190,947,743	76,380	318,839,976	84,707,878	1,702,974,606
Depreciation	76,043,846	7,492	112,955,682		445,565,188
Total Expenses	$ 638,506,923	$ 273,693,353	$ 737,885,675	$ 312,894,898	$ 7,138,124,047

Note 17 Affiliated Organizations

Under Board of Regents policy, each individual institution may establish a separate foundation, or affiliated organization, to provide valuable assistance in fundraising, public outreach and other support for the missions of the respective campuses and the USG. Although independent boards govern these foundations, their assets are dedicated for the benefit of the related institution and the USG.

Because the University System of Georgia which was consitutionally created as an organizational unit of the State of Georgia these affiliated organizations are considered potential component units of the State of Georgia in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* – an amendment of GASB Statements No. 14 and No. 34, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units.* Therefore, the financial statements of the affiliated organizations are not included in these financial statements. For the organizations reporting under the FASB basis, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

The following affiliated organizations have been determined to be significant to the State of Georgia for the year ended June 30, 2014 and, as such, are reported as blended or discretely presented component units in the Comprehensive Annual Financial Report of the State of Georgia (CAFR).

Information for obtaining complete financial statements for these organizations can be found within the respective institution's annual financial reports.

Component Units of the State of Georgia	Fiscal Year Ending	Reporting Basis
Georgia Tech Foundation, Inc.	June 30, 2014	FASB
Georgia Tech Athletic Association	June 30, 2014	GASB
Georgia Tech Research Corporation	June 30, 2014	GASB
Georgia Tech Facilities, Inc.	June 30, 2014	FASB
Georgia State University Foundation, Inc.	June 30, 2014	FASB
Georgia State University Research Foundation, Inc.	June 30, 2014	GASB
MCG Health System, Inc. d/b/a Georgia Regents Health System	June 30, 2014	GASB
Medical College of Georgia Foundation, Inc.	June 30, 2014	FASB
University of Georgia Foundation	June 30, 2014	FASB
University of Georgia Athletic Association, Inc.	June 30, 2014	GASB
University of Georgia Research Foundation, Inc.	June 30, 2014	GASB
Georgia Southern University Housing Foundation, Inc.	June 30, 2014	FASB
VSU Auxiliary Services Real Estate Foundation, Inc.	December 31, 2013	FASB
Armstrong Atlantic State University Educational Properties, Inc.	December 31, 2013	GASB
Kennesaw State University Foundation, Inc.	June 30, 2014	FASB
Georgia College and State University Foundation, Inc.	June 30, 2014	FASB
University System of Georgia Foundation, Inc.	June 30, 2014	FASB
University of North Georgia Real Estate Foundation, Inc. and Subsidiaries	June 30, 2014	FASB
Middle Georgia State College Real Estate Foundation Inc.	June 30, 2014	FASB
University of West Georgia Real Estate Foundation	June 30, 2014	FASB

Summarized financial statements for these affiliated organizations are included in the Supplementary Information.

REQUIRED SUPPLEMENTARY INFORMATION

UNIVERSITY SYSTEM OF GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
EARLY RETIREMENT PLAN - GEORGIA REGENTS UNIVERSITY
DEFINED BENEFIT PENSION PLAN
YEAR ENDED JUNE 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2005	$ 41,322,743	$ 147,352,588	$ 106,029,845	28.0%	N/A	N/A
1/1/2006	$ 43,203,598	$ 148,323,853	$ 105,120,255	29.1%	N/A	N/A
1/1/2007	$ 47,722,236	$ 148,253,721	$ 100,531,485	32.2%	N/A	N/A
1/1/2008	$ 52,044,359	$ 148,797,058	$ 96,752,699	35.0%	N/A	N/A
1/1/2009	$ 37,818,696	$ 148,605,625	$ 110,786,929	25.4%	N/A	N/A
1/1/2010	$ 42,540,252	$ 147,961,323	$ 105,421,071	28.8%	N/A	N/A
1/1/2011	$ 47,778,455	$ 147,266,514	$ 99,488,059	32.4%	N/A	N/A
1/1/2012	$ 52,241,174	$ 147,750,673	$ 95,509,499	35.4%	N/A	N/A
1/1/2013	$ 57,220,244	$ 146,762,529	$ 89,542,285	39.0%	N/A	N/A
1/1/2014	$ 63,711,746	$ 146,615,477	$ 82,903,731	43.5%	N/A	N/A

UNIVERSITY SYSTEM OF GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
EARLY RETIREMENT PLAN - GEORGIA REGENTS UNIVERSITY
DEFINED BENEFIT PENSION PLAN
YEAR ENDED JUNE 30, 2014

Fiscal Year Ending	Actuarially Determined Contribution	Actual Contribution	Contribution Excess (Deficiency)	Percentage Contributed	Net Pension Asset	Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
6/30/2005	$ 12,948,607	$ 12,591,344	$ (357,263)	97.2%	$ 9,870,829	N/A	N/A
6/30/2006	12,874,094	12,905,079	30,985	100.2%	9,901,814	N/A	N/A
6/30/2007	13,363,491	12,936,540	(426,951)	96.8%	9,474,863	N/A	N/A
6/30/2008	13,510,767	12,996,492	(514,275)	96.2%	8,960,588	N/A	N/A
6/30/2009	13,778,696	13,225,850	(552,846)	96.0%	8,407,742	N/A	N/A
6/30/2010	13,410,238	13,225,850	(184,388)	98.6%	8,223,354	N/A	N/A
6/30/2011	13,368,807	13,225,850	(142,957)	98.9%	8,080,397	N/A	N/A
6/30/2012	13,300,187	13,225,850	(74,337)	99.4%	8,006,060	N/A	N/A
6/30/2013	13,549,860	13,225,850	(324,010)	97.6%	7,682,050	N/A	N/A
6/30/2014	13,588,064	13,084,672	(503,392)	96.3%	7,178,658	N/A	N/A

UNIVERSITY SYSTEM OF GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYERS' AND NONEMPLOYERS' NET PENSION LIABILITY
EARLY RETIREMENT PLAN - GEORGIA REGENTS UNIVERSITY
DEFINED BENEFIT PENSION PLAN
YEAR ENDED JUNE 30, 2014

		2014
Total Pension Liability	$	145,384,819
Plan Fiduciary Net Position		(76,193,610)
Net Pension Liability	$	69,191,209
Plan Fiduciary Net Position as a Percentage of the Total I		52.41%
Covered Employee Payroll		0.0
Employers' and Nonemployers' Net Pension Liability as a Percentage of Covered Employee Payroll		N/A

UNIVERSITY SYSTEM OF GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
EARLY RETIREMENT PLAN - GEORGIA REGENTS UNIVERSITY
DEFINED BENEFIT PENSION PLAN
YEAR ENDED JUNE 30, 2014

		DOLLAR AMOUNT IN MILLIONS 2014
Total Pension Liability		
Service Cost	$	0.0
Interest		10.6
Change of Benefit Terms		0.0
Differences Between Expected and Actual Experience		-0.1
Change of Assumptions		0.0
Benefit Payments/Refunds		-13.1
Net Change in Total Pension Liability		-2.6
Total Pension Liability - Beginning		148.0
Total Pension Liability - Ending (a)	$	145.4
Plan Fiduciary Net Position		
Contributions - Employer	$	13.1
Contributions - Employee		0.0
Net Investment Income		11.8
Benefit Payments/Refunds		-13.1
Administrative Expenses		0.0
Other		0.0
Net Change in Plan Fiduciary Net Position	$	11.8
Plan Fiduciary Net Position - Beginning		64.4
Plan Fiduciary Net Position - Ending (b)	$	76.2
Net Pension Liability - Ending (a-b)	$	69.2

UNIVERSITY SYSTEM OF GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
EARLY RETIREMENT PLAN - GEORGIA REGENTS UNIVERSITY
DEFINED BENEFIT PENSION PLAN
YEAR ENDED JUNE 30, 2014

	2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	18.35%

UNIVERSITY SYSTEM OF GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
METHODS AND ASSUMPTIONS
EARLY RETIREMENT PLAN - GEORGIA REGENTS UNIVERSITY
DEFINED BENEFIT PENSION PLAN
YEAR ENDED JUNE 30, 2014

This note provides information about changes of benefit terms, changes of assumptions, and methods and assumptions used in

Actuarially determined contribution rate are determined as of January 1, 2013.

Methods and assumptions used to determine contribution rates:
Actuarial valuation method: Entry Age Normal

Amortization method: Level Dollar

Remaining amortization period: 10 years

Asset valuation method: Method recognizes a portion of the difference between the market value of assets and expected

Inflation: 3.0% per annum, compounded annually

Cost of living adjustments: 3.0% per annum, compounded annually

Investment rate of return: 7.5% per annum, compounded annually

Mortality Rates (per 1,000 lives):
RP-2000 Mortality Table for Healthy Annuitants with projected improvement from year 2000 to year 2021
under Projection Scale AA

	AGE			
	60	65	70	75
Male	5.84	9.98	16.17	28.14
Female	5.58	9.33	15.07	23.74

Changes of benefit terms: None

Changes of assumptions: None

UNIVERSITY SYSTEM OF GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
BOARD OF REGENTS RETIREE HEALTH BENEFIT FUND
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
YEAR ENDED JUNE 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2011	$ 123,230	$ 3,494,501,238	$ 3,494,378,008	0.0%	$ 2,526,211,986	138.3%
7/1/2012	$ 165,684	$ 3,758,969,936	$ 3,758,804,252	0.0%	$ 2,466,313,700	152.4%
7/1/2013	$ 216,775	$ 4,095,304,172	$ 4,095,087,397	0.0%	$ 2,594,800,486	157.8%

UNIVERSITY SYSTEM OF GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
BOARD OF REGENTS RETIREE HEALTH BENEFIT FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
YEAR ENDED JUNE 30, 2014

Fiscal Year Ended	Required Contribution	Percentage Contributed
2012	$ 345,297,650.0	25.7%
2013	$ 362,426,199.0	23.0%
2014	$ 403,314,315.0	30.0%

SUPPLEMENTARY INFORMATION

UNIVERSITY SYSTEM OF GEORGIA
CONDENSED STATEMENT OF NET POSITION BY INSTITUTION
JUNE 30, 2014

Institution	Assets					Deferred Outflows of Resources
	Current Assets	Noncurrent Cash/ Investments	Capital Assets	Other Assets	Total Assets	
Georgia Institute of Technology	$348,964,700	$75,041,440	$1,726,133,331	$12,405,889	$2,162,545,360	
Georgia State University	250,214,019	2,170,586	810,457,161	6,577,589	1,069,419,355	
Georgia Regents University	138,092,112	68,816,645	470,856,169	2,927,002	680,691,928	
University of Georgia	414,075,792	85,760,221	1,690,097,604	9,308,522	2,199,242,139	
Georgia Southern University	49,784,531	11,686,860	536,509,911	2,532,527	600,513,829	
Valdosta State University	27,489,673	15,471,312	352,875,505	37,130	395,873,620	
Albany State University	11,889,979	507,324	152,010,159	402,298	164,809,760	
Armstrong Atlantic State University	24,709,774	3,913,823	158,497,355	4,182	187,125,134	
Clayton State University	10,725,844	2,007,488	120,953,623	77,000	133,763,955	
Columbus State University	24,578,598	5,090,513	120,195,756	1,052,277	150,917,144	
Fort Valley State University	9,936,299	704,547	152,632,764	1,280,080	164,553,690	
Georgia College & State University	25,238,026	11,149,370	175,141,372	2,331,397	213,860,165	
Georgia Southwestern State Univ.	9,909,784	1,012,811	90,976,416	837,532	102,736,543	
Kennesaw State University	68,858,155	2,220,648	466,965,485	437,916	538,482,204	
University of North Georgia	38,694,017	3,669,490	283,240,568	1,294,787	326,898,862	
Savannah State University	14,387,338	6,961,306	153,148,227	900,118	175,396,989	
Southern Polytechnic State Univ.	14,088,061	3,958,540	162,995,718	160,707	181,203,026	2,862,046
University of West Georgia	54,398,160	1,756,348	301,447,649	2,082,307	359,684,464	
Abraham Baldwin Agricultural Col.	8,086,961	338,250	80,561,143	286,354	89,272,708	
College of Coastal Georgia	3,738,365	299,334	85,957,501		89,995,200	
Dalton State College	8,630,103	49,131	44,181,271		52,860,505	
Georgia Gwinnett College	22,235,374	1,507,117	235,936,817		259,679,308	
Gordon State College	18,189,138	355,149	76,167,652		94,711,939	
Middle Georgia State College	23,176,433	3,728,202	239,860,467		266,765,102	
Atlanta Metropolitan State College	3,888,630	69,628	34,302,330		38,260,588	
Bainbridge State College	3,930,805	1,874,431	53,074,315		58,879,551	
Darton State College	7,921,007	307,038	76,487,113		84,715,158	
East Georgia State College	4,464,695	53,190	30,911,392		35,429,277	
Georgia Highlands College	7,201,113	151,874	54,316,907		61,669,894	
Georgia Perimeter College	28,633,250	548,768	154,369,336		183,551,354	
South Georgia State College	6,320,226	743,105	56,921,959	49,273	64,034,563	
University System Office	716,759,624	9,788,559	76,643,526	1,621,305	804,813,014	
Elimination/Consolidation Entries	(284,822,475)	(202,196,529)		834,459	(486,184,545)	
Totals	$2,114,388,111	$119,516,519	$9,224,826,502	$47,440,651	$11,506,171,783	$2,862,046

UNIVERSITY SYSTEM OF GEORGIA
CONDENSED STATEMENT OF NET POSITION BY INSTITUTION
JUNE 30, 2014

Institution	Liabilities			Deferred Inflows of Resources
	Current Liabilities	Noncurrent Liabilities	Total Liabilities	
Georgia Institute of Technology	$171,370,502	$483,782,755	$655,153,257	
Georgia State University	69,601,080	367,336,063	436,937,143	15,787,349
Georgia Regents University	104,904,735	69,334,953	174,239,688	
University of Georgia	152,037,816	287,467,289	439,505,105	
Georgia Southern University	28,153,389	218,412,934	246,566,323	
Valdosta State University	18,399,480	197,542,419	215,941,899	4,097,246
Albany State University	5,844,563	75,112,748	80,957,311	
Armstrong Atlantic State University	7,922,804	97,718,775	105,641,579	
Clayton State University	4,640,400	77,044,628	81,685,028	
Columbus State University	11,616,272	58,509,914	70,126,186	
Fort Valley State University	7,909,376	82,461,978	90,371,354	
Georgia College & State University	12,405,540	128,952,086	141,357,626	4,714,546
Georgia Southwestern State Univ.	4,938,944	38,017,358	42,956,302	
Kennesaw State University	32,352,512	197,387,115	229,739,627	74,302,295
University of North Georgia	12,860,242	145,866,859	158,727,101	
Savannah State University	7,354,442	107,095,748	114,450,190	
Southern Polytechnic State Univ.	10,748,369	86,963,151	97,711,520	
University of West Georgia	14,642,859	184,188,874	198,831,733	
Abraham Baldwin Agricultural Col.	3,899,163	42,998,581	46,897,744	
College of Coastal Georgia	2,687,869	26,735,670	29,423,539	
Dalton State College	2,306,501	7,222,812	9,529,313	
Georgia Gwinnett College	9,431,004	182,483,600	191,914,604	1,870,398
Gordon State College	10,367,564	32,581,376	42,948,940	
Middle Georgia State College	7,420,243	97,065,816	104,486,059	
Atlanta Metropolitan State College	2,043,143	10,601,177	12,644,320	
Bainbridge State College	2,577,916	20,080,873	22,658,789	
Darton State College	4,578,557	45,132,370	49,710,927	
East Georgia State College	1,642,117	8,346,624	9,988,741	
Georgia Highlands College	2,784,632	17,188,351	19,972,983	
Georgia Perimeter College	15,341,292	78,982,929	94,324,221	
South Georgia State College	2,403,727	36,491,879	38,895,606	
University System Office	589,857,979	48,000,016	637,857,995	
Elimination/Consolidation Entries	(484,680,986)	1,841,573,676	1,356,892,690	
Totals	$850,364,046	$5,398,681,397	$6,249,045,443	$100,771,834

UNIVERSITY SYSTEM OF GEORGIA
CONDENSED STATEMENT OF NET POSITION BY INSTITUTION
JUNE 30, 2014

Institution	Net Position				
	Net Investment in Capital Assets	Restricted Unexpendable	Restricted Expendable	Unrestricted	Total Net Position
Georgia Institute of Technology	$1,245,844,977	$63,073,867	$60,720,091	$137,753,168	$1,507,392,103
Georgia State University	429,900,254	65,255	17,977,070	168,752,284	616,694,863
Georgia Regents University	415,713,919	2,133,850	84,871,707	3,732,764	506,452,240
University of Georgia	1,411,848,296	75,806,989	86,436,729	185,645,020	1,759,737,034
Georgia Southern University	313,675,376	2,465,814	10,105,690	27,700,626	353,947,506
Valdosta State University	148,954,238	3,690,472	3,733,190	19,456,575	175,834,475
Albany State University	76,320,278		399,790	7,132,381	83,852,449
Armstrong Atlantic State University	59,588,828	2,919,503	330,202	18,645,022	81,483,555
Clayton State University	44,108,535	1,434,732	(26,269)	6,561,929	52,078,927
Columbus State University	60,761,674	1,813,559	3,759,613	14,456,112	80,790,958
Fort Valley State University	70,030,258		4,568,103	(416,025)	74,182,336
Georgia College & State University	48,165,631	3,843,361	5,370,170	10,408,831	67,787,993
Georgia Southwestern State Univ.	52,783,908	432,717	1,120,565	5,443,051	59,780,241
Kennesaw State University	192,906,560	561,914	614,842	40,356,966	234,440,282
University of North Georgia	136,655,536	2,652,092	2,183,894	26,680,239	168,171,761
Savannah State University	45,273,738	5,902,322	1,202,737	8,568,002	60,946,799
Southern Polytechnic State Univ.	77,016,159	1,750,685	1,754,563	5,832,145	86,353,552
University of West Georgia	114,970,596		2,706,050	43,176,085	160,852,731
Abraham Baldwin Agricultural Col.	36,311,587		660,346	5,403,031	42,374,964
College of Coastal Georgia	59,197,126	68,879	85,371	1,220,285	60,571,661
Dalton State College	37,071,606		1,961	6,257,625	43,331,192
Georgia Gwinnett College	52,323,419		38,195	13,532,692	65,894,306
Gordon State College	44,315,602		15,054	7,432,343	51,762,999
Middle Georgia State College	142,235,262		3,121,037	16,922,744	162,279,043
Atlanta Metropolitan State College	23,958,730		48,251	1,609,287	25,616,268
Bainbridge State College	32,988,080	1,600,228	172,944	1,459,510	36,220,762
Darton State College	31,775,630			3,228,601	35,004,231
East Georgia State College	22,656,982	37,100	14,870	2,731,584	25,440,536
Georgia Highlands College	37,129,989	36,371	35,638	4,494,913	41,696,911
Georgia Perimeter College	75,112,561	31,338	205,931	13,877,303	89,227,133
South Georgia State College	20,170,522	291,490	321,497	4,355,448	25,138,957
University System Office	28,765,831	4,381,979	87,555,656	46,251,553	166,955,019
Elimination/Consolidation Entries				(1,843,077,235)	($1,843,077,235)
Totals	$5,588,531,688	$174,994,517	$380,105,488	($984,415,141)	$5,159,216,552

UNIVERSITY SYSTEM OF GEORGIA

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY INSTITUTION

FOR YEAR ENDED JUNE 30, 2014

	Operating					
	Revenue					
Institution	Tuition & Fees, Net	Federal Approp., Grants & Contracts	Auxiliaries	Other	Operating Expenses	Operating Loss
Georgia Institute of Technology	287,203,042	695,110,524	99,081,204	42,056,703	(1,332,066,331)	(208,614,858)
Georgia State University	225,837,006	77,109,511	70,651,231	23,830,969	(615,502,290)	(218,073,573)
Georgia Regents University	77,795,381	454,251,359	16,700,182	10,074,340	(758,413,070)	(199,591,808)
University of Georgia	364,533,204	198,663,812	169,958,352	73,013,973	(1,253,332,393)	(447,163,052)
Georgia Southern University	107,971,597	16,084,037	82,600,488	6,579,395	(326,585,167)	(113,349,650)
Valdosta State University	57,741,225	4,687,045	39,100,277	1,579,517	(172,383,139)	(69,275,075)
Albany State University	14,659,462	9,421,772	14,452,252	913,820	(72,398,127)	(32,950,821)
Armstrong Atlantic State University	30,415,037	6,524,291	17,839,510	303,180	(93,969,457)	(38,887,439)
Clayton State University	27,639,047	1,682,079	14,758,657	2,024,570	(88,269,837)	(42,165,484)
Columbus State University	42,174,768	2,075,048	12,106,202	3,487,947	(114,267,563)	(54,423,598)
Fort Valley State University	9,830,191	6,959,101	14,263,383	188,522	(70,573,778)	(39,332,581)
Georgia College & State University	50,812,722	531,735	27,154,958	2,150,905	(115,345,402)	(34,695,082)
Georgia Southwestern State University	11,233,557	2,539,720	9,083,833	879,519	(42,021,409)	(18,284,780)
Kennesaw State University	128,408,766	3,161,677	53,884,958	11,362,153	(319,069,164)	(122,251,610)
University of North Georgia	55,267,062	249,806	32,767,682	2,796,890	(160,034,039)	(68,952,599)
Savannah State University	12,705,861	9,492,562	31,270,375	843,597	(89,572,601)	(35,260,206)
Southern Polytechnic State University	34,101,361	324,873	16,842,941	1,455,810	(82,947,586)	(30,222,601)
University of West Georgia	56,501,671	3,558,265	39,594,393	7,205,125	(170,104,799)	(63,245,345)
Abraham Baldwin Agricultural College	6,374,999	133,468	13,099,795	381,567	(43,264,149)	(23,274,320)
College of Coastal Georgia	5,406,889	25,226	5,986,851	115,413	(35,055,812)	(23,521,433)
Dalton State College	8,603,624	2,207,023	3,548,955	116,055	(42,093,642)	(27,617,985)
Georgia Gwinnett College	29,918,628	581,419	13,474,684	255,522	(97,873,990)	(53,643,737)
Gordon State College	7,075,084	133,077	10,608,429	274,563	(38,897,804)	(20,806,651)
Middle Georgia State College	19,145,393	281,443	13,908,341	1,242,045	(93,568,662)	(58,991,440)
Atlanta Metropolitan State College	3,336,515	2,260,521	1,205,077	266,057	(27,735,669)	(20,667,499)
Bainbridge State College	5,929,608	1,882,482	375,482	175,273	(29,324,452)	(20,961,607)
Darton State College	11,522,836	2,776,316	5,774,064	410,363	(51,779,283)	(31,295,704)
East Georgia State College	3,420,024	23,232	2,570,904	51,922	(23,199,247)	(17,133,165)
Georgia Highlands College	9,913,740	270,460	1,314,248	426,358	(38,025,484)	(26,100,678)
Georgia Perimeter College	43,309,285	2,748,413	8,877,450	911,787	(145,004,010)	(89,157,075)
South Georgia State College	2,819,121	24,639	4,659,400	131,656	(25,753,737)	(18,118,921)
University System Office		7,740,909		397,668,578	(549,425,514)	(144,016,027)
Elimination/Consolidation Entries		(9,003,645)	(91,541)	(262,547,159)	(20,266,440)	(291,908,785)
Total	$1,751,606,706	$1,504,512,200	$847,423,017	$330,626,935	($7,138,124,047)	($2,703,955,189)

UNIVERSITY SYSTEM OF GEORGIA

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY INSTITUTION

FOR YEAR ENDED JUNE 30, 2014

	Non-Operating			
Institution	State Appropriations	Other Revenue/ (Expenses)	Special Item Transfer	Interest Expense
Georgia Institute of Technology	222,083,429	76,543,754		(25,544,549)
Georgia State University	187,399,846	77,069,728		(20,788,112)
Georgia Regents University	173,404,460	22,781,483		(2,966,531)
University of Georgia	387,087,925	153,057,145		(18,120,788)
Georgia Southern University	81,442,638	41,795,368		(12,081,933)
Valdosta State University	48,465,236	61,642,547		(7,753,570)
Albany State University	18,539,883	13,557,878		(3,741,453)
Armstrong Atlantic State University	28,838,670	14,433,077		(4,588,520)
Clayton State University	23,401,932	19,027,352		(4,365,626)
Columbus State University	33,008,566	21,310,357		(2,737,685)
Fort Valley State University	24,002,876	21,514,513		(4,557,700)
Georgia College & State University	29,005,791	21,481,521		(7,825,511)
Georgia Southwestern State University	11,867,701	6,672,898		(2,009,517)
Kennesaw State University	82,371,326	52,049,225		(11,859,160)
University of North Georgia	44,963,866	34,383,119		(9,745,744)
Savannah State University	18,655,084	19,513,699		(5,645,714)
Southern Polytechnic State University	21,228,613	12,067,827	(76,088)	(4,916,860)
University of West Georgia	44,262,247	28,484,647		(9,049,399)
Abraham Baldwin Agricultural College	13,421,366	11,324,003		(2,045,330)
College of Coastal Georgia	13,958,549	9,444,858		(1,404,786)
Dalton State College	14,038,522	30,291,873		(463,200)
Georgia Gwinnett College	39,791,420	26,294,765		(11,313,188)
Gordon State College	11,236,106	10,992,263		(1,490,864)
Middle Georgia State College	34,102,741	24,232,715		(3,796,594)
Atlanta Metropolitan State College	8,847,878	11,097,469		(610,116)
Bainbridge State College	9,989,108	10,447,796		(1,119,779)
Darton State College	14,948,189	16,040,711		(2,881,135)
East Georgia State College	7,616,913	9,273,737		(449,552)
Georgia Highlands College	14,477,661	12,251,712		(1,015,928)
Georgia Perimeter College	56,871,319	44,998,972		(3,628,109)
South Georgia State College	11,135,308	8,718,377		(1,756,008)
University System Office	150,052,543	(3,395,254)	282,414	(1,943,489)
Elimination/Consolidation Entries	(25,626)	(1,379,613)		(2,988,410)
Total	$1,880,492,086	$918,020,522	$206,326	($195,204,860)

UNIVERSITY SYSTEM OF GEORGIA

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY INSTITUTION

FOR YEAR ENDED JUNE 30, 2014

	Net Position				
Institution	Increase/Decrease) in Net Position	Net Position -Beginning of Year	Prior Year Adjustments	Net Position - Beginning of Year Restated	Net Position - End of Year
Georgia Institute of Technology	64,467,776	1,442,924,327		1,442,924,327	1,507,392,103
Georgia State University	25,607,889	591,086,974		591,086,974	616,694,863
Georgia Regents University	(6,372,396)	512,824,636		512,824,636	506,452,240
University of Georgia	74,861,230	1,674,958,617	9,917,187	1,684,875,804	1,759,737,034
Georgia Southern University	(2,193,577)	353,124,623	3,016,460	356,141,083	353,947,506
Valdosta State University	33,079,138	145,729,863	(2,974,526)	142,755,337	175,834,475
Albany State University	(4,594,513)	88,446,962		88,446,962	83,852,449
Armstrong Atlantic State University	(204,212)	81,687,767		81,687,767	81,483,555
Clayton State University	(4,101,826)	56,173,927	6,826	56,180,753	52,078,927
Columbus State University	(2,842,360)	83,633,318		83,633,318	80,790,958
Fort Valley State University	1,627,108	72,555,228		72,555,228	74,182,336
Georgia College & State University	7,966,719	59,821,274		59,821,274	67,787,993
Georgia Southwestern State University	(1,753,698)	61,533,939		61,533,939	59,780,241
Kennesaw State University	309,781	234,130,501		234,130,501	234,440,282
University of North Georgia	648,642	167,523,119		167,523,119	168,171,761
Savannah State University	(2,737,137)	63,683,936		63,683,936	60,946,799
Southern Polytechnic State University	(1,919,109)	86,356,052	1,916,609	88,272,661	86,353,552
University of West Georgia	452,150	160,400,581		160,400,581	160,852,731
Abraham Baldwin Agricultural College	(574,281)	42,949,245		42,949,245	42,374,964
College of Coastal Georgia	(1,522,812)	62,094,473		62,094,473	60,571,661
Dalton State College	16,249,210	27,081,982		27,081,982	43,331,192
Georgia Gwinnett College	1,129,260	58,101,432	6,663,614	64,765,046	65,894,306
Gordon State College	(69,146)	51,832,145		51,832,145	51,762,999
Middle Georgia State College	(4,452,578)	166,731,621		166,731,621	162,279,043
Atlanta Metropolitan State College	(1,332,268)	26,948,536		26,948,536	25,616,268
Bainbridge State College	(1,644,482)	37,176,741	688,503	37,865,244	36,220,762
Darton State College	(3,187,939)	38,192,170		38,192,170	35,004,231
East Georgia State College	(692,067)	26,132,603		26,132,603	25,440,536
Georgia Highlands College	(387,233)	42,391,945	(307,801)	42,084,144	41,696,911
Georgia Perimeter College	9,085,107	80,116,360	25,666	80,142,026	89,227,133
South Georgia State College	(21,244)	25,160,201		25,160,201	25,138,957
University System Office	980,187	165,974,832		165,974,832	166,955,019
Elimination/Consolidation Entries	(296,302,434)	(1,552,000,448)	5,225,647	(1,546,774,801)	(1,843,077,235)
Total	($100,441,115)	$5,235,479,482	$24,178,185	$5,259,657,667	$5,159,216,552

UNIVERSITY SYSTEM OF GEORGIA
CONDENSED STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (UNAUDITED)
June 30, 2014

	Assets					
Affiliated Organizations	Current Assets	Noncurrent Cash/ Investments	Capital Assets	Other Assets	Total Assets	Deferred Outflows of Resources
Abraham Baldwin Agricultural College Foundation, Inc. and Subsidiaries	$4,195,897	$25,712,832	$3,292,949	$38,216,529	$71,418,207	
Albany State University Foundation, Inc.	1,738,703	15,339,066	467,055	66,097,333	83,642,157	
Armstrong Atlantic State Educational Properties Foundation, Inc. and Subsidiaries	3,286,624	9,412,841	2,784,948	98,020,229	113,504,642	
Armstrong Atlantic State University Foundation, Inc.	809,798	8,885,796			9,695,594	
Atlanta Metropolitan College Foundation, Inc.	238,899				238,899	
Augusta State University Foundation	4,176,758	30,280,162	942,223	42,515,613	77,914,756	
Clayton State University Foundation, Inc.	4,400,424	5,725,903	62,400,188	5,785,076	78,311,591	
College of Coastal Georgia Foundation, Inc.	1,423,621	13,105,115	1,604,559	173,877	16,307,172	
Columbus State University Alumni Association, Inc.	161,905	6,914		202,953	371,772	
Columbus State University Athletic Fund, Inc.	78,918	2,121,697	40,099		2,240,714	
Columbus State University Foundation, Inc.	4,451,990	52,754,541		5,282,047	62,488,578	
Dalton State College Athletic Club	1,438,897		1,265,486	3,330,852	6,035,235	
Dalton State College Foundation, Inc.	1,798,506	25,458,648	6,525,182	572,494	34,354,830	
Darton Boosters, Inc.	1,764,706	1,217,785	20,652,603	409,821	24,044,915	
Darton College Foundation, Inc.	3,266,126	1,230,337	403,432		4,899,895	
East Georgia College Foundation, Inc.	225,286	947,501	23,833		1,196,620	
Fort Valley State University Foundation, Inc.	5,888,973	12,402,245	1,726,547	55,254,834	75,272,599	
Foundation Properties, Inc. (Columbus State University)	5,507,749	1,952,836	85,159,120	2,794,237	95,413,942	
Georgia Advanced Technology Ventures, Inc. (Georgia Institue of Technology)	4,058,815	788,403	119,623,442	2,031,409	126,502,069	15,000
Georgia College & State University Alumni Assoc, Inc.	163,830	7,167,205	23,976	4,500	7,359,511	
Georgia College & State University Foundation, Inc.	4,692,554	42,064,995	3,356,110	90,806,502	140,920,161	
Georgia Gwinnett College Foundation Inc.	13,309,198	20,619,415	10,939,408	338,553,125	383,421,146	
Georgia Highlands College Foundation, Inc.	3,959,875		11,811	17,681,144	21,652,830	
Georgia Perimeter College Foundation, Inc.	2,589,530	4,189,904	3,000,000	76,949,881	86,729,315	
Georgia Regents University Research Institute, Inc.	12,333,842	402,771			12,736,613	
Georgia Regents University, College of Dental Medicine Faculty Practice Group d/b/a GRU Dental Faculty Practice Group	2,356,029	9,933,670			12,289,699	
Georgia Southern University Athletic Foundation, Inc.	6,269,920	5,998,378	22,272,101	2,759,423	37,299,822	
Georgia Southern University Foundation, Inc.	59,087,509	145,500	408,083	877,964	60,519,056	
Georgia Southern University Housing Foundation, Inc.	10,941,036	33,243,195	254,767	219,145,445	263,584,443	1,679,532
Georgia Southern University Research and Service Foundation, Inc.	6,789,037		682		6,789,719	
Georgia Southwestern Foundation, Inc.	1,842,916	33,241,541	357,417	38,809,551	74,251,425	
Georgia State University Foundation, Inc.	86,437,647	142,844,105	10,626,301	265,156,505	505,064,558	
Georgia State University Research Foundation, Inc. and Affiliate	36,295,858	5,195,960	8,704,576	80,940,822	131,137,216	
Georgia Tech Alumni Association	305,458		144,379		449,837	
Georgia Tech Athletic Association	8,106,156		171,494,676	120,469,746	300,070,578	23,934,618
Georgia Tech Facilities, Inc.	12,529,392	1,226,733	3,598,560	268,301,212	285,655,897	31,722,603
Georgia Tech Foundation, Inc.	32,861,643	1,572,227,000	35,906,000	241,792,357	1,882,787,000	
Georgia Tech Research Corporation	178,709,961	4,084	1,571,286	200,000	180,485,331	
Gordon College Foundation, Inc. and Subsidiaries	587,948	11,757,596	-	32,200,706	44,546,250	
Kennesaw State University Foundation, Inc.	17,459,904	101,015,125	143,373,696	198,842,550	460,691,275	
Middle Georgia State College Foundation, Inc.	510,778	10,446,522		104,411	11,061,711	
MCG Health, Inc./MCG Health System, Inc. (d/b/a Georgia Regents Health System) (blended)	205,167,872	148,226,368	233,995,093	2,811,309	590,200,642	
Medical College of Georgia Foundation, Inc.	2,640,352	221,347,907	4,212,623	358,040	228,558,922	
Middle Georgia State College Real Estate Foundation, Inc. and Subsidiaries	1,434,303	14,060,578		96,557,080	112,051,961	
Savannah State University Foundation, Inc.	3,350,509	3,533,247	7,590	91,112,873	98,004,219	
South Georgia College Foundation, Inc.	1,083,365	6,320,906	330,395	32,590,607	40,325,273	
Southern Polytechnic State University Foundation, Inc.	1,832,906	9,531,858	1,196,556	24,400,258	36,961,578	
The Medical College of Georgia Physicians Practice Group Foundation (d/b/a Georgia Regents Medical Associates and Subsidiaries)	57,568,547	26,804,179	7,462,069	45,678,268	137,513,063	
University of Georgia Athletic Assoc., Inc.	65,349,698		224,398,241	44,947,793	334,695,732	10,228,633
University of Georgia Foundation	106,925,840	834,825,321	22,321,247	52,499,321	1,016,571,729	1,842,358
University of Georgia Research Foundation, Inc.	79,112,074	56,150,116	42,990,447	273,433,842	451,686,479	6,331,998
University of North Georgia College Real Estate Foundation Inc.	4,789,163	20,578,184	1,193,686	142,206,889	168,767,922	
University of North Georgia Foundation - Dahlonega, Inc.	184,207	37,368,414	193,942	1,256,700	39,003,263	
University of West Georgia Foundation, Inc.	6,319,520	34,874,159	73,578	50,932,548	92,199,805	
University of West Georgia Real Estate Foundation, Inc.	7,524,366	3,982,332		128,790,916	140,297,614	1,424,987
University System of Georgia Foundation, Inc. and Affiliates	7,325,177	19,834,426		264,283,722	291,443,325	
Valdosta State University Foundation, Inc.	3,733,074	28,089,424	8,128,428	798,466	40,749,392	
VSU Auxiliary Services Real Estate Foundation, Inc.	15,425,641		227,338	192,479,246	208,132,225	7,993,840
Walter & Emilie Spivey Foundation (Clayton State University)	7,024,882				7,024,882	
James M. Dye Foundation (South Georgia State College)	116,569	2,003,945			2,120,514	
Total	$1,123,960,681	$3,676,597,685	$1,269,686,728	$3,759,421,026	$9,829,666,120	$85,173,569

UNIVERSITY SYSTEM OF GEORGIA
CONDENSED STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (UNAUDITED)
June 30, 2014

	Liabilities			
Affiliated Organizations	Current Liabilities	Noncurrent Liabilities	Total Liabilities	Deferred Inflows of Resources
Abraham Baldwin Agricultural College Foundation, Inc. and Subsidiaries	$2,135,880	$39,721,458	$41,857,338	
Albany State University Foundation, Inc.	3,404,987	75,600,282	79,005,269	
Armstrong Atlantic State Educational Properties Foundation, Inc. and Subsidiaries	2,828,122	89,243,897	92,072,019	
Armstrong Atlantic State University Foundation, Inc.	145,838		145,838	
Atlanta Metropolitan College Foundation, Inc.	120		120	
Augusta State University Foundation	2,751,089	41,940,113	44,691,202	
Clayton State University Foundation, Inc.	1,676,216	69,933,580	71,609,796	
College of Coastal Georgia Foundation, Inc.	218,099	23,179	241,278	
Columbus State University Alumni Association, Inc.	7,834		7,834	
Columbus State University Athletic Fund, Inc.	142,814		142,814	
Columbus State University Foundation, Inc.	898,947	2,804,695	3,703,642	
Dalton State College Athletic Club	221,905	192,741	414,646	
Dalton State College Foundation, Inc.	2,163,656	117,735	2,281,391	
Darton Boosters, Inc.	390,000	22,209,044	22,599,044	
Darton College Foundation, Inc.				
East Georgia College Foundation, Inc.	1,563		1,563	
Fort Valley State University Foundation, Inc.	2,869,374	62,233,138	65,102,512	
Foundation Properties, Inc. (Columbus State University)	18,798,818	61,158,898	79,957,716	
Georgia Advanced Technology Ventures, Inc. (Georgia Institue of Technology)	12,126,010	112,276,976	124,402,986	
Georgia College & State University Alumni Assoc, Inc.	147		147	
Georgia College & State University Foundation, Inc.	18,793,753	104,591,895	123,385,648	2,610,746
Georgia Gwinnett College Foundation Inc.	20,848,409	364,174,664	385,023,073	
Georgia Highlands College Foundation, Inc.	11,666	18,515,000	18,526,666	
Georgia Perimeter College Foundation, Inc.	10,078,466	71,655,000	81,733,466	
Georgia Regents University Research Institute, Inc.	5,733,899		5,733,899	
Georgia Regents University, College of Dental Medicine Faculty Practice Group d/b/a GRU Dental Faculty Practice Group	11,095,436		11,095,436	
Georgia Southern University Athletic Foundation, Inc.	3,498,207	23,895,464	27,393,671	
Georgia Southern University Foundation, Inc.	1,490,564		1,490,564	
Georgia Southern University Housing Foundation, Inc.	11,360,674	226,888,936	238,249,610	
Georgia Southern University Research and Service Foundation, Inc.	4,741,276		4,741,276	
Georgia Southwestern Foundation, Inc.	608,871	42,450,027	43,058,898	
Georgia State University Foundation, Inc.	15,394,060	267,014,458	282,408,518	
Georgia State University Research Foundation, Inc. and Affiliate	21,982,114	84,630,845	106,612,959	
Georgia Tech Alumni Association	524,142		524,142	
Georgia Tech Athletic Association	14,278,357	232,660,704	246,939,061	
Georgia Tech Facilities, Inc.	12,345,108	287,828,404	300,173,512	
Georgia Tech Foundation, Inc.	111,651,780	366,759,220	478,411,000	
Georgia Tech Research Corporation	131,986,611		131,986,611	
Gordon College Foundation, Inc. and Subsidiaries	1,067,236	32,382,902	33,450,138	
Kennesaw State University Foundation, Inc.	23,987,716	401,758,974	425,746,690	
Middle Georgia State College Foundation, Inc.	285,786		285,786	
MCG Health, Inc./MCG Health System, Inc. (d/b/a Georgia Regents Health System) (blended)	88,725,346	217,343,525	306,068,871	
Medical College of Georgia Foundation, Inc.	2,213,206	885,315	3,098,521	
Middle Georgia State College Real Estate Foundation, Inc. and Subsidiaries	4,273,033	97,273,888	101,546,921	
Savannah State University Foundation, Inc.	11,848,577	82,235,075	94,083,652	
South Georgia College Foundation, Inc.	203,881	34,800,341	35,004,222	
Southern Polytechnic State University Foundation, Inc.	1,800,420	27,706,263	29,506,683	
The Medical College of Georgia Physicians Practice Group Foundation (d/b/a Georgia Regents Medical Associates and Subsidiaries)	15,329,801	47,297,802	62,627,603	
University of Georgia Athletic Assoc., Inc.	33,010,741	114,965,284	147,976,025	
University of Georgia Foundation	11,125,569	62,214,581	73,340,150	
University of Georgia Research Foundation, Inc.	64,146,228	308,849,454	372,995,682	
University of North Georgia College Real Estate Foundation Inc.	7,537,409	154,365,974	161,903,383	
University of North Georgia Foundation - Dahlonega, Inc.	1,055,435	10,221	1,065,656	
University of West Georgia Foundation, Inc.	2,909,072	50,174,044	53,083,116	
University of West Georgia Real Estate Foundation, Inc.	3,558,919	134,875,160	138,434,079	
University System of Georgia Foundation, Inc. and Affiliates	6,524,747	274,102,073	280,626,820	
Valdosta State University Foundation, Inc.	1,372,601	6,055,423	7,428,024	
VSU Auxiliary Services Real Estate Foundation, Inc.	4,752,086	180,048,339	184,800,425	
Walter & Emilie Spivey Foundation (Clayton State University)				
James M. Dye Foundation (South Georgia State College)	4,010		4,010	
Total	$732,936,631	$4,895,864,991	$5,628,801,622	$2,610,746

UNIVERSITY SYSTEM OF GEORGIA
CONDENSED STATEMENT OF NET POSITION BY AFFILIATED ORGANIZATION (UNAUDITED)
June 30, 2014

	Net Position				
Affiliated Organizations	Net Investment in Capital Assets	Nonexpendable	Expendable	Unrestricted	Total Net Position
Abraham Baldwin Agricultural College Foundation, Inc. and Subsidiaries	$1,216,233	$8,200,611	$5,809,020	$14,335,005	$29,560,869
Albany State University Foundation, Inc.	467,055		4,144,905	24,928	4,636,888
Armstrong Atlantic State Educational Properties Foundation, Inc. and Subsidiaries	2,784,948	1,269,585	2,486,256	14,891,834	21,432,623
Armstrong Atlantic State University Foundation, Inc.		5,089,213	4,049,334	411,209	9,549,756
Atlanta Metropolitan College Foundation, Inc.				238,779	238,779
Augusta State University Foundation	942,223	17,407,863	8,910,408	5,963,060	33,223,554
Clayton State University Foundation, Inc.		6,646,639		55,156	6,701,795
College of Coastal Georgia Foundation, Inc.	1,604,559	6,384,361	6,211,707	1,865,267	16,065,894
Columbus State University Alumni Association, Inc.		82,161		281,777	363,938
Columbus State University Athletic Fund, Inc.	40,099	1,351,883	643,145	62,773	2,097,900
Columbus State University Foundation, Inc.		32,471,569	22,191,206	4,122,161	58,784,936
Dalton State College Athletic Club	880,004		4,943,101	(202,516)	5,620,589
Dalton State College Foundation, Inc.	4,500,056	9,807,843	6,334,414	11,431,126	32,073,439
Darton Boosters, Inc.	1,423,037			22,834	1,445,871
Darton College Foundation, Inc.	403,432	546,000	984,185	2,966,278	4,899,895
East Georgia College Foundation, Inc.	23,833	155,335	1,012,914	2,975	1,195,057
Fort Valley State University Foundation, Inc.	1,726,547	3,812,846	4,786,366	(155,672)	10,170,087
Foundation Properties, Inc. (Columbus State University)	24,995,229			(9,539,003)	15,456,226
Georgia Advanced Technology Ventures, Inc. (Georgia Institue of Technology)	522,982		10,720,497	(9,129,396)	2,114,083
Georgia College & State University Alumni Association, Inc.	23,976	4,817,563	2,114,469	403,356	7,359,364
Georgia College & State University Foundation, Inc. and Subsidiaries	1,876,163	15,273,948	6,915,895	(9,142,239)	14,923,767
Georgia Gwinnett College Foundation Inc. and Subsidiaries	10,939,408	702,659	792,078	(14,036,072)	(1,601,927)
Georgia Highlands College Foundation, Inc.	11,811	788,207	1,926,558	399,588	3,126,164
Georgia Perimeter College Foundation, Inc.	3,000,000	1,153,537	3,354,211	(2,511,899)	4,995,849
Georgia Regents University Research Institute, Inc.			77,525	6,925,189	7,002,714
Georgia Regents University, College of Dental Medicine Faculty Practice Group d/b/a GRU Dental Faculty Practice Group				1,194,263	1,194,263
Georgia Southern University Athletic Foundation, Inc.	4,738,451		7,481,530	(2,313,830)	9,906,151
Georgia Southern University Foundation, Inc.	408,083	33,753,544	19,752,133	5,114,732	59,028,492
Georgia Southern University Housing Foundation, Inc. and Subsidiaries	254,767		23,642,949	3,116,649	27,014,365
Georgia Southern University Research and Service Foundation, Inc.	682			2,047,761	2,048,443
Georgia Southwestern Foundation, Inc.	357,417	11,904,652	9,598,672	9,331,786	31,192,527
Georgia State University Foundation, Inc.	7,000,986	106,407,329	69,536,144	39,711,581	222,656,040
Georgia State University Research Foundation, Inc. and Affiliate	8,703,014	2,000,000	6,635,058	7,186,185	24,524,257
Georgia Tech Alumni Association	144,379		(218,684)		(74,305)
Georgia Tech Athletic Association	(36,035,965)	28,421,969	81,439,028	3,241,103	77,066,135
Georgia Tech Facilities, Inc.	3,598,560		8,925,941	4,680,487	17,204,988
Georgia Tech Foundation, Inc.	35,906,000	588,380,000	715,583,000	64,507,000	1,404,376,000
Georgia Tech Research Corporation	1,571,286			46,927,434	48,498,720
Gordon College Foundation, Inc. and Subsidiaries	-	2,491,333	7,841,107	763,672	11,096,112
Kennesaw State University Foundation, Inc.	127,200,218	25,618,006	12,594,670	(130,468,309)	34,944,585
Middle Georgia State College Foundation, Inc. and Subsidiaries		8,127,614	2,313,380	334,931	10,775,925
MCG Health, Inc./MCG Health System, Inc. (d/b/a Georgia Regents Health System) (blended)	41,410,936			242,720,835	284,131,771
Medical College of Georgia Foundation, Inc.		133,686,143	70,877,702	20,896,556	225,460,401
Middle Georgia State College Real Estate Foundation, Inc. and Subsidiaries				10,505,040	10,505,040
Savannah State University Foundation, Inc. and Subsidiaries	7,590	110,000	92,297	3,710,680	3,920,567
South Georgia College Foundation, Inc. and Subsidiaries	330,395	2,891,383	229,327	1,869,946	5,321,051
Southern Polytechnic State University Foundation, Inc.	1,196,556	3,294,523	2,082,215	881,601	7,454,895
The Medical College of Georgia Physicians Practice Group Foundation (d/b/a Georgia Regents Medical Associates and Subsidiaries)	7,462,069			67,423,391	74,885,460
University of Georgia Athletic Assoc., Inc.	115,662,174			81,286,166	196,948,340
University of Georgia Foundation	11,090,667	421,826,483	430,372,477	81,784,310	945,073,937
University of Georgia Research Foundation, Inc.	11,608,494		1,291,745	72,122,556	85,022,795
University of North Georgia College Real Estate Foundation Inc. and Subsidiaries	1,193,686			5,670,853	6,864,539
University of North Georgia Foundtion - Dahlonega, Inc.	193,942	20,521,459	18,774,080	(1,551,874)	37,937,607
University of West Georgia Foundation, Inc.	73,578	18,325,330	11,713,225	9,004,556	39,116,689
University of West Georgia Real Estate Foundation, Inc.				3,288,522	3,288,522
University System of Georgia Foundation, Inc. and Affiliates	93,791	1,570,275	3,365,295	5,787,144	10,816,505
Valdosta State University Foundation, Inc.	2,109,042	26,684,409	4,398,128	129,789	33,321,368
VSU Auxiliary Services Real Estate Foundation, Inc.	227,338			31,098,302	31,325,640
Walter & Emilie Spivey Foundation (Clayton State University)		7,024,882			7,024,882
James M. Dye Foundation (South Georgia State College)		1,868,358	127,946	120,200	2,116,504
Total	$403,889,731	$1,560,869,515	$1,606,857,559	$711,810,516	$4,283,427,321

BOARD OF REGENTS OF THE UNIVERSITY SYSTEM • OF GEORGIA •

UNIVERSITY SYSTEM OF GEORGIA
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY AFFILIATED ORGANIZATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2014

	Operating					
	Revenues					
Affiliated Organization	Gifts, Contributions, Grants & Contracts	Sales, Services, Rents & Royalties	Clinical Patient Fees/Net Patient Revenue	Other	Expenses	Operating Profit/ (Loss)
Abraham Baldwin Agricultural College Foundation, Inc. and Subsidiaries	$1,112,858	$2,910,378		$1,996,500	($2,081,104)	$3,938,632
Albany State University Foundation, Inc.	686,891	18,563		801,611	(1,448,251)	58,814
Armstrong Atlantic State Educational Properties Foundation, Inc. and Subsidiaries		1,514,315		4,622,241	(1,520,680)	4,615,876
Armstrong Atlantic State University Foundation, Inc.	1,008,546				(1,575,393)	(566,847)
Atlanta Metropolitan College Foundation	170,538			497	(101,490)	69,545
Augusta State University Foundation, Inc.	1,251,936	1,490,231		918,940	(1,656,566)	2,004,541
Clayton State University Foundation, Inc.	774,557	808,256		2,589,742	(634,082)	3,538,473
College of Coastal Georgia Foundation, Inc.	919,816	1,200		704,626	(1,539,711)	85,931
Columbus State University Alumni Association, Inc.	52,971	17,363		8,061	(66,776)	11,619
Columbus State University Athletic Fund, Inc.	151,838	291,119		4,936	(617,234)	(169,341)
Columbus State University Foundation, Inc.	7,357,627	903,840		5,478,671	(9,807,206)	3,932,932
Dalton State College Athletic Club	2,182,822				(1,394,169)	788,653
Dalton State College Foundation, Inc.	754,968	321,096			(2,560,866)	(1,484,802)
Darton Boosters, Inc.		1,976,438			(1,913,730)	62,708
Darton College Foundation, Inc.	381,914	24,000			(739,157)	(333,243)
East Georgia College Foundation, Inc.	246,487			6,336	(239,316)	13,507
Fort Valley State University Foundation, Inc.	902,853	3,364,199			(1,729,819)	2,537,233
Foundation Properties, Inc. (Columbus State University)	1,192,346	6,525,728		2,455,963	(4,120,016)	6,054,021
Georgia Advanced Technology Ventures, Inc.	940,046	16,439,517		1,072,789	(12,101,856)	6,350,496
Georgia College & State University Alumni Association, Inc.	145,470			904,701	(450,283)	599,888
Georgia College and State University Foundation, Inc. and Subsidiaries	1,626,825	5,848,730		2,807,571	(3,629,490)	6,653,636
Georgia Gwinnett College Foundation, Inc. and Subsidiaries	612,672	11,880,233		42,991	(1,851,850)	10,684,046
Georgia Highlands College Foundation, Inc.	583,872	1,028,474			(709,426)	902,920
Georgia Perimeter College Foundation, Inc.	628,423	3,947,497			(902,329)	3,673,591
Georgia Regents University Research Institute, Inc. (f/k/a Georgia Health Sciences Research Institute)	59,192,037	203,575			(59,211,905)	183,707
Georgia Regents University, College of Dental Medicine Faculty Practice Group d/b/a GRU Dental Faculty Practice Group	166,980		9,999,104		(10,752,613)	(586,529)
Georgia Southern University Athletic Foundation, Inc.	3,115,732	189,570		523,509	(2,544,812)	1,283,999
Georgia Southern University Foundation, Inc.	2,489,782	128,987		394,811	(3,780,039)	(766,459)
Georgia Southern University Housing Foundation, Inc. and Subsidiaries		71,155		13,270,259	(651,092)	12,690,322
Georgia Southern University Research and Service Foundation, Inc.	6,430,678	4,332,684		13,393	(9,947,337)	829,418
Georgia Southwestern Foundation, Inc.	263,035	1,807,394		109,116	(1,641,473)	538,072
Georgia State University Foundation, Inc. and Affiliate	14,993,727	48,973		33,849,049	(25,963,964)	22,927,785
Georgia State University Research Foundation, Inc. and	57,231,460	864,589		3,400,927	(59,016,604)	2,480,372
Georgia Tech Alumni Association	4,932,240	1,640,294		9,922	(6,560,677)	21,779
Georgia Tech Athletic Association	4,544,650	55,150,249			(59,545,687)	149,212
Georgia Tech Facilities, Inc.		4,402,614		10,951,697	(3,156,323)	12,197,988
Georgia Tech Foundation, Inc.	55,590,000	14,247,000			(90,631,000)	(20,794,000)
Georgia Tech Research Corporation	603,742,261	10,028,143			(611,075,893)	2,694,511
Gordon College Foundation, Inc. and Subsidiaries	129,784	1,323,061			(284,588)	1,168,257
Kennesaw State University Foundation, Inc.	2,781,528	39,350,629		1,119,539	(24,612,127)	18,639,569
Middle Georgia State College Foundation, Inc. and Subsidiaries	613,236			131,910	(1,257,786)	(512,640)
MCG Health, Inc./MCG Health Systems, Inc. d/b/a Georgia Regents Health System		9,893,900	509,921,136		(548,575,077)	(28,760,041)
Medical College of Georgia Foundation, Inc.	4,899,555	612,787		25,472,061	(9,350,225)	21,634,178
Middle Georgia College Foundation, Inc. and Subsidiaries	355,106			4,099,143	(355,728)	4,098,521
Savannah State University Foundation, Inc. and Subsidiaries	78,065	5,146,478		34,221	(2,722,603)	2,536,161
South Georgia College Foundation, Inc. and Subsidiaries	238,339	2,132,796			(592,998)	1,778,137
Southern Polytechnic State University Foundation, Inc.	1,120,858	1,347,357		158,159	(2,062,924)	563,450
The Medical College of Georgia Physicians Practice Group Foundation (d/b/a Physicians Practice Group and Subsidiaries)		1,764,423	148,443,789		(159,506,242)	(9,298,030)
University of Georgia Athletic Association, Inc.				97,966,750	(89,438,499)	8,528,251
University of Georgia Foundation	38,233,655	8,618,926		114,177,585	(51,403,347)	109,626,819
University of Georgia Research Foundation, Inc.	139,674,036	29,095,784		100,000	(150,161,193)	18,708,627
University of North Georgia - Dahlonega, Inc.	1,198,726	724,525		14,584,441	(5,086,551)	11,421,141
University of North Georgia Real Estate Foundation, Inc. and Subsidiaries	155,631	828,445		7,553,600	(712,938)	7,824,738
University of West Georgia Foundation, Inc.	11,395,832	3,580,549		126,993	(3,906,651)	11,196,723
University of West Georgia Real Estate Foundation, Inc.		426,020		4,734,483	(233,452)	4,927,051
University System of Georgia Foundation, Inc. and Affiliates	1,089,652	1,482,012		17,218,163	(2,846,248)	16,943,579
Valdosta State University Foundation, Inc.	2,868,272	1,558,912		737,393	(4,015,143)	1,149,434
VSU Auxiliary Services Real Estate Foundation, Inc.	824,231			10,722,462	(773,195)	10,773,498
Walter & Emilie Spivey Foundation (Clayton State University)				974,685	(265,888)	708,797
James Dye Foundation, Inc. (South Georgia State College)	50,238			23,508	(54,940)	18,806
Total	$1,042,085,602	$260,313,008	$668,364,029	$386,873,955	($2,056,088,562)	$301,548,032

UNIVERSITY SYSTEM OF GEORGIA
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY AFFILIATED ORGANIZATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2014

	Non-Operating		
Affiliated Organization	Revenues	Expenses	Increase/(Decrease) in Net Position
Abraham Baldwin Agricultural College Foundation, Inc. and Subsidiaries	$651,836	($1,818,275)	$2,772,193
Albany State University Foundation, Inc.	3,872,648	(3,523,430)	408,032
Armstrong Atlantic State Educational Properties Foundation, Inc. and Subsidiaries	334,144	(4,433,844)	516,176
Armstrong Atlantic State University Foundation, Inc.	1,492,339		925,492
Atlanta Metropolitan College Foundation			69,545
Augusta State University Foundation, Inc.	3,123,727	(1,159,214)	3,969,054
Clayton State University Foundation, Inc.	1,161,933	(4,235,584)	464,822
College of Coastal Georgia Foundation, Inc.	829,622		915,553
Columbus State University Alumni Association, Inc.	23,344		34,963
Columbus State University Athletic Fund, Inc.	589,582		420,241
Columbus State University Foundation, Inc.	866,047		4,798,979
Dalton State College Athletic Club	95,166		883,819
Dalton State College Foundation, Inc.	2,254,914	(130,481)	639,631
Darton Boosters, Inc.	124		62,832
Darton College Foundation, Inc.	499,397		166,154
East Georgia College Foundation, Inc.	110,252		123,759
Fort Valley State University Foundation, Inc.	1,239,180	(2,822,184)	954,229
Foundation Properties, Inc. (Columbus State University)	163,986	(2,402,296)	3,815,711
Georgia Advanced Technology Ventures, Inc.	277,768	(7,212,712)	(584,448)
Georgia College & State University Alumni Association, Inc.	164,074		763,962
Georgia College and State University Foundation, Inc. and Subsidiaries	2,059,638	(4,350,402)	4,362,872
Georgia Gwinnett College Foundation, Inc. and Subsidiaries	738,496	(9,851,074)	1,571,468
Georgia Highlands College Foundation, Inc.	263,943	(790,636)	376,227
Georgia Perimeter College Foundation, Inc.	3,320,159		6,993,750
Georgia Regents University Research Institute, Inc. (f/k/a Georgia Health Sciences Research Institute)	42,013		225,720
Georgia Regents University, College of Dental Medicine Faculty Practice Group d/b/a GRU Dental Faculty Practice Group	913,848	(13,858)	313,461
Georgia Southern University Athletic Foundation, Inc.	38,887	(9,687)	1,313,199
Georgia Southern University Foundation, Inc.	9,126,029		8,359,570
Georgia Southern University Housing Foundation, Inc. and Subsidiaries	632,554	(9,828,628)	3,494,248
Georgia Southern University Research and Service Foundation, Inc.	3,287		832,705
Georgia Southwestern Foundation, Inc.	4,485,067	(2,041,175)	2,981,964
Georgia State University Foundation, Inc. and Affiliate	14,427,472	(10,456,373)	26,898,884
Georgia State University Research Foundation, Inc. and Affiliates	1,730,349	(4,246,328)	(35,607)
Georgia Tech Alumni Association			21,779
Georgia Tech Athletic Association	21,191,181	(12,756,754)	8,583,639
Georgia Tech Facilities, Inc.	171,570	(8,842,309)	3,527,249
Georgia Tech Foundation, Inc.	239,173,000	(11,070,000)	207,309,000
Georgia Tech Research Corporation	73,790		2,768,301
Gordon College Foundation, Inc. and Subsidiaries	1,171,261	(1,448,249)	891,269
Kennesaw State University Foundation, Inc.	4,279,885	(17,561,598)	5,357,856
Middle Georgia State College Foundation, Inc. and Subsidiaries	1,585,470		1,072,830
MCG Health, Inc./MCG Health Systems, Inc. d/b/a Georgia Regents Health System	46,610,222	(11,347,269)	6,502,912
Medical College of Georgia Foundation, Inc.	49,328,897		70,963,075
Middle Georgia College Foundation, Inc. and Subsidiaries		(3,715,400)	383,121
Savannah State University Foundation, Inc. and Subsidiaries	18,040	(4,293,521)	(1,739,320)
South Georgia College Foundation, Inc. and Subsidiaries	226,194	(1,184,871)	819,460
Southern Polytechnic State University Foundation, Inc.	1,317,050	(820,193)	1,060,307
The Medical College of Georgia Physicians Practice Group Foundation (d/b/a Physicians Practice Group and Subsidiaries)	6,641,173	(1,268,136)	(3,924,993)
University of Georgia Athletic Association, Inc.	5,104,390	(4,373,010)	9,259,631
University of Georgia Foundation	24,772,235	(336,102)	134,062,952
University of Georgia Research Foundation, Inc.	4,338,588	(16,857,671)	6,189,544
University of North Georgia - Dahlonega, Inc.	366,076	(8,727,689)	3,059,528
University of North Georgia Real Estate Foundation, Inc. and Subsidiaries	1,863,423	(7,743,168)	1,944,993
University of West Georgia Foundation, Inc.	2,477,422	(4,600,858)	9,073,287
University of West Georgia Real Estate Foundation, Inc.	304,123	(5,147,350)	83,824
University System of Georgia Foundation, Inc. and Affiliates	823,306	(14,713,226)	3,053,659
Valdosta State University Foundation, Inc.	2,474,471	(134,276)	3,489,629
VSU Auxiliary Services Real Estate Foundation, Inc.	174,816	(11,856,815)	(908,501)
Walter & Emilie Spivey Foundation (Clayton State University)			708,797
James Dye Foundation, Inc. (South Georgia State College)	165,919		184,725
Total	$470,184,327	($218,124,646)	$553,607,713

UNIVERSITY SYSTEM OF GEORGIA
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY AFFILIATED ORGANIZATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2014

	Net Position			
Affiliated Organization	Net Position - Beginning of Year	Prior Year Adjustments	Net Position - Beginning of Year Restated	Net Position - End of Year
Abraham Baldwin Agricultural College Foundation, Inc. and Subsidiaries	$28,373,601	($1,584,925)	$26,788,676	$29,560,869
Albany State University Foundation, Inc.	4,228,856		4,228,856	4,636,888
Armstrong Atlantic State Educational Properties Foundation, Inc. and Subsidiaries	23,381,674	(2,465,227)	20,916,447	21,432,623
Armstrong Atlantic State University Foundation, Inc.	8,624,264		8,624,264	9,549,756
Atlanta Metropolitan College Foundation	169,234		169,234	238,779
Augusta State University Foundation, Inc.	29,254,500		29,254,500	33,223,554
Clayton State University Foundation, Inc.	6,236,973		6,236,973	6,701,795
College of Coastal Georgia Foundation, Inc.	15,150,341		15,150,341	16,065,894
Columbus State University Alumni Association, Inc.		328,975	328,975	363,938
Columbus State University Athletic Fund, Inc.		1,677,659	1,677,659	2,097,900
Columbus State University Foundation, Inc.		53,985,957	53,985,957	58,784,936
Dalton State Athletic Club	4,736,770		4,736,770	5,620,589
Dalton State College Foundation, Inc.	31,433,808		31,433,808	32,073,439
Darton Boosters, Inc.	1,383,039		1,383,039	1,445,871
Darton College Foundation, Inc.	4,733,741		4,733,741	4,899,895
East Georgia College Foundation, Inc.	1,071,298		1,071,298	1,195,057
Fort Valley State University Foundation, Inc.	9,215,858		9,215,858	10,170,087
Foundation Properties, Inc. (Columbus State University)		11,640,515	11,640,515	15,456,226
Georgia Advanced Technology Ventures, Inc.	2,698,531		2,698,531	2,114,083
Georgia College & State University Alumni Association, Inc.	6,595,402		6,595,402	7,359,364
Georgia College and State University Foundation, Inc. and Subsidiaries	12,391,475	(1,830,580)	10,560,895	14,923,767
Georgia Gwinnett College Foundation, Inc. and Subsidiaries	(3,173,395)		(3,173,395)	(1,601,927)
Georgia Highlands College Foundation, Inc.	2,134,125	615,812	2,749,937	3,126,164
Georgia Perimeter College Foundation, Inc.	12,621,264	(14,619,165)	(1,997,901)	4,995,849
Georgia Regents University Research Institute, Inc. (f/k/a Georgia Health Sciences Research Institute)	6,776,994		6,776,994	7,002,714
Georgia Regents University, College of Dental Medicine Faculty Practice Group d/b/a GRU Dental Faculty Practice Group		880,802	880,802	1,194,263
Georgia Southern University Athletic Foundation, Inc.	8,887,344	(294,392)	8,592,952	9,906,151
Georgia Southern University Foundation, Inc.	50,668,922		50,668,922	59,028,492
Georgia Southern University Housing Foundation, Inc. and Subsidiaries	9,376,357	14,143,760	23,520,117	27,014,365
Georgia Southern University Research and Service Foundation, Inc.	1,215,738		1,215,738	2,048,443
Georgia Southwestern Foundation, Inc.	28,210,563		28,210,563	31,192,527
Georgia State University Foundation, Inc. and Affiliate	195,757,156		195,757,156	222,656,040
Georgia State University Research Foundation, Inc. and	25,557,127	(997,263)	24,559,864	24,524,257
Georgia Tech Alumni Association	(96,084)		(96,084)	(74,305)
Georgia Tech Athletic Association	68,482,496		68,482,496	77,066,135
Georgia Tech Facilities, Inc.	(26,510,776)	40,188,515	13,677,739	17,204,988
Georgia Tech Foundation, Inc.	1,197,067,000		1,197,067,000	1,404,376,000
Georgia Tech Research Corporation	45,730,419		45,730,419	48,498,720
Gordon College Foundation, Inc. and Subsidiaries	10,204,843		10,204,843	11,096,112
Kennesaw State University Foundation, Inc.	29,586,729		29,586,729	34,944,585
Middle Georgia State College Foundation, Inc. and Subsidiaries	11,988,719	(2,285,624)	9,703,095	10,775,925
MCG Health, Inc./MCG Health Systems, Inc. d/b/a Georgia Regents Health System	278,675,266	(1,046,407)	277,628,859	284,131,771
Medical College of Georgia Foundation, Inc.	154,497,326		154,497,326	225,460,401
Middle Georgia College Foundation, Inc. and Subsidiaries	10,121,919		10,121,919	10,505,040
Savannah State University Foundation, Inc. and Subsidiaries	5,659,887		5,659,887	3,920,567
South Georgia College Foundation, Inc. and Subsidiaries	4,501,591		4,501,591	5,321,051
Southern Polytechnic State University Foundation, Inc.	6,394,588		6,394,588	7,454,895
The Medical College of Georgia Physicians Practice Group Foundation (d/b/a Physicians Practice Group and Subsidiaries)	78,810,453		78,810,453	74,885,460
University of Georgia Athletic Association, Inc.	188,957,066	(1,268,357)	187,688,709	196,948,340
University of Georgia Foundation	808,242,429	2,768,556	811,010,985	945,073,937
University of Georgia Research Foundation, Inc.	85,514,725	(6,681,474)	78,833,251	85,022,795
University of North Georgia - Dahlonega, Inc.	34,878,079		34,878,079	37,937,607
North Georgia College & State University Real Estate Foundation, Inc. and Subsidiaries	4,919,546		4,919,546	6,864,539
University of West Georgia Foundation, Inc.	36,613,855	(6,570,453)	30,043,402	39,116,689
University of West Georgia Real Estate Foundation, Inc.	3,204,698		3,204,698	3,288,522
University System of Georgia Foundation, Inc. and Affiliates	12,184,811	(4,421,965)	7,762,846	10,816,505
Valdosta State University Foundation, Inc.	29,831,739		29,831,739	33,321,368
VSU Auxiliary Services Real Estate Foundation, Inc.	35,208,667	(2,974,526)	32,234,141	31,325,640
Walter & Emilie Spivey Foundation (Clayton State University)	6,316,085		6,316,085	7,024,882
James Dye Foundation, Inc. (South Georgia State College)	1,931,779		1,931,779	2,116,504
Total	$3,650,629,415	$79,190,193	$3,729,819,608	$4,283,427,321

BALANCE SHEET (NON-GAAP BASIS)
BUDGET FUNDS
June 30, 2014
UNAUDITED

ASSETS		
Cash and Cash Equivalents	$	626,025,700.25
Investments		75,421,249.37
Accounts Receivable		
Federal Financial Assistance		122,397,001.63
Other		209,508,401.31
Margin Allocation		4,396,995.00
Prepaid Expenditures		23,829,396.36
Inventories		4,382,069.75
Other Assets		40,291.03
Total Assets	$	1,066,001,104.70
LIABILITIES AND FUND BALANCES		
Liabilities		
Contracts Payable	$	23,691.62
Accrued Payroll		8,952,768.95
Encumbrance Payable		276,789,861.47
Accounts Payable		145,378,569.94
Deferred Revenue		218,458,444.06
Funds Held for Others		76,100.26
Other Liabilities		4,782,693.30
Total Liabilities	$	654,462,129.60
FUND BALANCES		
Fund Balances		
Reserved:		
Capital Outlay	$	9,528,132.82
Department Sales and Services		81,525,332.93
Indirect Cost Recoveries		112,470,322.55
Technology Fees		13,933,451.66
Restricted/Sponsored Funds		117,030,310.21
Uncollectible Accounts Receivable		20,718,210.79
Inventories		2,890,060.99
Tuition Carry - Forward		35,439,012.46
Carry-Over "Per Office of Planning and Budget"		8,259,873.34
Early Retirement Program		7,787,077.08
Unreserved: Surplus		1,957,190.27
Total Fund Balances	$	411,538,975.10
Total Liabilities and Fund Balances	$	1,066,001,104.70

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which a comprehensive basis of accounting other than generally accepted accounting principles.

UNIVERSITY SYSTEM OF GEORGIA
Budget Comparison and Surplus Analysis Report (Non-GAAP Basis) - Budget Fund
Year Ended June 30, 2014

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
State Appropriations				
State General Funds	$ 1,883,128,792.00	$ 1,885,486,702.00	$ 1,885,486,702.00	$ -
Non-State Funds	4,521,194,857.00	5,126,948,916.00	4,647,386,900.53	(479,562,015.47)
Total Revenue	$ 6,404,323,649.00	$ 7,012,435,618.00	$ 6,532,873,602.53	$ (479,562,015.47)
Mandatory and Non-Mandatory Transfers			7,650,128.69	7,650,128.69
Prior Year Reserves Available for Expenditure	-	-	326,862,418.53	326,862,418.53
Total Funds Available	**$ 6,404,323,649.00**	**$ 7,012,435,618.00**	**$ 6,867,386,149.75**	**$ (145,049,468.25)**
EXPENDITURES				
UGA - Forestry Research	$ 12,812,680.00	$ 14,478,344.00	$ 12,331,206.63	$ 2,147,137.37
UGA - Agricultural Experiment Station	72,785,946.00	99,958,196.00	81,586,773.72	18,371,422.28
UGA - Athens Tifton Vet Labs	4,944,522.00	6,367,072.00	5,748,773.79	618,298.21
UGA - Cooperative Extension Service	54,449,313.00	67,193,497.00	61,788,328.12	5,405,168.88
UGA - Forestry Cooperative Extension	1,071,179.00	1,451,365.00	1,092,181.62	359,183.38
UGA - Marine Institute	1,200,848.00	1,340,819.00	1,143,276.07	197,542.93
UGA - Marine Resources Extension Center	2,524,781.00	2,954,781.00	2,502,541.94	452,239.06
UGA - Skidaway Institute of Oceanography-B	4,865,489.00	5,613,568.00	4,902,458.11	711,109.89
UGA - Veterinary Medicine Experiment Station	2,569,841.00	2,569,841.00	2,569,841.00	-
UGA - Veterinary Medicine Teaching Hospital	10,008,086.00	16,029,872.00	12,664,826.84	3,365,045.16
GT - Enterprise Innovation Institute (EII)	17,662,612.00	19,229,016.00	18,392,003.89	837,012.11
GT - Georgia Tech Research Institute	229,506,478.00	336,815,482.00	316,048,722.94	20,766,759.06
USO - Archives	4,684,099.00	5,082,087.00	4,794,329.79	287,757.21
USO - Public Libraries	36,720,024.00	37,537,156.00	35,204,489.44	2,332,666.56
USO - Regents Central Office	8,401,788.00	8,401,788.00	8,401,787.55	0.45
USO - MCG Hospitals and Clinics	28,297,463.00	28,297,463.00	28,297,463.00	-
USO - Georgia Public Telecommunications Commission	14,513,070.00	14,513,070.00	14,513,070.00	-
USO - Georgia Radiation Therapy Center	3,625,810.00	3,779,621.00	3,779,621.00	-
USO - Georgia Military College	2,288,309.00	2,288,309.00	2,288,309.00	-
Research Consortium	6,104,447.00	6,104,447.00	6,104,447.00	-
Special Funding Initiative	25,303,326.00	26,703,326.00	26,567,052.59	136,273.41
Teaching	5,859,983,538.00	6,305,726,498.00	5,831,295,553.63	474,430,944.37
Total Expenditures	**$ 6,404,323,649.00**	**$ 7,012,435,618.00**	**$ 6,482,017,057.67**	**$ 530,418,560.33**
Excess of Funds Available over Expenditures			**$ 385,369,092.08**	

UNIVERSITY SYSTEM OF GEORGIA
BUDGET COMPARISON AND SURPLUS ANALYSIS REPORT (NON-GAAP BASIS)
Year Ended June 30, 2014
UNAUDITED

Beginning Fund Balance July 1, 2013		
Reserved	$	354,306,782.94
Unreserved, Undesignated Fund Balance (Surplus) for fiscal year 2013		4,231,298.94
Unreserved, Unreserved Fund Balance (Surplus)		(4,231,298.94)
Early Return of Surplus in fiscal year 2014		(763,317.01)
Adjustments		
Prior Year Payables/Expenditures		2,602,963.75
Prior Year Receivables/Revenues		(3,114,128.13)
Reserved Fund Balance Carried Over from Prior Year as Funds Available		(326,862,418.53)
Ending Fund Balance - June 30, 2014	$	411,538,975.10
Summary of Fund Balance		
Reserved		
Capital Outlay	$	9,528,132.82
Department Sales & Services		81,525,332.93
Indirect Cost Recovery		112,470,322.55
Technology Fees		13,933,451.66
Restricted/Sponsored Funds		117,030,310.21
Uncollectible Accounts Receivable		20,718,210.79
Inventories		2,890,060.99
Tuition Carry - Forward		35,439,012.46
Carry-Over "Per Office of Planning and Budget"		8,259,873.34
Early Retirement Program		7,787,077.08
Total Reserved	$	409,581,784.83
Unreserved		
Surplus		1,957,190.27
Ending Fund Balance - June 30, 2014	$	411,538,975.10

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a comprehensive basis of accounting other than generally accepted accounting principles.

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BUDGET FUNDS
FOR YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	Original Appropriation	Amended Appropriation	Final Budget	Funds Current Year Revenues
Agricultural Experiment Station				
State Appropriation				
State General Funds	$ 35,233,027.00	$ 35,233,027.00	$ 35,233,027.00	$ 35,233,027.00
Other Funds	37,552,919.00	37,552,919.00	64,725,169.00	46,226,158.06
Total Agricultural Experiment Station	72,785,946.00	72,785,946.00	99,958,196.00	81,459,185.06
Athens/Tifton Vet Laboratories				
State Appropriation				
State General Funds	-	-	-	-
Other Funds	4,944,522.00	5,258,000.00	6,367,072.00	5,909,909.02
Total Athens/Tifton Vet Laboratories	4,944,522.00	5,258,000.00	6,367,072.00	5,909,909.02
Cooperative Extension Service				
State Appropriation				
State General Funds	29,365,384.00	29,365,384.00	29,365,384.00	29,365,384.00
Other Funds	25,083,929.00	25,083,929.00	37,828,113.00	32,839,167.70
Total Cooperative Extension Service	54,449,313.00	54,449,313.00	67,193,497.00	62,204,551.70
Enterprise Innovation Institute				
State Appropriation				
State General Funds	7,187,612.00	7,187,612.00	7,187,612.00	7,187,612.00
Federal Funds				
Federal Funds Not Itemized	-	-	-	-
Other Funds	10,475,000.00	10,475,000.00	12,041,404.00	10,868,777.84
Total Enterprise Innovation Institute	17,662,612.00	17,662,612.00	19,229,016.00	18,056,389.84
Forestry Cooperative Extension				
State Appropriation				
State General Funds	495,191.00	495,191.00	495,191.00	495,191.00
Other Funds	575,988.00	575,988.00	956,174.00	636,006.56
Total Forestry Cooperative Extension	1,071,179.00	1,071,179.00	1,451,365.00	1,131,197.56
Forestry Research				
State Appropriation				
State General Funds	2,562,254.00	2,562,254.00	2,562,254.00	2,562,254.00
Other Funds	10,250,426.00	10,250,426.00	11,916,090.00	9,706,531.91
Total Forestry Research	12,812,680.00	12,812,680.00	14,478,344.00	12,268,785.91
Georgia Archives				
State Appropriation				
State General Funds	4,151,428.00	4,151,428.00	4,151,428.00	4,151,428.00
Federal Funds Not Itemized	-	-	-	-
Other Funds	532,671.00	689,281.00	930,659.00	834,440.17
Total Georgia Archives	4,684,099.00	4,840,709.00	5,082,087.00	4,985,868.17
Georgia Radiation Therapy Center				
Other Funds	3,625,810.00	3,779,621.00	3,779,621.00	3,779,621.00

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BUDGET FUNDS
FOR YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Available Compared to Budget				Expenditures Compared to Budget		Excess (Deficiency) of Funds Available
Prior Year Reserve Carry-Over	Program Transfers or Adjustments	Total Funds Available	Variance Positive (Negative)	Actual	Variance Positive (Negative)	Over/(Under) Expenditures
$ -	$ -	$ 35,233,027.00	$ -	$ 35,233,027.00	$ -	$ -
17,319,722.66	-	63,545,880.72	(1,179,288.28)	46,353,746.72	18,371,422.28	17,192,134.00
17,319,722.66	-	98,778,907.72	(1,179,288.28)	81,586,773.72	18,371,422.28	17,192,134.00
-	-	-	-	-	-	-
588,640.18	-	6,498,549.20	131,477.20	5,748,773.79	618,298.21	749,775.41
588,640.18	-	6,498,549.20	131,477.20	5,748,773.79	618,298.21	749,775.41
-	-	29,365,384.00	-	29,365,384.00	-	-
4,599,752.72	-	37,438,920.42	(389,192.58)	32,422,944.12	5,405,168.88	5,015,976.30
4,599,752.72	-	66,804,304.42	(389,192.58)	61,788,328.12	5,405,168.88	5,015,976.30
-	-	7,187,612.00	-	7,187,611.88	0.12	0.12
-	-	-	-	-	-	-
-	335,614.23	11,204,392.07	(837,011.93)	11,204,392.01	837,011.99	0.06
-	335,614.23	18,392,004.07	(837,011.93)	18,392,003.89	837,012.11	0.18
-	-	495,191.00	-	495,191.00	-	-
123,699.85	-	759,706.41	(196,467.59)	596,990.62	359,183.38	162,715.79
123,699.85	-	1,254,897.41	(196,467.59)	1,092,181.62	359,183.38	162,715.79
-	-	2,562,254.00	-	2,562,254.00	-	-
2,485,968.19	-	12,192,500.10	276,410.10	9,768,952.63	2,147,137.37	2,423,547.47
2,485,968.19	-	14,754,754.10	276,410.10	12,331,206.63	2,147,137.37	2,423,547.47
-	-	4,151,428.00	-	4,151,425.98	2.02	2.02
-	0.44	0.44	0.44	0.44	(0.44)	-
-	684,563.77	1,519,003.94	588,344.94	642,903.37	287,755.63	876,100.57
-	684,564.21	5,670,432.38	588,345.38	4,794,329.79	287,757.21	876,102.59
-	-	3,779,621.00	-	3,779,621.00	-	-

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BUDGET FUNDS
FOR YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	Original Appropriation	Amended Appropriation	Final Budget	Funds Current Year Revenues
Georgia Tech Research Institute				
State Appropriation				
State General Funds	5,588,520.00	5,588,520.00	5,588,520.00	5,588,520.00
Other Funds	223,917,958.00	314,011,962.00	331,226,962.00	310,742,979.24
Total Georgia Tech Research Institute	229,506,478.00	319,600,482.00	336,815,482.00	316,331,499.24
Marine Institute				
State Appropriation				
State General Funds	714,567.00	714,567.00	714,567.00	714,567.00
Other Funds	486,281.00	486,281.00	626,252.00	444,583.74
Total Marine Institute	1,200,848.00	1,200,848.00	1,340,819.00	1,159,150.74
Marine Resources Extension Center				
State Appropriation				
State General Funds	1,179,252.00	1,179,252.00	1,179,252.00	1,179,252.00
Other Funds	1,345,529.00	1,345,529.00	1,775,529.00	1,322,761.23
Total Marine Resources Extension Center	2,524,781.00	2,524,781.00	2,954,781.00	2,502,013.23
Medical College of Georgia Hospital and Clinics				
State Appropriation				
State General Funds	28,297,463.00	28,297,463.00	28,297,463.00	28,297,463.00
Public Libraries				
State Appropriation				
State General Funds	31,497,624.00	31,497,624.00	31,497,624.00	31,497,624.00
Other Funds	5,222,400.00	5,222,400.00	6,039,532.00	3,707,171.84
Total Public Libraries	36,720,024.00	36,720,024.00	37,537,156.00	35,204,795.84
Public Service/Special Funding Initiatives				
State Appropriation				
State General Funds	25,303,326.00	26,703,326.00	26,703,326.00	26,703,326.00
State Funds - Prior Year Carry-Over				
State General Funds - Prior Year	-	-	-	-
Other Funds	-	-	-	-
Total Public Service/Special Funding Initiatives	25,303,326.00	26,703,326.00	26,703,326.00	26,703,326.00
Regents Central Office				
State Appropriation				
State General Funds	8,401,788.00	8,401,788.00	8,401,788.00	8,401,788.00
Other Funds	-	-	-	-
Total Regents Central Office	8,401,788.00	8,401,788.00	8,401,788.00	8,401,788.00
Research Consortium				
State Appropriation				
State General Funds	6,104,447.00	6,104,447.00	6,104,447.00	6,104,447.00
Total Research Consortium	6,104,447.00	6,104,447.00	6,104,447.00	6,104,447.00

Available Compared to Budget				Expenditures Compared to Budget		Excess (Deficiency) of Funds Available
Prior Year Reserve Carry-Over	Program Transfers or Adjustments	Total Funds Available	Variance Positive (Negative)	Actual	Variance Positive (Negative)	Over/(Under) Expenditures
-	-	5,588,520.00	-	5,588,520.00	-	-
-	-	310,742,979.24	(20,483,982.76)	310,460,202.94	20,766,759.06	282,776.30
-	-	316,331,499.24	(20,483,982.76)	316,048,722.94	20,766,759.06	282,776.30
-	-	714,567.00	-	714,567.00	-	-
363,804.72	-	808,388.46	182,136.46	428,709.07	197,542.93	379,679.39
363,804.72	-	1,522,955.46	182,136.46	1,143,276.07	197,542.93	379,679.39
-	-	1,179,252.00	-	1,179,252.00	-	-
159,265.31	-	1,482,026.54	(293,502.46)	1,323,289.94	452,239.06	158,736.60
159,265.31	-	2,661,278.54	(293,502.46)	2,502,541.94	452,239.06	158,736.60
-	-	28,297,463.00	-	28,297,463.00	-	-
-	-	31,497,624.00	-	31,497,622.85	1.15	1.15
-	-	3,707,171.84	(2,332,360.16)	3,706,866.59	2,332,665.41	305.25
-	-	35,204,795.84	(2,332,360.16)	35,204,489.44	2,332,666.56	306.40
-	-	26,703,326.00	-	26,567,052.59	136,273.41	136,273.41
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	26,703,326.00	-	26,567,052.59	136,273.41	136,273.41
-	-	8,401,788.00	-	8,401,787.55	0.45	0.45
-	-	-	-	-	-	-
-	-	8,401,788.00	-	8,401,787.55	0.45	0.45
-	-	6,104,447.00	-	6,104,447.00	-	-
-	-	6,104,447.00	-	6,104,447.00	-	-

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BUDGET FUNDS
FOR YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	Original Appropriation	Amended Appropriation	Final Budget	Funds Current Year Revenues
Skidaway Institute of Oceanography				
State Appropriation				
State General Funds	1,214,869.00	1,214,869.00	1,214,869.00	1,214,869.00
Other Funds	3,650,620.00	3,950,620.00	4,398,699.00	3,908,733.72
Total Skidaway Institute of Oceanography	4,865,489.00	5,165,489.00	5,613,568.00	5,123,602.72
Teaching				
State Appropriation				
State General Funds	1,676,074,685.00	1,677,032,595.00	1,677,032,595.00	1,677,032,595.00
Other Funds	4,183,908,853.00	4,243,957,206.00	4,628,693,903.00	4,203,547,850.13
Total Teaching	5,859,983,538.00	5,920,989,801.00	6,305,726,498.00	5,880,580,445.13
Veterinary Medicine Experiment Station				
State Appropriation				
State General Funds	2,569,841.00	2,569,841.00	2,569,841.00	2,569,841.00
Veterinary Medicine Teaching Hospital				
State Appropriation				
State General Funds	386,135.00	386,135.00	386,135.00	386,135.00
Other Funds	9,621,951.00	10,088,255.00	15,643,737.00	12,912,208.37
Total Veterinary Medicine Teaching Hospital	10,008,086.00	10,474,390.00	16,029,872.00	13,298,343.37
Agencies Attached for Administrative Purposes				
Payments to Georgia Military College				
State Appropriation				
State General Funds	2,288,309.00	2,288,309.00	2,288,309.00	2,288,309.00
Payments to Public Telecommunications Commission, Georgia				
State Appropriation				
State General Funds	14,513,070.00	14,513,070.00	14,513,070.00	14,513,070.00
Total Payments to Public Telecommunications Commission, Georgia	14,513,070.00	14,513,070.00	14,513,070.00	14,513,070.00
Budget Unit Totals	$ 6,404,323,649.00	$ 6,558,214,119.00	$ 7,012,435,618.00	$ 6,532,873,602.53

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BUDGET FUNDS
FOR YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Available Compared to Budget				Expenditures Compared to Budget		Excess (Deficiency) of Funds Available
Prior Year Reserve Carry-Over	Program Transfers or Adjustments	Total Funds Available	Variance Positive (Negative)	Actual	Variance Positive (Negative)	Over/(Under) Expenditures
-	-	1,214,869.00	-	1,214,869.00	-	-
147,832.90	-	4,056,566.62	(342,132.38)	3,687,589.11	711,109.89	368,977.51
147,832.90	-	5,271,435.62	(342,132.38)	4,902,458.11	711,109.89	368,977.51
-	50,382.09	1,677,082,977.09	50,382.09	1,676,908,057.24	124,537.76	174,919.85
299,324,026.01	6,579,568.16	4,509,451,444.30	(119,242,458.70)	4,154,387,496.39	474,306,406.61	355,063,947.91
299,431,647.93	6,629,950.25	6,186,642,043.31	(119,084,454.69)	5,831,295,553.63	474,430,944.37	355,346,489.68
-	-	2,569,841.00	-	2,569,841.00	-	-
-	-	386,135.00	-	386,135.00	-	-
1,642,084.07	-	14,554,292.44	(1,089,444.56)	12,278,691.84	3,365,045.16	2,275,600.60
1,642,084.07	-	14,940,427.44	(1,089,444.56)	12,664,826.84	3,365,045.16	2,275,600.60
-	-	2,288,309.00	-	2,288,309.00	-	-
-	-	14,513,070.00	-	14,513,070.00	-	-
-	-	14,513,070.00	-	14,513,070.00	-	-
$ 326,862,418.53	$ 7,650,128.69	$ 6,867,386,149.75	$ (145,049,468.25)	$ 6,482,017,057.67	$ 530,418,560.33	$ 385,369,092.08

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE
BUDGET FUNDS
FOR YEARD ENDED JUNE 30, 2014
(UNAUDITED)

Regents, University System of Georgia	Beginning Fund Balance/(Deficit) July 1	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2013 Surplus	Prior Year Adjustments
Agricultural Experiment Station				
State Appropriation				
State General Funds	$ 46,558.28	$ -	$ (46,558.28)	$ 42,603.42
Other Funds	17,319,722.66	(17,319,722.66)	-	17,169.99
Total Agricultural Experiment Station	17,366,280.94	(17,319,722.66)	(46,558.28)	59,773.41
Athens/Tifton Vet Laboratories				
Other Funds	588,640.18	(588,640.18)	-	3,366.18
Cooperative Extension Service				
State Appropriation				
State General Funds	4,595.59	-	(4,595.59)	3,339.40
Other Funds	4,599,752.72	(4,599,752.72)	-	9,297.46
Total Cooperative Extension Service	4,604,348.31	(4,599,752.72)	(4,595.59)	12,636.86
Enterprise Innovation Institute				
State Appropriation				
State General Funds	0.02	-	(0.02)	-
Federal Funds				
Federal Funds Not Itemized	-	-	-	-
Other Funds	-	-	-	-
Total Enterprise Innovation Institute	0.02	-	(0.02)	-
Forestry Cooperative Extension				
State Appropriation				
State General Funds	-	-	-	0.01
Other Funds	123,699.85	(123,699.85)	-	1.00
Total Forestry Cooperative Extension	123,699.85	(123,699.85)	-	1.01
Forestry Research				
State Appropriation				
State General Funds	382.13	-	(382.13)	2,088.07
Other Funds	2,485,968.19	(2,485,968.19)	-	388.98
Total Forestry Research	2,486,350.32	(2,485,968.19)	(382.13)	2,477.05
Georgia Archives				
State Appropriation				
State General Funds	-	-	-	-
Federal Funds Not Itemized	-	-	-	-
Other Funds	-	-	-	-
Total Georgia Archives	-	-	-	-
Georgia Radiation Therapy Center				
Other Funds	-	-	-	-

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE
BUDGET FUNDS
FOR YEARD ENDED JUNE 30, 2014
(UNAUDITED)

Other Adjustments	Early Return of Fiscal Year 2014 Surplus	Excess (Deficiency) of Funds Available Over/(Under) Expenditures	Ending Fund Balance/(Deficit) June 30	Analysis of Ending Fund Balance: Reserved	Surplus/(Deficit)	Total
$ -	$ -	$ -	$ 42,603.42	$ -	$ 42,603.42	$ 42,603.42
(480.00)	-	17,192,134.00	17,208,823.99	17,208,823.99	-	17,208,823.99
(480.00)	-	17,192,134.00	17,251,427.41	17,208,823.99	42,603.42	17,251,427.41
-	-	749,775.41	753,141.59	753,141.59	-	753,141.59
-	-	-	3,339.40	-	3,339.40	3,339.40
550.00	-	5,015,976.30	5,025,823.76	5,025,823.76	-	5,025,823.76
550.00	-	5,015,976.30	5,029,163.16	5,025,823.76	3,339.40	5,029,163.16
-	-	0.12	0.12	-	0.12	0.12
-	-	-	-	-	-	-
-	-	0.06	0.06	-	0.06	0.06
-	-	0.18	0.18	-	0.18	0.18
-	-	-	0.01	-	0.01	0.01
-	-	162,715.79	162,716.79	162,716.79	-	162,716.79
-	-	162,715.79	162,716.80	162,716.79	0.01	162,716.80
-	-	-	2,088.07	-	2,088.07	2,088.07
-	-	2,423,547.47	2,423,936.45	2,423,936.45	-	2,423,936.45
-	-	2,423,547.47	2,426,024.52	2,423,936.45	2,088.07	2,426,024.52
-	-	2.02	2.02	-	2.02	2.02
-	-	-	-	-	-	-
-	-	876,100.57	876,100.57	876,100.57	-	876,100.57
-	-	876,102.59	876,102.59	876,100.57	2.02	876,102.59
-	-	-	-	-	-	-

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE
BUDGET FUNDS
FOR YEARD ENDED JUNE 30, 2014
(UNAUDITED)

Regents, University System of Georgia	Beginning Fund Balance/(Deficit) July 1	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2013 Surplus	Prior Year Adjustments
Georgia Tech Research Institute				
State Appropriation				
State General Funds	1,369.71	-	(1,369.71)	1,222.70
Other Funds	-	-	-	-
Total Georgia Tech Research Institute	1,369.71	-	(1,369.71)	1,222.70
Marine Institute				
State Appropriation				
State General Funds	-	-	-	-
Other Funds	363,804.72	(363,804.72)	-	-
Total Marine Institute	363,804.72	(363,804.72)	-	-
Marine Resources Extension Center				
State Appropriation				
State General Funds	933.56	-	(933.56)	883.12
Other Funds	159,265.31	(159,265.31)	-	27.31
Total Marine Resources Extension Center	160,198.87	(159,265.31)	(933.56)	910.43
Medical College of Georgia Hospital and Clinics				
State Appropriation				
State General Funds	-	-	-	-
Public Libraries				
State Appropriation				
State General Funds	1,193.88	-	(1,193.88)	569.90
Other Funds	-	-	-	-
Total Public Libraries	1,193.88	-	(1,193.88)	569.90
Public Service/Special Funding Initiatives				
State Appropriation				
State General Funds	243,865.98	-	(243,865.98)	50,531.07
State Funds - Prior Year Carry-Over				
State General Funds - Prior Year	-	-	-	-
Total Public Service/Special Funding Initiatives	243,865.98	-	(243,865.98)	50,531.07
Regents Central Office				
State Appropriation				
State General Funds	5,742.30	-	(5,742.30)	194.22
Research Consortium				
State Appropriation				
State General Funds	-	-	-	-
Total Research Consortium	-	-	-	-

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE
BUDGET FUNDS
FOR YEARD ENDED JUNE 30, 2014
(UNAUDITED)

Other Adjustments	Early Return of Fiscal Year 2014 Surplus	Excess (Deficiency) of Funds Available Over/(Under) Expenditures	Ending Fund Balance/(Deficit) June 30	Analysis of Ending Fund Balance Reserved	Surplus/(Deficit)	Total
-	-	-	1,222.70	-	1,222.70	1,222.70
-	-	282,776.30	282,776.30	282,776.30	-	282,776.30
-	-	282,776.30	283,999.00	282,776.30	1,222.70	283,999.00
-	-	-	-	-	-	-
-	-	379,679.39	379,679.39	379,679.39	-	379,679.39
-	-	379,679.39	379,679.39	379,679.39	-	379,679.39
-	-	-	883.12	-	883.12	883.12
-	-	158,736.60	158,763.91	158,763.91	-	158,763.91
-	-	158,736.60	159,647.03	158,763.91	883.12	159,647.03
-	-	-	-	-	-	-
-	-	1.15	571.05	-	571.05	571.05
-	-	305.25	305.25	-	305.25	305.25
-	-	306.40	876.30	-	876.30	876.30
-	(822.00)	136,273.41	185,982.48	-	185,982.48	185,982.48
-	-	-	-	-	-	-
-	(822.00)	136,273.41	185,982.48	-	185,982.48	185,982.48
-	-	0.45	194.67	-	194.67	194.67
-	-	-	-	-	-	-
-	-	-	-	-	-	-

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE
BUDGET FUNDS
FOR YEARD ENDED JUNE 30, 2014
(UNAUDITED)

Regents, University System of Georgia	Beginning Fund Balance/(Deficit) July 1	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2013 Surplus	Prior Year Adjustments
Skidaway Institute of Oceanography				
State Appropriation				
State General Funds	0.32	-	(0.32)	-
Other Funds	155,268.46	(147,832.90)	(7,435.56)	-
Total Skidaway Institute of Oceanography	155,268.78	(147,832.90)	(7,435.88)	-
Teaching				
State Appropriation				
State General Funds	1,994,994.28	-	(1,994,994.28)	1,553,374.77
State Appropriation				
State General Fund Prior Year	120,027.47	(107,621.92)	(12,405.55)	-
Other Funds	301,235,179.19	(299,324,026.01)	(1,911,153.18)	(2,199,017.91)
Total Teaching	303,350,200.94	(299,431,647.93)	(3,918,553.01)	(645,643.14)
Veterinary Medicine Experiment Station				
State Appropriation				
State General Funds	668.60	-	(668.60)	904.99
Veterinary Medicine Teaching Hospital				
State Appropriation				
State General Funds	-	-	-	1,024.00
Other Funds	1,642,084.07	(1,642,084.07)	-	866.94
Total Veterinary Medicine Teaching Hospital	1,642,084.07	(1,642,084.07)	-	1,890.94
Payments to the Georgia Cancer Coalition				
State Appropriation				
Tobacco Settlement Funds	-	-	-	-
Payments to Georgia Military College				
State Appropriation				
State General Funds	-	-	-	-
Payments to Public Telecommunications Commission, Georgia				
State Appropriation				
State General Funds	-	-	-	-
Total Payments to Public Telecommunications Commission, Georgia	-	-	-	-
Total Operating Activity	331,093,717.47	(326,862,418.53)	(4,231,298.94)	(511,164.38)
Prior Year Reserve				
Not Available for Expenditure				
Inventories	3,112,681.70	-	-	-
Other Reserves	24,331,682.71	-	-	-
Budget Unit Totals	$ 358,538,081.88	$ (326,862,418.53)	$ (4,231,298.94)	$ (511,164.38)

UNIVERSITY SYSTEM OF GEORGIA
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE
BUDGET FUNDS
FOR YEARD ENDED JUNE 30, 2014
(UNAUDITED)

Other Adjustments	Early Return of Fiscal Year 2014 Surplus	Excess (Deficiency) of Funds Available Over/(Under) Expenditures	Ending Fund Balance/(Deficit) June 30	Analysis of Ending Fund Balance Reserved	Surplus/(Deficit)	Total
-	-	-	-	-	-	-
-	-	368,977.51	368,977.51	368,977.51	-	368,977.51
-	-	368,977.51	368,977.51	368,977.51	-	368,977.51
2,791.54	(762,495.01)	174,919.85	968,591.15	-	968,591.15	968,591.15
-	-	107,621.92	107,621.92	-	107,621.92	107,621.92
(3,948,648.86)	-	355,063,947.91	348,916,281.14	348,274,425.30	641,855.84	348,916,281.14
(3,945,857.32)	(762,495.01)	355,346,489.68	349,992,494.21	348,274,425.30	1,718,068.91	349,992,494.21
-	-	-	904.99	-	904.99	904.99
-	-	-	1,024.00	-	1,024.00	1,024.00
(5,197.13)	-	2,275,600.60	2,271,270.41	2,271,270.41	-	2,271,270.41
(5,197.13)	-	2,275,600.60	2,272,294.41	2,271,270.41	1,024.00	2,272,294.41
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(3,950,984.45)	(763,317.01)	385,369,092.08	380,143,626.24	378,186,435.97	1,957,190.27	380,143,626.24
(222,620.71)	-	-	2,890,060.99	2,890,060.99	-	2,890,060.99
4,173,605.16	-	-	28,505,287.87	28,505,287.87	-	28,505,287.87
$ -	$ (763,317.01)	$ 385,369,092.08	$ 411,538,975.10	$ 409,581,784.83	$ 1,957,190.27	$ 411,538,975.10

Financial Statement Findings
June 30, 2014

The auditor is required to communicate to management and those charged with governance deficiencies in internal controls identified during the course of the financial statement audit that, in the auditor's judgment, constitute significant deficiencies or material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University System of Georgia's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Any identified deficiencies in internal controls that the auditors did not consider to be significant deficiencies and/or material weaknesses have been communicated to management and those charged with governance within separate management letters for each applicable individual college or university. Internal control deficiencies that were considered to be significant deficiencies and/or material weaknesses are presented below:

Clayton State University - FS-528-14-01
Fort Valley State University - FS-533-14-01
Georgia College and State University - FS-536-14-01
Georgia Institute of Technology - FS-503-14-01
University System Office of the Board of Regents - FS-472-14-01 & FS-472-14-02

Detailed information on these findings is available in the individual college or university report for the fiscal year ended June 30, 2014 located at http://www.audits.ga.gov.

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